GROWING TOGETHER

Oklahoma City Public Property 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 PUBLIC PROPERTY AUTHORITY

A Blended Component Unit of
Oklahoma City, Oklahoma

Management

James D. Couch, General Manager

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

THE OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2012

The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 18, 2012

The Oklahoma City Public Property 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 (U.S. GAAP). 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 independent accountants' reports, management's discussion and analysis (MD&A), Authority-wide, fund, and combining financial statements, related notes, and required supplementary information. 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. Only funds within that framework are included. 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, a public trust was created and exists by trust indenture dated August 15, 1961, pursuant to the provision of Title 60, Section 176 to 180 of the Oklahoma Statutes 1951, and the Oklahoma Trust Act. The property is held and administered by the Authority for the use and benefit of the City under the terms of the trust indenture. The City's Mayor and Council serve as the Authority's Trustees and the City Manager is the General Manager.

Services and activities of the Authority provided on behalf of the City include financing and operation of five municipal golf courses, the Oklahoma City Fairgrounds, Cox Convention Center (Cox Center), OKC Arena, Civic Center Music Hall, and other City buildings. The Authority uses City hotel/motel tax collections to fund debt service on bonds issued for Oklahoma City Fairgrounds improvements.

In January 1966, the Golf Commission was created by the Authority to establish plans and recommend policies for the operation, maintenance, and construction of the golf courses and related facilities and activities.

The Authority uses fees collected by the City to provide improvements and special services for property owners in City business improvement districts. Property owners are assessed to fund these services. There are currently four business improvement districts in the City including Downtown, Stockyards, Western Avenue, and Capitol Hill.

The Authority awarded several construction contracts during the fiscal year Oklahoma City Fairgrounds projects providing improvements to gateways, security fencing, directional signage, traffic flow, feed/bedding storage relocation, maintenance/vehicle storage facility relocation, parking lots, storm drainage, Americans with Disabilities Act (ADA)-compliant trams, and ADA sidewalk improvements. Also, structural repairs to the Norick Arena and the demolition of Oklahoma City Fairgrounds grandstands.

100 North Walker • Oklahoma City, OK 73102 • 405/297-2506

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.

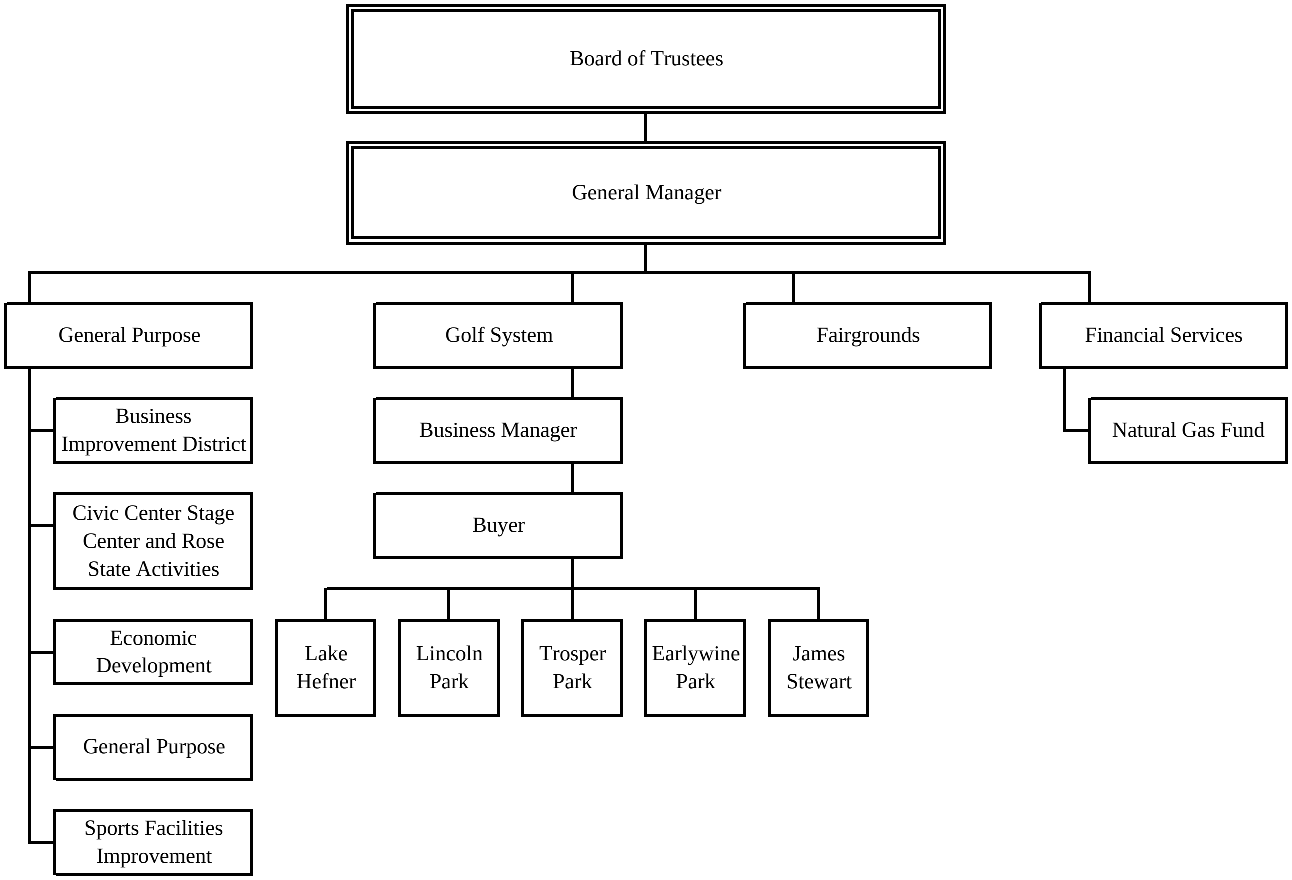
The Authority participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Authority management and other interested readers with regular financial analyses. Additionally, the Authority's management maintains budgetary controls to ensure effective financial 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	Craig Freeman	Glen D. Earley
City of Oklahoma City,	City of Oklahoma City,	City of Oklahoma City,
General Manager	Finance Director	Controller

Oklahoma City Public Property Authority
Organization Chart



Financial Section

BKD LLP
CPAs & Advisors

Leadership Square South Tower
211 N. Robinson, Suite 600
Oklahoma City, OK 73102-9421
405.606.2580 Fax 405.600.9799 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Oklahoma City Public Property Authority
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Oklahoma City Public Property 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 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 did not audit the financial statements of the Combined Operations of the Cox Convention Center and the Chesapeake Energy Arena, as managed by SMG, an agent operating these facilities as discussed in *Note II.A.4*, which statements reflect total net assets of $4,784,939 as of June 30, 2012, and total operating revenues of $13,414,943 for the year then ended. Those statements were audited by other accountants whose report has been furnished to us and our opinion insofar as it relates to the amounts included for The Combined Operations of the Cox Convention Center and the Chesapeake Energy Arena, as managed by SMG, which are reported within the Authority's governmental activities and general purpose fund financial statements, are based solely on the report of the other accountants.

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. The financial statements of The Combined Operations of the Cox Convention Center and the Chesapeake Energy Arena, as managed by SMG, which are reported within the Authority's governmental activities and general purpose fund financial statements, were not audited in accordance with *Government Auditing Standards.* 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 opinion.

In our opinion, based on our audit and the report of the other accountants, 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 Oklahoma City Public Property 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 5, 2011, is no longer to be relied upon because the previously issued 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 18, 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 and pension and postemployment benefits information listed in the table of contents 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 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Public Property 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 disclosures following this section. Additional 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 $109,947,290 (net assets) for 2012. This compares to the previous year when assets exceeded liabilities by $103,253,816.

- Total liabilities for the Authority decreased by $3,109,725 to $98,659,566 during the fiscal year.

- Total net assets are comprised of the following:
  (1) Invested in capital assets, net of related debt, of $99,054,163 include property and equipment, net of accumulated depreciation and reduced for outstanding debt related to the purchase or construction of capital
  (2) Restricted net assets of $3,061,714 are restricted for capital projects and debt service.
  (3) Restricted for net assets of $2,910 are restricted for public service.
  (4) Restricted for net assets of $2,765,874 are restricted for culture and recreation.
  (5) Unrestricted net assets are $5,062,629.

- The Authority's governmental fund reported total ending fund balance of $7,559,202 this year. This compares to the prior year ending fund balance of $1,632,936, showing an increase of $5,926,266 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 and are presented to demonstrate the extent the Authority has met its operating objectives efficiently and effectively using all the resources available and whether the Authority can continue to meet its objectives in the foreseeable future. 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 financial 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 general government functions supporting public services and culture and recreation activities, including economic development reported in the Authority's governmental fund. Business-type activities include golf courses, fairgrounds, and financial 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 is reported in the fund financial statements and reports public services and culture and recreation functions as reported in the Authority-wide financial statements. Fund statements report 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 financial 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 balance 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 financial statements. Services of enterprise funds are provided to customers external to the Authority such as public golf courses.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Authority-wide financial statements. Individual golf course information which comprises the Golf Courses 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.

Other Information
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees, including employees of the Authority.

Financial Analysis

Governmental activities support public services, parks, and public events, including economic development projects. The Authority contracts with Superior Management Group (SMG), an outside firm for the management and operation of the Cox Convention Center and the Chesapeake Energy Arena. The Civic Center Music Hall and certain activities related to the downtown canal are other cultural and recreational venues administered through the Authority. The City’s business improvement district service contracts are also administered through the Authority. These activities are subsidized by the City.

Business-type activities are primarily comprised of five public golf courses, fairgrounds and central financing services that receive support from the City.

Due to statutory restrictions on the City, using the Authority as an administrative and financing vehicle allows the City to engage in multi-year contracts.

The Authority's net assets at fiscal year-end are $109,947,290. This is an increase of $6,693,474 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 2012 restatement of prior year balances related to a prior period adjustment. See Note III for more information.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Totals		
	2012	2011	2012	2011	2012	2011	% Change
Assets							
Current assets	$8,341,329	$12,137,423	$10,998,736	$10,426,165	$19,340,065	$22,563,588	(14.3%)
Capital assets, net	102,014,781	103,629,179	80,617,478	72,757,307	182,632,259	176,386,486	3.5
Other non-current assets	4,784,939	5,040,880	1,849,593	1,032,153	6,634,532	6,073,033	9.2
Total assets	**115,141,049**	**120,807,482**	**93,465,807**	**84,215,625**	**208,606,856**	**205,023,107**	1.7
Liabilities							
Current liabilities	1,192,988	11,307,292	6,435,111	6,258,341	7,628,099	17,565,633	(56.6)
Non-current liabilities	5,831,893	5,830,517	85,199,574	78,373,141	91,031,467	84,203,658	8.1
Total liabilities	**7,024,881**	**17,137,809**	**91,634,685**	**84,631,482**	**98,659,566**	**101,769,291**	(3.1)
Net assets (deficit)							
Invested in capital assets, net of related debt	101,663,383	102,663,825	(2,609,220)	(5,706,378)	99,054,163	96,957,447	2.2
Restricted for:							
Capital projects	373,932	2,815,281	986	985	374,918	2,816,266	(86.7)
Debt service	-	-	2,686,796	1,728,754	2,686,796	1,728,754	55.4
Public services	2,910	663,050	-	-	2,910	663,050	(99.6)
Culture and recreation	2,765,874	2,075,532	-	-	2,765,874	2,075,532	33.3
Unrestricted	3,310,069	(4,548,015)	1,752,560	3,560,782	5,062,629	(987,233)	612.8
Total net assets (deficit)	**$108,116,168**	**$103,669,673**	**$1,831,122**	**($415,857)**	**$109,947,290**	**$103,253,816**	6.5

Current assets decreased $3.22 million primarily from decreases in cash and investments. Current liabilities decreased overall by $9.94 million. This includes a transfer of $8.00 million Tax Anticipation debt to the Oklahoma City Economic Development Trust (OCEDT) and the return of $1.38 million debt guarantee escrow to the Oklahoma City Water Utilities Trust (OCWUT). The balance of the decrease is due to timing of payment of current operating expenses.

Non-current liabilities increased $6.83 million primarily due to the issuance of $9.28 million Fairgrounds Revenue Bonds, offset by payments made on existing bonds.

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals		
	2012	2011	2012	2011	2012	2011	% Change
Revenues							
Charges for services	$17,348,565	$16,920,726	$9,751,397	$9,447,051	$27,099,962	$26,367,777	2.8%
Operating grants and contributions	14,613	180,665	152	2,706	14,765	183,371	(91.9)
General revenues	45,103	729,109	10,173	25,875	55,276	754,984	(92.7)
Total revenues	**17,408,281**	**17,830,500**	**9,761,722**	**9,475,632**	**27,170,003**	**27,306,132**	(0.5)
Expenses							
General government	177,989	116,029	-	-	177,989	116,029	53.4
Public services	1,481,014	2,243,900	-	-	1,481,014	2,243,900	(34.0)
Culture and recreation	20,918,932	21,615,115	-	-	20,918,932	21,615,115	(3.2)
Economic development	26,491	123,822	-	-	26,491	123,822	(78.6)
Interest on long-term debt	85,652	177,776	-	-	85,652	177,776	(51.8)
Golf courses	-	-	10,772,437	9,082,464	10,772,437	9,082,464	18.6
Fairgrounds	-	-	10,062,791	6,652,230	10,062,791	6,652,230	51.3
Financial services	-	-	717,368	1,691,386	717,368	1,691,386	(57.6)
Total expenses	**22,690,078**	**24,276,642**	**21,552,596**	**17,426,080**	**44,242,674**	**41,702,722**	6.1
Transfers	**1,791,125**	**1,639,204**	**7,413,557**	**3,809,986**	**9,204,682**	**5,449,190**	68.9
Special items	**7,496,804**	**-**	**-**	**-**	**7,496,804**	**-**	100.0
Changes in net assets (deficit)	**4,006,132**	**(4,806,938)**	**(4,377,317)**	**(4,140,462)**	**(371,185)**	**(8,947,400)**	95.9
Beginning net assets (deficit)							
As previously reported	103,669,673	109,384,356	(415,857)	22,761,114	103,253,816	132,145,470	(21.9)
Prior period adjustment	440,363	(907,745)	6,624,296	(19,036,509)	7,064,659	(19,944,254)	135.4
As restated	104,110,036	108,476,611	6,208,439	3,724,605	110,318,475	112,201,216	(1.7)
Ending net assets (deficit)	**$108,116,168**	**$103,669,673**	**$1,831,122**	**($415,857)**	**$109,947,290**	**$103,253,816**	6.5

Changes in net assets are reflected in changes in revenues and expenses. The charges for services remained constant for the year, increasing 1.4% overall. The decrease in operating grants and contributions of $168 thousand resulted for the most part from a decrease in contributions for the Land Run Monument Project.

Transfers include both transfers within the Authority and external to the Authority. Net transfers in the Authority were $9.20 million and $5.45 million for years ended 2012 and 2011, respectively. External transfers are primarily from the City and are made up of Sports Facilities Sales Tax Fund, Sports Facilities Use Tax Fund, General Fund, and Hotel/Motel Fund Transfers. The increase was related to a transfer of Financial Services assets to the City Capital Improvement Fund in FY 2011 and the decrease in the collection and transfer of Hotel/Motel Tax.

A decrease in expenses for the Authority of $1.66 million in governmental activities is attributed to cost reimbursement from the City Special Districts Fund for expenses related to the Business Improvement Districts. A $4.26 million increase in business-type activities is attributed to an increase of $1.58 million in the actuarially determined OPEB expense for the Golf Courses, a fairgrounds non-capital construction cost increase of $55 thousand, a fairgrounds depreciation increase of $2.54 million due to the completion of additional projects, and an increase in interest expense due the issuance of new revenue bonds to fund additional fairgrounds projects.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2012 was $102.01 million and $80.62 million, respectively.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals		
	2012	2011	2012	2011	2012	2011	% Change
Non-Depreciable Assets							
Construction in progress	$5,840,431	$23,129,145	$10,909,846	$5,653,017	$16,750,277	$28,782,162	(41.8%)
Land	6,828,955	6,553,693	2,004,837	2,004,837	8,833,792	8,558,530	3.2
Total non-depreciable assets	**12,669,386**	**29,682,838**	**12,914,683**	**7,657,854**	**25,584,069**	**37,340,692**	(31.5)
Depreciable Assets							
Buildings	43,635,819	27,018,099	24,461,570	22,784,318	68,097,389	49,802,417	36.7
Improvements other than buildings	36,825,143	37,127,425	40,362,373	39,221,542	77,187,516	76,348,967	1.1
Furniture, machinery, and equipment	8,884,433	9,800,817	2,878,852	3,093,593	11,763,285	12,894,410	(8.8)
Total depreciable assets	**89,345,395**	**73,946,341**	**67,702,795**	**65,099,453**	**157,048,190**	**139,045,794**	12.9
Total	**$102,014,781**	**$103,629,179**	**$80,617,478**	**$72,757,307**	**$182,632,259**	**$176,386,486**	3.5

The total decrease in capital assets for governmental activities of $1.61 million was primarily due to depreciation of existing assets and the increase for business-type activities of $7.86 million was the result of continuing construction at the fairgrounds, netted against the increased depreciation for completed projects. The overall increase was 2.8%. Major capital asset changes in 2012 included recategorizations for completed construction in progress assets to buildings and improvements other than buildings. There were also net retirements of furniture, machinery, and equipment of $446 thousand. See Note II. A. 5. for more information regarding capital assets.

Long-term Debt

Authority

Advances

At the end of the fiscal year, the Authority had total advances outstanding of $4,930,416. See Note II. C. for more information regarding advances.

Advances from Oklahoma City Municipal Facilities Authority (OCMFA):
The Authority golf course funds have received several advances from OCMFA for cart loans. The outstanding balance on the advances from OCMFA are $412 thousand at June 30, 2011. The Authority did not receive any new advances during the year and paid principal due in accordance with the terms of the advances.

Advances from the City General Fund and City City and Schools Use Tax Fund:
The Authority received $1.03 million from the City City and School Use Tax Fund to repay a line of credit related to Tax Incremental Financing District #6. The City City and Schools Use Tax Fund will be repaid over 7 years at a rate of 2%. The City General Fund will repay $877 thousand plus the accrued interest. The Authority will repay the balance. Once the City City and School Use Tax Fund is repaid, it is anticipated that the Authority will repay the City General Fund for costs incurred. The balance due to the City General Fund and City City and School Use Tax Fund from the Authority at June 30, 2011 is $928 thousand and $131 thousand, respectively.

Advances from City City and Schools Use Tax Fund:
On February 16, 2010 the Authority received $3.20 million from the City City and School Use Tax Fund. The funds are to be used for the Cox Convention Center facility renovations and upgrade. The loan is to be repaid from revenues generated and collected by SMG under the Extended Use License Agreement with Prodigal Hockey, LLC and from other Cox Convention Center events. There were increases in cost of the facility renovations and upgrade to the total cost of $3.32 million. The replenishment to the City City and Schools Capital Projects Use Tax Fund with an interest rate of 4.19% will be repaid over a 10-year period. The balance of the loan at June 30, 2011 is $3.09 million, with accrued interest of $55 thousand.

Notes Payable
At the end of the fiscal year, the Authority had total notes payable of $1,450,677. See Note II. B. 4. for more information regarding notes payable.

On May 11, 2006, the Authority issued a capital improvement note for the underground improvement project for $2 million. The outstanding balance on the note for underground improvement is $871 thousand.

The Authority received a non-interest bearing loan of $780 thousand from the Oklahoma Department of Commerce for the remediation of hazardous waste materials in the Skirvin Hotel. The outstanding balance on the note at June 30, 2011 is $708 thousand.

Revenue Bonds
At the end of the fiscal year, the Authority had total bonded debt outstanding of $83,760,000. This debt is supported by pledged revenues of the business-type activities of the Authority (revenue bonds). See Note II. B. 5. for more information regarding revenue bonds.

Outstanding Long-term Debt

	2012	2011	2012 - 2011 Amount of Change	2012 - 2011 % Change
Advances	$4,930,416	$5,050,467	($120,051)	(2.4%)
Notes payable	1,450,677	1,579,117	(128,440)	(8.1)
Revenue bonds	83,760,000	76,780,000	6,980,000	9.1
	$90,141,093	**$83,409,584**	**$6,731,509**	8.1

The change in outstanding debt for 2012 is the result of scheduled debt service payments and the issuance of the $9.28 million Fairgrounds Revenue Bonds, Series 2011. See Note II. B. 6. for more information regarding changes in long-term debt.

Bond Ratings
Standard and Poor's and Moody's rated the Authority's Golf System Refunding Revenue Bonds, Series 2010 at A+ and A1, respectively. Fairgrounds Hotel Tax Revenue Bonds Series 2005 and 2007A are rated A+ and A1 by Standard and Poor and Moody's, respectively. Fairgrounds Hotel Tax Revenue Bonds Series 2005 and 2007A Standard and Poor's and Moody's ratings were changed from AA and Aaa, respectively, in December 2010.

Economic Factors and Rates

Economic Factors

Economic factors directly affected the Authority's financial position. The operating revenue for the golf courses increased because there were more rounds of golf played during 2012 compared to the prior year.

Rates and Fees

Golf course fees increased effective April 2, 2012. Regular green fees and golf cart rental fees increased $1.00, other fees increased relatively. James E. Stewart Golf Course fees did not change.

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.

This Page Left Intentionally Blank

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 services, culture and recreation, and economic development and the general revenues of the Authority.*

* ***Business-Type Activities*** *– Reports golf courses, fairgrounds, and financial services 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.

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Pooled cash	$1,837,113	$685,184	$2,522,297
Non-pooled cash	-	1,403,580	1,403,580
Investments	6,139,742	8,469,427	14,609,169
Property taxes receivable	1,338	-	1,338
Accounts receivable, net	181,371	9	181,380
Interest, dividends, and royalties receivable	41,715	14,905	56,620
Due from other funds	134,770	82,665	217,435
Receivable from component units	5,280	-	5,280
Inventories	-	342,966	342,966
Total current assets	8,341,329	10,998,736	19,340,065
NON-CURRENT ASSETS			
Investments	-	777,067	777,067
Deferred debt expense, net	-	1,072,526	1,072,526
Other	4,784,939	-	4,784,939
Capital assets:			
Land and construction in progress	12,669,386	12,914,683	25,584,069
Other capital assets, net of accumulated depreciation	89,345,395	67,702,795	157,048,190
Capital assets, net	102,014,781	80,617,478	182,632,259
Total non-current assets	106,799,720	82,467,071	189,266,791
Total assets	**115,141,049**	**93,465,807**	**208,606,856**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	696,837	2,497,563	3,194,400
Wages and benefits payable	-	169,291	169,291
Due to other funds	302	159,825	160,127
Interest payable	22,162	-	22,162
Compensated absences	-	66,098	66,098
Notes payable	136,421	-	136,421
Unearned revenue	337,266	-	337,266
Bond interest payable	-	992,334	992,334
Bonds payable	-	2,550,000	2,550,000
Total current liabilities	1,192,988	6,435,111	7,628,099
NON-CURRENT LIABILITIES			
Compensated absences	-	135,774	135,774
Notes payable	1,314,256	-	1,314,256
Advance from other funds	4,517,637	412,779	4,930,416
Bonds payable:			
Bonds payable	-	81,210,000	81,210,000
Unamortized bond discount/premium	-	1,475,952	1,475,952
Deferred amount on refunding	-	(2,056)	(2,056)
Bonds payable, net	-	82,683,896	82,683,896
Net other post-employment benefit obligation	-	1,967,125	1,967,125
Total non-current liabilities	5,831,893	85,199,574	91,031,467
Total liabilities	**7,024,881**	**91,634,685**	**98,659,566**
NET ASSETS			
Invested in capital assets, net of related debt	101,663,383	(2,609,220)	99,054,163
Restricted for: Capital projects	373,932	986	374,918
Debt service	-	2,686,796	2,686,796
Public services	2,910	-	2,910
Culture and recreation	2,765,874	-	2,765,874
Unrestricted	3,310,069	1,752,560	5,062,629
Total net assets	**$108,116,168**	**$1,831,122**	**$109,947,290**

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES **OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY**

For the Year Ended June 30, 2012

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	$177,989	$ -	$3	($177,986)	$ -	($177,986)
Public services	1,481,014	-	7	(1,481,007)	-	(1,481,007)
Culture and recreation	20,918,932	17,348,565	11,308	(3,559,059)	-	(3,559,059)
Economic development	26,491	-	3,295	(23,196)	-	(23,196)
Interest on long-term debt	85,652	-	-	(85,652)	-	(85,652)
Total governmental activities	22,690,078	17,348,565	14,613	(5,326,900)	-	(5,326,900)
BUSINESS-TYPE ACTIVITIES						
Golf courses	10,772,437	9,063,009	24	-	(1,709,404)	(1,709,404)
Fairgrounds	10,062,791	5,475	128	-	(10,057,188)	(10,057,188)
Financial services	717,368	682,913	-	-	(34,455)	(34,455)
Total business-type activities	21,552,596	9,751,397	152	-	(11,801,047)	(11,801,047)
Total	**$44,242,674**	**$27,099,962**	**$14,765**	**(5,326,900)**	**(11,801,047)**	**(17,127,947)**
GENERAL REVENUES						
TAXES						
Tax incremental financing property taxes				36,212	-	36,212
Unrestricted investment income				8,867	10,173	19,040
Miscellaneous				24	-	24
Total general revenues				**45,103**	**10,173**	**55,276**
SPECIAL ITEM						
Special Item				7,496,804	-	7,496,804
TRANSFERS						
Transfers				1,791,125	7,413,557	9,204,682
Total transfers				**1,791,125**	**7,413,557**	**9,204,682**
Changes in net assets (deficit)				**4,006,132**	**(4,377,317)**	**(371,185)**
Beginning Balance						
Net assets (deficit)						
-beginning, as previously reported				103,669,673	(415,857)	103,253,816
Prior period adjustment				440,363	6,624,296	7,064,659
Net assets-beginning, as restated				104,110,036	6,208,439	110,318,475
Net assets-ending				**$108,116,168**	**$1,831,122**	**$109,947,290**

See accompanying notes to financial statements.

	General Purpose Fund
ASSETS	
Pooled cash	$1,837,113
Investments	6,139,742
Property taxes receivable	1,338
Accounts receivable	181,371
Interest, dividends, and royalties receivable	41,715
Due from other funds	134,770
Receivable from component units	5,280
Other assets	4,784,939
Total assets	**$13,126,268**
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$696,837
Due to other funds	302
Deferred revenue	352,290
Advance from other funds	4,517,637
Total liabilities	5,567,066
FUND BALANCES	
Restricted	2,788,709
Committed	334,323
Assigned	4,436,170
Total fund balance	7,559,202
Total liabilities and fund balance	**$13,126,268**

RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS, GOVERNMENTAL ACTIVITIES

Total fund balance	$7,559,202
Capital assets, net of accumulated depreciation	102,014,781
Deferred revenue earned but not available	15,024
Long-term notes payable, current	(136,421)
Long-term notes payable, non-current	(1,314,256)
Interest on long-term notes payable	(22,162)
Net assets-governmental activities	**$108,116,168**

See accompanying notes to financial statements.

	General Purpose Fund
REVENUES	
Tax incremental financing property taxes	$34,874
Investment income	21,958
Public events charges	15,275,427
Other charges for services	838,421
Rental income	1,234,749
Payments from component units	296
Intergovernmental programs	3
Other	24
Total revenues	**17,405,752**
EXPENDITURES	
CURRENT	
General government	157,434
Public services	1
Culture and recreation	18,692,777
Economic development	26,491
Capital Outlay	1,014,415
DEBT SERVICE	
Principal	128,440
Interest	89,309
Total expenditures	**20,108,867**
Deficiency of revenues under expenditures	**(2,703,115)**
OTHER FINANCING SOURCES (USES)	
Transfers within the Authority	(73,101)
Transfers from other funds	3,978,342
Transfers to other funds	(2,114,116)
Net other financing sources	**1,791,125**
Special item	7,496,804
Net change in fund balance	**6,584,814**
Fund balance, beginning, as previously reported	1,632,936
Prior period adjustment	(658,548)
Fund balance, beginning, as restated	974,388
Fund balance, ending	**$7,559,202**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES, GOVERNMENTAL ACTIVITIES

Net change in fund balance	$6,584,814
Capital outlay	1,014,415
Depreciation expense	(3,727,278)
Loss on disposal of assets	(445)
Recognition of earned but unavailable fund revenue	2,529
Debt principal paid	128,440
Interest payable on long-term debt	3,657
Change in net assets-governmental activities	**$4,006,132**

See accompanying notes to financial statements.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

	Enterprise Funds			
	Golf Courses Fund	**Fairgrounds Fund**	**Financial Services Fund**	**Total**
ASSETS				
Pooled cash	$254,377	$404,126	$26,681	$685,184
Non-pooled cash	1,403,580	-	-	1,403,580
Investments	1,237,741	7,152,303	79,383	8,469,427
Accounts receivable, net	9	-	-	9
Interest, dividends, and royalties receivable	5,622	8,704	579	14,905
Due from other funds	-	82,665	-	82,665
Inventories	342,966	-	-	342,966
Total current assets	3,244,295	7,647,798	106,643	10,998,736
NON-CURRENT ASSETS				
Investments	-	777,067	-	777,067
Deferred debt expense, net	53,466	1,019,060	-	1,072,526
Capital assets:				
Land and construction in progress	-	12,914,683	-	12,914,683
Other capital assets, net of accumulated depreciation	7,605,751	60,097,044	-	67,702,795
Capital assets, net	7,605,751	73,011,727	-	80,617,478
Total non-current assets	7,659,217	74,807,854	-	82,467,071
Total assets	**10,903,512**	**82,455,652**	**106,643**	**93,465,807**
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	478,222	1,969,836	49,505	2,497,563
Wages and benefits payable	169,291	-	-	169,291
Due to other funds	103,141	56,684	-	159,825
Compensated absences	66,098	-	-	66,098
Bond interest payable	62,961	929,373	-	992,334
Bonds payable	505,000	2,045,000	-	2,550,000
Total current liabilities	1,384,713	5,000,893	49,505	6,435,111
NON-CURRENT LIABILITIES				
Compensated absences	135,774	-	-	135,774
Advance from other funds	412,779	-	-	412,779
Bonds payable:				
Bonds payable	7,490,000	73,720,000	-	81,210,000
Unamortized bond discount/premium	-	1,475,952	-	1,475,952
Deferred amount on refunding	(2,056)	-	-	(2,056)
Bonds payable, net	7,487,944	75,195,952	-	82,683,896
Net other post-employment benefit obligation	1,967,125	-	-	1,967,125
Total non-current liabilities	10,003,622	75,195,952	-	85,199,574
Total liabilities	**11,388,335**	**80,196,845**	**49,505**	**91,634,685**
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	(344,056)	(2,265,164)	-	(2,609,220)
Restricted for: Capital projects	986	-	-	986
Debt service	378,753	2,308,043	-	2,686,796
Unrestricted	(520,506)	2,215,928	57,138	1,752,560
Total net assets (deficit)	**($484,823)**	**$2,258,807**	**$57,138**	**$1,831,122**

See accompanying notes to financial statements.

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

	Enterprise Funds			
	Golf Courses Fund	Fairgrounds Fund	Financial Services Fund	Total
OPERATING REVENUES				
CHARGES FOR SERVICES				
Green fees	$5,074,982	$ -	$ -	$5,074,982
Concessions	1,510,071	-	-	1,510,071
Natural gas charges	-	-	682,913	682,913
Other charges	3,634	-	-	3,634
Total charges for services	6,588,687	-	682,913	7,271,600
Golf cart rentals	2,402,851	-	-	2,402,851
Other	24,786	5,475	-	30,261
Total operating revenues	**9,016,324**	**5,475**	**682,913**	**9,704,712**
OPERATING EXPENSES				
Personal services	4,906,990	-	-	4,906,990
Maintenance, operations, and contractual services	2,366,200	551,566	717,368	3,635,134
Materials and supplies	1,967,437	18,263	-	1,985,700
Depreciation	1,246,185	6,082,538	-	7,328,723
Total operating expenses	**10,486,812**	**6,652,367**	**717,368**	**17,856,547**
Operating loss	**(1,470,488)**	**(6,646,892)**	**(34,455)**	**(8,151,835)**
NON-OPERATING REVENUE (EXPENSE)				
Investment income	3,288	6,618	421	10,327
Interest on bonds and notes	(274,825)	(3,395,992)	-	(3,670,817)
Amortization	(10,807)	(14,432)	-	(25,239)
Other revenue	46,690	-	-	46,690
Net non-operating revenue (expense)	**(235,654)**	**(3,403,806)**	**421**	**(3,639,039)**
Loss before transfers	**(1,706,142)**	**(10,050,698)**	**(34,034)**	**(11,790,874)**
TRANSFERS				
Transfers within the Authority	-	-	73,101	73,101
Transfers from other funds	1,158,866	6,181,590	-	7,340,456
Total transfers	1,158,866	6,181,590	73,101	7,413,557
Changes in net assets (deficit)	**(547,276)**	**(3,869,108)**	**39,067**	**(4,377,317)**
Beginning assets (deficit)				
Total net assets, beginning, as previously reported	62,453	(496,381)	18,071	(415,857)
Prior period adjustment	-	6,624,296	-	6,624,296
Total net assets, beginning, as restated	62,453	6,127,915	18,071	6,208,439
Total net assets (deficit), ending	**($484,823)**	**$2,258,807**	**$57,138**	**$1,831,122**

See accompanying notes to financial statements.

	Enterprise Funds			
	Golf Courses Fund	Fairgrounds Fund	Financial Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$8,962,809	$ -	$682,915	$9,645,724
Cash payments to suppliers for goods and services	(4,307,859)	(385,272)	(717,370)	(5,410,501)
Cash payments to employees and professional contractors for services	(4,402,917)	-	-	(4,402,917)
Other cash receipts	40,000	5,476	-	45,476
Net cash provided (used) by operating activities	**292,033**	**(379,796)**	**(34,455)**	**(122,218)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers received from (paid to) other funds	949,372	5,632,045	121,703	6,703,120
Net cash provided by non-capital financing activities	**949,372**	**5,632,045**	**121,703**	**6,703,120**
CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	-	9,013,222	-	9,013,222
Payments for acquisition and contraction of capital assets	(79,729)	(8,136,430)	-	(8,216,159)
Principal paid on long-term debt	(469,814)	(1,835,000)	-	(2,304,814)
Interest paid on long-term debt	(270,190)	(3,573,801)	-	(3,843,991)
Net cash provided (used) by capital and capital related financing activities	**(819,733)**	**(4,532,009)**	**-**	**(5,351,742)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of investments	(1,253,747)	(26,397,172)	-	(27,650,919)
Proceeds from sale of investments	1,231,194	21,895,696	-	23,126,890
Changes in pooled investments	(289,657)	1,283,398	(69,108)	924,633
Investment income received	3,523	6,824	318	10,665
Net cash used by investing activities	**(308,687)**	**(3,211,254)**	**(68,790)**	**(3,588,731)**
Net increase (decrease) in cash	**112,985**	**(2,491,014)**	**18,458**	**(2,359,571)**
Cash, beginning	1,544,972	2,895,140	8,223	4,448,335
Cash, ending	**$1,657,957**	**$404,126**	**$26,681**	**$2,088,764**
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVTIES				
Operating loss	($1,470,488)	($6,646,892)	($34,455)	($8,151,835)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVTIES				
Depreciation	1,246,185	6,082,538	-	7,328,723
Other revenue (expense)	57,448	-	-	57,448
(Increase) decrease in due from other funds	(1)	-	-	(1)
(Increase) decrease in inventories	(25,124)	-	-	(25,124)
Increase (decrease) in accounts payable	9,142	184,558	-	193,700
Increase (decrease) in wages and benefits payable	(68,010)	-	-	(68,010)
Increase (decrease) in due to other funds	(1)	-	-	(1)
Increase (decrease) in compensated absences	(6,001)	-	-	(6,001)
Increase (decrease) in net other post-employment benefit obligation	548,883	-	-	548,883
Total adjustments	1,762,521	6,267,096	-	8,029,617
Net cash provided (used) by operating activities	**$292,033**	**($379,796)**	**($34,455)**	**($122,218)**
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Net increase (decrease) in fair value of investments	($4,291)	$ -	$ -	($4,291)
Total non-cash investing, capital, and financing activities	**($4,291)**	**$ -**	**$ -**	**($4,291)**

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 Public Property 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 the issuance of municipal debt, the City of Oklahoma City (City) created public trusts to finance 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 were created to provide financing services and are blended into the City's primary government although retaining separate legal identity.

The Authority is a public trust created pursuant to Title 60 of the Oklahoma statutes, section 176, et seq. The Authority was established August 15, 1961, with the City named as the beneficiary. The purpose of the Authority is generally to provide a means of financing various municipal recreational improvements and services.

The provisions of the trust indenture provide that the Authority will lease or otherwise manage the related property and improvements financed by the Authority. The Authority will receive all revenues generated from the related properties to pay the debt service requirements on the revenue bonds issued by the Authority plus costs and expenses incidental to the management, operation, maintenance, and conservation of the Authority. In addition, the Authority is responsible for all operating expenses and the financing of future improvements to the five City municipal golf courses.

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

Authority Administration

The Authority's employees perform activities for the golf courses only. All other 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 include fees and other charges to users of the Authority's services. 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 enterprise (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 generally including the reclassification or elimination of internal activity (between or within funds). 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

The governmental fund uses the current financial resources measurement focus. Only current assets and current liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available resources during a given period.

General Purpose Fund
This fund is used by the Authority to account for specific revenues including events, box office sales, lease revenues, and tax increment ad valorem income which are designated to finance general government functions or activities of the Authority, such as public services, parks, and public events including economic development projects.

Proprietary Funds

Proprietary funds use 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 Funds
Golf Courses Fund:
This fund is used to account for the revenues and expenses of five municipal golf courses.

Fairgrounds Fund:
This fund is used to account for transfers from the City for Hotel/Motel tax revenues dedicated for debt service and certain capital assets, bonded debt, and other transactions related to the operating and management agreements with the State Fair of Oklahoma, Inc.

Financial Services Fund:
The City currently has 37 facilities that use natural gas in sufficient volumes to qualify for use of a third party natural gas supplier rather than the local natural gas utility. On July 1, 2010, the City designated the Financial Services Fund to consolidate and manage the third party natural gas contracts of the City.

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. The Authority's budget is submitted to its governing body for approval annually and is received by the City Council for approval. Budgetary control of Authority operations is exercised on a project-length basis for most funds of the Authority. The exception is the Golf Course Fund where the budget is developed on an annual basis. Appropriations in funds other than the golf courses are carried forward each year until projects are completed. Appropriations for the Golf Course Fund expires at the close of the fiscal year. Management's policy prohibits expenditure/expenses to exceed revenues. 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 updated City's deposit and investment policy in March 2011. Where applicable, deposit and investment policies for restricted funds are specified in the respective bond indentures.

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 bond proceeds, golf course operations, and other functionally separate activities.

Investments are carried at fair value determined by quoted market prices. The management of the restricted investments is performed in accordance with applicable bond indentures and at the direction of the trustee bank. Cash deposits are reported at carrying amount which approximates fair value.

I. D. 2. INVENTORIES

Inventories are recorded at the lower of cost or market on a first-in, first-out basis and consist of golf course supplies and food related resale items.

I. D. 3. RESTRICTED ASSETS

Certain assets are restricted for capital projects funded through long-term debt and debt service reserves. Restricted deposits and investments are legally restricted for the payment of currently maturing debt service.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

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 intrafund loans) or advances to/from other funds (i.e., the non-current portion of intrafund 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 primary government. Transfers within the Authority net to zero and are presented separately.

I. D. 5. CAPITALIZED INTEREST

Interest costs are capitalized when incurred by enterprise funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

I. D. 6. CAPITAL ASSETS AND DEPRECIATION

The Authority generally capitalizes assets with cost of $7,500 or more. Property and equipment are stated at actual or estimated historical cost. Donated assets are stated at their fair market value on the date donated. Capital assets are reported in the Authority-wide statements and respective proprietary funds and are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is 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's proprietary funds capitalize interest as a component of capital assets constructed for its own use.

I. D. 7. DEBT, DEFERRED DEBT EXPENSE AND BOND DISCOUNT

In the Authority-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond and lease issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs and principal payments are reported as expenditures.

I. D. 8. COMPENSATED ABSENCES

Golf courses' employees are granted vacation benefits in varying amounts depending on tenure with the Authority. These benefits accumulate pro rata by pay period. The employee's right to use accumulated vacation and to receive an accumulated vacation payment upon termination vests after one year of employment. Sick leave accrues to employees at the rate of approximately 5 days per year with a maximum accrual of approximately 25 days. After one year of service, employees are entitled to a percentage of their sick leave balance upon termination.

I. D. 9. 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. 10. TAX INCREMENTAL FINANCING (TIF)

TIF is a method of obtaining financing using future gains in taxes to finance current improvements which will create the conditions for those future gains. When a public project is carried out, the increase in the value of surrounding real estate, and perhaps new investment, generates increased property and sales tax revenues dedicated to finance the debt issued to pay for the project. The Authority uses TIF to stimulate economic development.

I. D. 11. 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 and negative fund balances in other governmental funds.

Fund Balance Usage
The Authority uses restricted amounts 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 Trust 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. 12. RISK MANAGEMENT

The Authority's risk management activities reported with governmental activities are recorded in the City Risk Management Fund and the Oklahoma City Municipal Facilities Authority (OCMFA) OCMFA Services Fund. These funds administer employee life, employee health, property and liability, workers' compensation, unemployment, and disability insurance programs for the City and related Trusts, Authorities and System. The Authority pays premiums to the City to cover its estimated share of the current costs incurred by the insurance programs.

Significant losses are covered by commercial insurance for the property and liability programs. The City offers several different employee health and life options which, except for the indemnity health plan are fully insured. The self-insured 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 City and OCMFA record estimated liabilities for indemnity health care, worker's compensation, torts, and other claims against the City and related Trusts and Authorities. Retiree health insurance claims liabilities are reported in the Oklahoma City Post-Employment Benefit Trust. The Authority does not recognize any separate liabilities related to risk management.

I. E. POLICIES RELATED TO REVENUES AND EXPENDITURES/EXPENSES

I. E. 1. MAJOR REVENUES

Program revenue reported in governmental activities include public events charges for services such as box office fees and management fees. Other charges for service include Water Taxi receipts.

General revenues reported in governmental activities include property ad valorem tax for TIF proceeds, investment income, naming rights and other operating income.

Proprietary Funds
Charges for services in the Golf Course Fund include green fees, driving range, café at the golf courses, locker rental and golf cart rental, and other non-operating revenue and interest income.

Non-operating interest income and transfers from the Hotel/Motel Tax Fund are the revenues and transfers recognized in the Fairgrounds Fund.

The Authority's Financial Service Fund has charges to City departments for natural gas service from third party providers and receives investment income.

I. E. 2. LEASE OPERATING AGREEMENTS

Fairgrounds

On August 3, 1982, the Authority and the City entered into a management agreement with the State Fair of Oklahoma, Inc. (Fair), a private, nonprofit corporation. Under terms of this agreement, all fairgrounds-related property (Fairgrounds), owned by the City and the Authority, is leased to the Fair. The Fair, in return, agrees to operate, manage, and maintain the Fairgrounds.

Golf Facilities

The Authority leases the Lake Hefner, Lincoln Park, Trosper Park, and Earlywine Park golf facilities from the City. The lease agreements provide that all revenues generated by these assets will accrue to the Authority. Although each course is leased to the Authority individually, the terms of these leases are substantially the same. The Authority is responsible for all costs and expenses of operating and maintaining the golf facilities with the exception of water used for course maintenance, which is subsidized by the City's General Fund through payments to the Authority. The lease agreements require a nominal annual rental payment and provide that they shall remain in effect as long as revenue bonds of the Authority remain outstanding.

The Authority provides supervision of the operation and maintenance of the James E. Stewart Golf Course, pursuant to a joint resolution between the City and the Authority dated May 27, 1997.

The golf facilities are managed and maintained by employees of the Authority under advisory direction of a nine-member Golf Commission which is appointed by the Chairman of the Trustees (the Mayor) and approved by the Trustees. The golf facilities and golf system-related activity are recorded in the Authority's Golf Courses Fund.

A T & T Bricktown Ballpark

As part of the City's Metropolitan Area Projects (MAPS) downtown revitalization program, a new downtown ballpark was constructed. On October 7, 1997, the City Council leased the new downtown ballpark and related facilities to the Authority for an initial 10 year term. The lease was extended to 2012 and will be extended automatically for the same rental and terms for two additional terms of five years each. On the same date, the Authority subleased the ballpark to the Oklahoma City Athletic Club Limited Partnership that holds the franchise for the Oklahoma Redhawks baseball team. The sublease is subject to the terms of a financing agreement to provide for the continued operations and maintenance of the ballpark. The sublease requires annual rent equal to the greater of 7% of paid admissions for all events or $150,000. Rentals are deposited by the Authority in a capital improvements account designated for future ballpark capital improvements. This lease and sublease activity are reported in the General Purpose Fund.

Cox Convention Center, Chesapeake Energy Arena, and Civic Center Music Hall

The Authority leases the Cox Convention Center (Cox Center), Chesapeake Energy Arena, and Civic Center Music Hall (Civic Center) from the City. The amended lease, dated June 4, 2002, is for a twenty-five year period which began on May 11, 1999. The lease requires all of the proceeds derived from the operations of the leased premises to be paid as rental payments to the City. Rental income from the property is equal to rental payments to the City reported with transfers. This lease and sublease activity are reported in the General Purpose Fund.

OKC Thunder

The Authority approved an Agreement on April 15, 2008, with OKC Thunder for use of the Chesapeake Energy Arena and National Basketball Association (NBA) Practice Facility during a proposed 15-year initial term and five potential three-year renewal term(s).

The OKC Thunder (Team) pays $1,640,000 in annual arena rent. Additional rent of $40,000 is to be paid for each pre-season and post-season home game. The Team pays the Authority the annual naming rights revenue it currently receives, $409,000. The Team pays annual practice facility rent of $100,000. Rent and naming rights fees are subject to periodic consumer price index adjustments, capped at 3% annually. These activities are reported in the General Purpose Fund.

I. E. 3. MANAGEMENT AGREEMENTS

Cox Convention Center and Chesapeake Energy Arena

On October 19, 1999, the City and the Authority entered into a management agreement with Superior Management Group (SMG). Under the agreement, SMG agreed to manage and operate the Cox Convention Center and Chesapeake Energy Arena.

Golf Courses

The professional managers of the respective golf courses are contracted by the Authority under the terms of five-year professional services agreements. These professional services agreements provide for compensation to be paid monthly to the professional managers at a rate equal to a fixed fee plus a percentage of gross golf cart rentals and a percentage of all other operating revenues, including green fees, restaurant income, and driving range fees. The professional managers receive all the revenues from the sale and rental of golf merchandise, repairs to patrons' golf equipment, and golf lessons. However, they must bear substantially all the costs and expenses related to these activities.

The professional services agreement also requires the Authority to provide health, life and dental insurance coverage to the professional managers, as well as retirement benefits.

Interlocal Agreement

On December 15, 2009, the Authority made an interlocal agreement with the City of Tulsa for computerized box office service through June 30, 2011. The agreement authorized the Tulsa Performing Arts Center computerized ticketing system to process tickets sold by Internet or by outlet for events at Civic Center and Rose State Performing Arts Theater.

Tennis Center

In January, 2010, the City and the Authority entered into an agreement for management and operations of the tennis program and facilities at the Oklahoma City Tennis Center with OKC Public Tennis, LLC., for the period of January 14, 2010 through January 14, 2013. OKC Public Tennis, LLC. assumes sole responsibility for management and compensation of the staff and management of the tennis program and facilities including tennis lessons, court rentals, tournaments, clinics, camps, pro shop operations, food and beverage services, and tennis equipment repairs, subject to overall policy direction and approval of the City and the Authority

Also, the professional management agreement was renewed for the management and operations of the Tennis Center at Earlywine Park for the term of January 14, 2010, through January 13, 2013.

Rose State College

In August, 2009, the third renewal of agreement with Rose State College and the Authority, was signed regarding the management of Rose State Performing Arts Theater, the term of the agreement was retroactive to July 1, 2009, and runs through June 30, 2011. Under the terms of the Memorandum of Agreement, the Civic Center staff is responsible for managing the theater and the City is reimbursed for all expenses incurred. These activities are reported in the General Purpose Fund.

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 pay the proceeds to the Authority to cover any costs incurred. The Authority does not record the effect of holding the certificates of deposit.

I. H. REVENUE RESERVES

Capital Improvements

Effective May 1, 1995, the Golf Commission recommended and the Trustees of the Authority approved a surcharge on golf rounds. Current rates are $1.00 to $6.50 for daily rounds and $375.00 to $812.50 for annual rounds. These funds are generally used for the major renovation of existing courses. The use of these funds is subject to the approval of the Golf Commission and the Trustees of the Authority.

Operating Reserve

Golf courses are required to deposit $0.50 to $1.00 of each green fees to a savings account which is managed by the City Treasurer's Office and generally spent as needed. Spending of these funds is recommended by the Golf Commission and approved by the Trustees of the Authority.

Equipment Replacement

Golf courses are required to deposit $1.00 to $2.00 of each cart rentals to a savings account which is managed by the City Treasurer's Office and generally spent as needed. Spending of these funds is recommended by the Golf Commission and approved by the Trustees of the Authority.

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.

The general bond indentures for the Golf System Revenue Bonds and Fairgrounds Hotel Tax Revenue Bonds require the use of trust accounts. The bond accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The operating and maintenance account is used for resources set aside to make up deficiencies in operating and maintenance activities. The construction accounts are used for proceeds of revenue bond issuances that are restricted for use in construction. The bond reserve account is used for proceeds of revenue bond issuances set aside to make up potential future deficiencies in the bond accounts, or to make the last bond principal and interest payments.

At June 30, 2012, the Authority's cash is collaterized 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/ Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Weighted Average Months to Maturity (2)
POOLED INVESTMENTS				
Money market funds	$1,798,465	$1,798,465	AAA/Aaa	1.8
Federal agency notes	4,041,918	4,175,800	AA+/Aaa	4.73
U.S. Treasury notes	2,007,188	2,167,656	N/A	1.03
Total pooled investments	7,847,571	8,141,921		
NON-POOLED INVESTMENTS				
Governmental Activities				
Money market funds	337,266	337,266	AAA/Aaa	1.31
Business-type Activities				
Money market funds	7,201,399	7,201,399	AAA/Aaa	1.31
Total investments	**$15,386,236**	**$15,680,586**		

(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 Percentage of Total Invested Principal	
	Maximum % (2)
Repurchase agreements	100.0%
U.S. Treasury securities (3)	100.0
Certificates of deposit	50.0
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

Maturity Limitations Percentage of Total Invested Principal	
	Maximum % (4)
0-1 year	100%
1-3 years	90
3-5 years	90

(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.

Securities 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 City 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. The Authority's unrestricted investments are insured or collateralized with securities held by the Authority, or its agent in the Authority's name.

Bond Indentures Restrictions

The bond indentures provide that investments mature in no more than six to sixty months, depending on the purpose of the funds and the requirements of the account in which funds are deposited.

Golf System Revenue Bonds

The bond indenture for the golf courses restricts investing to governmental obligations; governmental obligations which have been stripped of their unmatured interest coupons and interest coupons which have been stripped from governmental obligations, provided that such obligations must be held by a third party; bonds, debentures, notes, or evidence of indebtedness issued by the: bank for cooperatives, federal home loan banks, federal land bank, federal financing bank, Federal National Mortgage Association, Government National Mortgage Association, Student Loan Marketing Association; interest-bearing time or demand deposits, certificates of deposit or similar banking arrangements with any government securities dealer; certificates of deposit secured by collateral described in (1) and (2) above; investments fully insured by Federal depository insurance; repurchase agreements; money market accounts; commercial paper; shares of mutual funds; advanced refunding municipal bonds; and guaranteed investment contracts.

Fairgrounds Hotel Tax Revenue Bonds

The bond indenture for the Fairgrounds restricts investing to governmental obligations; bonds, debentures, notes or evidence of indebtedness issued by the: export – import bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing and Urban Development, Federal Housing Administration; bonds or notes issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; commercial paper; money market accounts; advanced refunding municipal bonds; and certificates of deposit.

Restricted Deposits and Investments

	Golf System Revenue Bonds	Fairgrounds Hotel Tax Revenue Bonds
Bond principal and interest	$441,713	$2,460,349
Construction accounts	21,641	3,500,625
Bond reserve	-	777,067
	$463,354	**$6,738,041**

Compliance with State Requirements

Authority investment policy and the bond Indentures, as well as the pension trust policy, are 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 Department investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Department.

II. A. 2. PROPERTY TAXES RECEIVABLE

Revenues include TIF property tax collections. TIF property taxes are designated TIF districts paid directly to the Trust. Taxes levied annually on November 1 are due one-half by December 31 and one-half by March 31. Major tax payments are received December through April. Lien dates for real property are in June and October, respectively. Property taxes receivable and related revenue include all amounts due the Trust regardless of when cash is received. Over time, substantially all property taxes are collected. In 2012, the Authority recognized $1,338 in property tax receivable.

II. A. 3. INVENTORIES

Golf Courses	
Restaurant inventory	$52,626
Cart barn and driving range supplies	57,435
Maintenance and janitorial supplies	232,905
	$342,966

II. A. 4. OTHER ASSETS

On October 21, 1999, the Authority approved an agreement for management and other services with SMG. The agreement, as amended, is for the management of the Cox Center and the Chesapeake Energy Arena. SMG is compensated primarily through a flat management fee and an annual incentive fee based on financial performance. The current agreement is effective until June 30, 2013.

Operations and Assets Held by SMG

The operations of the Cox Center and the Chesapeake Energy Arena are revenues and expenses of the Authority and are reported in the statement of activities. Net assets of the operations are reported as other assets in the statement of net assets.

OTHER ASSETS	
Net assets of operations of SMG, as of July 1, 2011	$5,040,880
OTHER CHARGES FOR SERVICES	
Operating revenues	13,414,939
Distributions to the City (transferred to General Purpose Fund)	(1,925,015)
Contributions from General Purpose Fund	4,595,750
	16,085,674
PROGRAM EXPENSES	
Operating expenses	19,080,729
Expenses paid by the City (utilities, etc)	(2,739,114)
	16,341,615
Other Asset – Net assets of operations of SMG, as of June 30, 2012	**$4,784,939**

Capital Assets Purchased by SMG on Behalf of the Authority

	Cost	Accumulated Depreciation	Net Book Value
Construction in progress	$65,566	$ -	$65,566
Buildings	443,040	121,702	321,338
Furniture, machinery, and equipment	1,968,479	20,348	1,948,131
Furniture, machinery, and equipment	1,394,967	504,625	890,342
	$3,872,052	**$646,675**	**$3,225,377**

Current year depreciation expense of $138,462 was reported with culture and recreation in the statement of activities.

II. A. 5. CAPITAL ASSETS

Changes in Capital Assets

	Capital Assets, not depreciated			Capital Assets, depreciated				
	Land and Art	Construction In Progress	Total Capital Assets, not depreciated	Buildings	Improvements Other Than Buildings	Furniture, Machinery, and Equipment	Total Capital Assets, depreciated	Total Capital Assets, net
Primary Authority								
Governmental Activities								
CAPITAL ASSETS								
Balance, June 30, 2011	$6,553,693	$23,129,145	$29,682,838	$28,191,877	$44,992,941	$13,764,252	$86,949,070	$116,631,908
Increases	275,262	547,648	822,910	17,236,555	553,588	237,724	18,027,867	18,850,777
Decreases	-	(17,836,362)	(17,836,362)	-	-	(21,051)	(21,051)	(17,857,413)
Balance, June 30, 2012	6,828,955	5,840,431	12,669,386	45,428,432	45,546,529	13,980,925	104,955,886	117,625,272

(continued)

Changes in Capital Assets (continued)

	Capital Assets, not depreciated			Capital Assets, depreciated				
	Land and Art	Construction In Progress	Total Capital Assets, not depreciated	Buildings	Improvements Other Than Buildings	Furniture, Machinery, and Equipment	Total Capital Assets, depreciated	Total Capital Assets, net
ACCUMULATED DEPRECIATION								
Balance, June 30, 2011								
As previously reported				1,173,778	7,865,516	3,963,435	13,002,729	13,002,729
Prior period adjustment				(74,320)	(863,277)	(161,314)	(1,098,911)	(1,098,911)
As restated				1,099,458	7,002,239	3,802,121	11,903,818	11,903,818
Increases				693,155	1,719,147	1,314,976	3,727,278	3,727,278
Decreases				-	-	(20,605)	(20,605)	(20,605)
Balance, June 30, 2012				1,792,613	8,721,386	5,096,492	15,610,491	15,610,491
Total governmental activities	**6,828,955**	**5,840,431**	**12,669,386**	**43,635,819**	**36,825,143**	**8,884,433**	**89,345,395**	**102,014,781**
Business-type Activities								
CAPITAL ASSETS								
Balance, June 30, 2011								
As previously reported	2,004,837	5,653,017	7,657,854	29,157,972	73,544,787	7,782,720	110,485,479	118,143,333
Prior period adjustment	-	(882,316)	(882,316)	(649,512)	(440,109)	-	(1,089,621)	(1,971,937)
As restated	2,004,837	4,770,701	6,775,538	28,508,460	73,104,678	7,782,720	109,395,858	116,171,396
Increases	-	8,421,990	8,421,990	1,095,061	1,175,715	155,747	2,426,523	10,848,513
Decreases	-	(2,282,845)	(2,282,845)	-	(1,064)	-	(1,064)	(2,283,909)
Balance, June 30, 2012	2,004,837	10,909,846	12,914,683	29,603,521	74,279,329	7,938,467	111,821,317	124,736,000
ACCUMULATED DEPRECIATION								
Balance, June 30, 2011								
As previously reported				6,373,654	34,323,245	4,689,127	45,386,026	45,386,026
Prior period adjustment				(1,831,076)	(6,357,542)	(407,609)	(8,596,227)	(8,596,227)
As restated				4,542,578	27,965,703	4,281,518	36,789,799	36,789,799
Increases				599,373	5,951,253	778,097	7,328,723	7,328,723
Balance, June 30, 2012				5,141,951	33,916,956	5,059,615	44,118,522	44,118,522
Total business-type activities	**2,004,837**	**10,909,846**	**12,914,683**	**24,461,570**	**40,362,373**	**2,878,852**	**67,702,795**	**80,617,478**
Total primary Authority	**$8,833,792**	**$16,750,277**	**$25,584,069**	**$68,097,389**	**$77,187,516**	**$11,763,285**	**$157,048,190**	**$182,632,259**

Depreciation Expense

Governmental Activities		*Business-type Activities*	
General government	$20,557	Golf courses	$1,246,185
Culture and recreation	2,224,242	Fairgrounds	6,082,538
Public services	1,482,479	Financial Services	-
	$3,727,278		**$7,328,723**

Capitalized Interest

	Total Interest Costs Incurred	Interest Revenue Used to Offset Interest Costs	Capitalized Interest
Business-type Activities			
Fairgrounds	**$3,829,798**	**$128**	**$244,583**

II. B. LIABILITIES

II. B. 1. DEFERRED REVENUE

Other revenue deferred in the governmental fund financial statements includes unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). At June 30, 2011, revenue earned but unavailable by governmental activities is $352,290.

II. B. 2. COMPENSATED ABSENCES

Compensated absences balances changed from 2011 to 2012 by accruals of $78,860 and usages of $84,860.

II. B. 3. TAX ANTICIPATION DEBT

TIF District #4

In October 2004, Dell Incorporated (Dell) announced the selection of the City as the permanent site of the Dell Business Services Center. In November 2004, the City Council approved a Memorandum of Understanding (MOU) with Dell that outlined the incentives to be provided to Dell as a result of the selection of the City. The MOU required the City to provide land and infrastructure improvements to the site along with job creation grants. In December 2004, the Authority approved the incurrence of indebtedness to JP Morgan Chase for a $12 million line of credit (LOC) with a rate of London Interbank Offered Rate (LIBOR) (30 day) plus 45 basis points with full repayment due on or before December 15, 2006. The financing requires a moral (not legal) pledge by the City in the event that proceeds of the tax increment debt issued by a City beneficiary trust are insufficient to repay the LOC.

In March 2005, the Authority increased the line of credit by an additional $4 million to $16 million to fund a site improvement contract for dynamic compaction. On November 14, 2006, the Authority authorized the extension of the terms of the note that increased the amount to $16 million and extended the maturity date to December 1, 2007. On November 20, 2007 the Authority authorized an extension of the maturity date to December 1, 2008. On November 18, 2008, the Authority authorized an extension of the LOC maturity date to June 30, 2009; a decrease in the LOC from $16 million to $13 million; and an increase in interest rate to LIBOR (30 day) plus 90 basis points. On June 23, 2009 the Authority authorized an extension of the maturity date to June 30, 2010 and an increase in the interest rate to LIBOR plus 105 basis points. On June 21, 2011, the Authority authorized an extension of the LOC maturity date to June 30, 2012; a decrease in the LOC from $12 million to $11 million; and an increase in the interest rate to LIBOR plus 115 basis points. This indebtedness was transferred to Oklahoma City Economic Development Trust on April 10, 2012.

Changes in Tax Anticipation Debt

Governmental Activities	Balance July 1, 2011	Issued	Retired/Transferred	Balance June 30, 2012	Effective Interest Rate
General Purpose:					
TIF District #4	**$8,000,000**	**$ -**	**$8,000,000**	**$ -**	1.2%

Pledged Revenues

The Authority issued tax anticipation notes to support its economic development activities. The OCPPA General Purpose Fund financial statements report revenue-supported debt. In 2012, the Authority recognized $36,212 in property taxes and $510,889 in transfers from the City for sales tax.

II. B. 4. LONG-TERM NOTES PAYABLE

Capital Financing Note Payable

On April 25, 2006, the Authority approved issuance of a capital financing note for the downtown underground improvement project relating to the funding of infrastructure improvements within the underground special improvement and assessment district. The downtown underground consists of a system of pedestrian tunnels used for below surface access to retail shops, restaurants, and other commercial outlets located in the tunnels, as well as, surface venue access through underground pedestrian routes protected from the weather and traffic. On May 11, 2006, the Authority issued the note to Bank of America Leasing and Capital LLC for $2,000,000 at an annual fixed rate of 6.364% with principal and interest payable August 1 for ten years, beginning August 1, 2007. At June 30, 2012 the balance due was $747,766 and $22,162 accrued interest.

Non-interest Bearing Note Payable

The Authority received a non-interest bearing loan of up to $780,000 from the Oklahoma Department of Commerce on November 2, 2004, for the remediation of hazardous waste materials in the Skirvin Hotel. Repayment of the loan was deferred for five years. Annual payments of $5,000 commenced February 1, 2010. A loan origination fee of $15,600 will apply if the loan is not repaid in full prior to the maturity date of February, 2015. At June 30, 2012 the Authority has drawn $702,911 against the total. The balance is reported in the Authority-wide statements as notes payable, non-current.

Notes Payable Payment Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2013	$136,421	$48,354	$184,775
2014	144,920	39,856	184,776
2015	841,878	30,808	872,686
2016	158,601	21,175	179,776
2017	168,857	10,919	179,776
	$1,450,677	**$151,112**	**$1,601,789**

II. B. 5. REVENUE BONDS

Golf Courses Bonds

On September 1, 2010, the Golf System Refunding Revenue Bonds Series 2010 were issued for $8,465,000 and the proceeds were transferred to the 1998 bond fund redemption trust account and were used to call the Golf System Refunding Revenue Bonds Series 1998 on October 1, 2010. Golf System Refunding Revenue Bonds Series 2010 bonds, less issue costs of $68,979, along with the debt service reserve for the Golf System Refunded Revenue Bonds Series 1998 of $954,625 and the balance of principal account of $450,000 were used to defease the Series 1998 balance of $9,780,000 leaving a balance of $20,656 which is to be used for future projects. The Series 2010 bond issue interest rate is 3.15%.

Fairgrounds Bonds

On December 14, 2004, City voters approved a 5.5% hotel tax for the purpose of encouraging, promoting and fostering convention and tourism for the City. Pursuant to the security agreement, the City agrees on a year to year basis to transfer the hotel tax revenues to the Authority.

On April 1, 2005, the Hotel Tax Revenue Bonds, Series 2005 were issued in the amount of $54,820,000 by the Authority for the purposes of financing costs of the construction and renovation of State Fair Park facilities to include parking and infrastructure improvements, establish a reserve fund, and pay certain issuance costs of the bonds.

The bonds are limited obligations of the Authority payable solely from the trust estate pledged under the indenture consisting of the convention and tourism development portion and the fairgrounds development portion of the hotel tax revenues received by the Authority from the City pursuant to the security agreement described below. Interest on the bonds is payable each April 1 and October 1, commencing April 1, 2006. The indenture requires the use of project, principal, interest, and reserve accounts.

The Oklahoma Fairgrounds Facility is owned by the City and leased to the Authority pursuant to a lease agreement dated November 1, 1961, as amended. The term of the lease has been extended for as long as the bonds remain outstanding.

On August 1, 2007, the Authority issued $20 million in Oklahoma City Public Property Hotel Tax Revenue Bonds, Series 2007A dated August 1, 2007 with an average interest rate of 4.24%. Total proceeds included $322,145 in premium/discount. Issuance costs were $396,920. Net proceeds of $19,280,935 are used to fund various fairgrounds renovations, primarily the Norick Coliseum, the prime location for all equine events. Other significant uses of funds include a new gateway, security fencing, transportation trams, and parking lots and associated drainage.

On October 1, 2011, OCPPA issued $9,285,000 Hotel Tax Revenue Bonds, Series 2011. The proceeds of $9,183,007 from the bonds, less $183,007 in issuance costs, will be used to finance the construction and renovation of the City of Oklahoma City Fairground facilities.

Bonded Debt Service Requirements to Maturity

Golf System Bonds

	Golf System Series 2010		
Fiscal Year	Principal	Interest	Total
2013	$505,000	$251,843	$756,843
2014	525,000	235,935	760,935
2015	540,000	219,398	759,398
2016	555,000	202,388	757,388
2017	575,000	184,905	759,905
2018-2022	3,155,000	641,183	3,796,183
2023-2027	2,140,000	136,238	2,276,238
	$7,995,000	**$1,871,890**	**$9,866,890**

Fairgrounds Bonds

	Fairgrounds Series 2005			Fairgrounds Series 2007A			Fairgrounds Series 2011		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$1,400,000	$2,533,350	$3,933,350	$540,000	$773,950	$1,313,950	$105,000	$375,194	$480,194
2014	1,630,000	2,457,600	4,087,600	415,000	754,850	1,169,850	110,000	373,044	483,044
2015	1,875,000	2,369,975	4,244,975	280,000	740,950	1,020,950	115,000	370,794	485,794
2016	1,970,000	2,273,850	4,243,850	145,000	732,450	877,450	115,000	368,206	483,206
2017	2,070,000	2,172,850	4,242,850	145,000	726,650	871,650	120,000	365,270	485,270
2018-2022	12,125,000	9,098,826	21,223,826	830,000	3,534,858	4,364,858	655,000	1,767,932	2,422,932
2023-2027	15,910,000	5,306,980	21,216,980	1,020,000	3,338,800	4,358,800	785,000	1,632,200	2,417,200
2028-2032	11,785,000	949,594	12,734,594	985,000	2,999,669	3,984,669	5,145,000	1,200,228	6,345,228
2033-2037	-	-	-	13,355,000	361,407	13,716,407	2,135,000	248,516	2,383,516
	$48,765,000	**$27,163,025**	**$75,928,025**	**$17,715,000**	**$13,963,584**	**$31,678,584**	**$9,285,000**	**$6,701,384**	**$15,986,384**

Revenue Bonds Outstanding

	Amount Issued	Interest Rate %	Issue Date	Principal Maturity Date	Balance
Golf System, Series 2010	$8,465,000	3.25 - 5.25	9-1-10	10-1-23	$7,995,000
Fairgrounds, Series 2005	52,820,000	4.0 - 5.5	4-1-05	10-1-30	48,765,000
Fairgrounds, Series 2007A	20,000,000	4.0 - 4.5	8-1-07	10-1-34	17,715,000
Fairgrounds, Series 2011	9,285,000	2.0 - 4.5	10-1-11	10-1-36	9,285,000
					$83,760,000

Bond Defeasance

Outstanding Defeased Bonds

	Purpose	Bond Series	Defeased Balance	Outstanding Balance
Golf Courses Fund	Golf Courses	Series 1998	$9,780,000	$ -

Bond Coverage

	Golf System Series 2010	Fairgrounds Series 2005, 2007A, and 2011
Gross revenue, including non-operating revenues and transfers in	$9,715,604	$6,193,683
Direct operating expenses, excluding depreciation and amortization	8,121,507	569,829
Net revenue available for debt service	**$1,594,097**	**$5,623,854**
Principal amounts	$525,000	$1,835,000
Interest amounts	227,667	3,573,801
Total debt service requirements	**$752,667**	**$5,408,801**
Revenue bond coverage	**2.1**	**1.0**

The bond indentures require the payment of principal and interest before any other expenditures may be made. Gross revenues and expenses exclude James E. Stewart Golf Course. In addition, depreciation and amortization expenses are excluded from the direct operating expenses as they do not affect funds available for debt service. The required revenue bond coverage is 1.1 for golf system Series 2010. There is no required revenue bond coverage for Fairground bonds.

II. B. 6. CHANGES IN LONG-TERM DEBT

	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012	Due Within One Year	Due After One Year
Primary Authority						
Governmental Activities						
Notes payable	$1,579,117	$ -	$128,440	$1,450,677	$136,421	$1,314,256
Business-type Activities						
COMPENSATED ABSENCES						
Golf Courses Fund	207,872	78,860	84,860	201,872	66,098	135,774
REVENUE BONDS						
Golf Courses Fund	8,465,000	-	470,000	7,995,000	505,000	7,490,000
Fairgrounds Fund	68,315,000	9,285,000	1,835,000	75,765,000	2,045,000	73,720,000
Total revenue bonds	76,780,000	9,285,000	2,305,000	83,760,000	2,550,000	81,210,000
Total business-type activities	**76,987,872**	**9,363,860**	**2,389,860**	**83,961,872**	**2,616,098**	**81,345,774**
Total primary Authority	**$78,566,989**	**$9,363,860**	**$2,518,300**	**$85,412,549**	**$2,752,519**	**$82,660,030**

II. B. 7. SEGMENT INFORMATION AND PLEDGED REVENUES

Authority issued revenue bonds to support its golf course activities and fairgrounds improvements. The Authority financial statements report revenue-supported debt. The Authority recognized $9,016,324 in golf course revenues and $6,181,590 in hotel/motel tax transfers to the Fairgrounds fund in 2012.

II. B. 8. ARBITRAGE COMPLIANCE

Proceeds from tax-exempt revenue bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Authority invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The Authority did not have an arbitrage liability as of June 30, 2012.

II. C. INTERFUND BALANCES

Due Within the Authority

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

	Golf Courses Fund						
	Lake Hefner Golf Course	Lincoln Park Golf Course	Trosper Park Golf Course	Earlywine Park Golf Course	James Stewart	Golf Course System	Total
DUE FROM							
Lake Hefner	$ -	$70,000	$56,000	$ -	$ -	$ -	$126,000
Lincoln	1,785	-	160	496	-	-	2,441
Earlywine	-	-	-	-	181	-	181
Golf Course System	49,496	54,459	14,648	28,901	-	-	147,504
	$51,281	**$124,459**	**$70,808**	**$29,397**	**$181**	**$ -**	**$276,126**

(continued)

Due Within the Authority (continued)

	Golf Courses Fund						
	Lake Hefner Golf Course	Lincoln Park Golf Course	Trosper Park Golf Course	Earlywine Park Golf Course	James Stewart	Golf Course System	Total
DUE TO							
Lake Hefner	$ -	$1,785	$ -	$ -	$ -	$49,496	$51,281
Lincoln	70,000	-	-	-	-	54,460	124,460
Trosper	56,000	160	-	-	-	14,647	70,807
Earlywine	-	496	-	-	-	28,901	29,397
James Stewart	-	-	-	181	-	-	181
	$126,000	**$2,441**	**$ -**	**$181**	**$ -**	**$147,504**	**$276,126**

Advance from Lake Hefner to Lincoln

During 2001, Lincoln Park Golf Course received an advance from Lake Hefner Golf Course in the amount of $155,000. The loan was used for operations due to the renovation of the golf course. The balance of this advance is $70,000 as of June 30, 2012.

Advance from Lake Hefner to Trosper

During 2001, Trosper Park Golf Course received an advance from Lake Hefner Golf Course in the amount of $110,000. The purpose of the advance was for operations due to the renovation of the golf course green. The balance of this loan is $55,500 as of June 30, 2012.

Due Within the City

	Due from	Due to		
	Tax Incremental Financing Fund	City General Fund	Stormwater Drainage Func	Total
Governmental Activities				
General Purpose Fund	$134,770	$ -	$302	$302
Business-Type Activities				
Golf Courses Fund	-	103,142	-	103,142
Fairgrounds Fund	-	56,156	527	56,683
	$134,770	**$159,298**	**$829**	**$160,127**

Advances Within the City

	Advance to (from)				
	City General Fund	City and Schools Use Tax Fund	City Special Districts Fund	OCMFA Service Fund	Total
Governmental Activities					
General Purpose Fund	$928,266	$3,210,785	$378,586	$ -	$4,517,637
Business-Type Activities					
Golf Courses Fund	-	-	-	412,779	412,779
	$928,266	**$3,210,785**	**$378,586**	**$412,779**	**$4,930,416**

Advance From City General Fund and City and Schools Use Tax Fund
On October 14, 2008 the Authority received $1,031,653 from the City City and Schools Use Tax Fund. The funds were used to repay the LOC related to Tax Incremental Financing District #6. The loan is to be repaid by the General Fund and the General Purpose Fund over a seven year period at an interest rate of 2%. Once the Authority has repaid the scheduled amount to the City City and Schools Use Tax Fund, it is anticipated that the City General Fund will be repaid. The balance of the loan at June 30, 2012 is $928,266 including accrued interest of $51,532.

Advance From City and Schools Use Tax Fund
On February 16, 2010 the Authority received $3,200,000 from the City City and School Use Tax Fund. The funds are to be used for the Cox Convention Center facility renovations and upgrade. The loan is to be repaid from revenues generated and collected by SMG under the extended use license agreement with Prodigal Hockey, LLC and from other Cox Convention Center events. The replenishment to the City and Schools Capital Projects Use Tax Fund with an interest rate of 4.19% will be over a 10-year period. The balance of the loan at June 30, 2012 is $3,210,785 including $55,334 in accrued interest.

Cost Reimbursement Advance From City Special Districts Fund
The City Special Districts Fund assesses property owners to fund services that confer a special benefit upon property within a designated district, such as street sweeping and landscaping. The contracts for these services are managed by the Authority and reimbursed by the City Special Districts Fund. The advance represents funds received in excess of funds expended at June 30, 2012.

Beginning balance	($658,548)
Other services	1,873,913
Investment income	(1,731)
Reimbursement from the City	(1,592,220)
	($378,586)

Advance From OCMFA
In February 2001, a loan for $407,253 from the OCMFA workers' compensation reserves to the Authority was approved for reconstruction of the greens at Trosper Park Golf Course. The loan was repaid from a $1 per golf round surcharge increase, which was approved by resolution at the same time as the loan. The loan was refinanced in November 2004 for a longer period, at a lower interest rate of 4.6%, with the final payment made in March 2012.

On February 26, 2008 a loan for $1,270,000 from the Worker’s Compensation Reserves to the Authority 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 $411,558 with accrued interest of $1,221.

Annual Advance Payment Requirements to Maturity (1)

	Advances from OCMFA			Advance from City General Fund			Advance from City City and Schools Use Tax Fund		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$237,407	$12,126	$249,533	$ -	$ -	$ -	$267,787	$132,213	$400,000
2014	174,151	2,678	176,829	-	-	-	279,007	120,993	400,000
2015	-	-	-	-	-	-	290,697	109,303	400,000
2016	-	-	-	-	-	-	302,877	97,123	400,000
2017	-	-	-	-	-	-	315,568	84,432	400,000
2017-2021	-	-	-	876,734	84,491	961,225	1,699,515	212,391	1,911,906
	$411,558	$14,804	$426,362	$876,734	$84,491	$961,225	$3,155,451	$756,455	$3,911,906

(1) Annual advance payment requirements to maturity do not include ($378,586) advanced from the City Special Districts Fund for cost reimbursements as there is no scheduled repayment and costs are reimbursed as incurred.

III. FUND EQUITY

Prior Period Adjustments

Cost Reimbursements to Other Funds

The Authority manages various contracts as agent for the City Special Districts Fund. In prior years, the funding provided by the City under this arrangement was recorded as transfers between the Authority and the City. To the extent that the funds were transferred in advance of being expended by the Authority, it created a positive fund balance. In 2012, it was determined that a liability of $658,548 should have been reflected at July 1, 2011 for funds received by the Authority that had not yet been expended. The effect of the prior period adjustment decreased previously reported 2011 changes in fund balance in the General Purpose Fund and net assets for governmental activities $316,076.

Capital Assets and Accumulated Depreciation

During 2011, the Authority made a prior period adjustment to record accumulated depreciation through June 30, 2010 of $907,745 and $19,036,509 for recategorizations between depreciable and non-depreciable capital assets in governmental activities and the Fairgrounds Fund, reported with business-type activities, respectively. During 2012, it was determined that some of the in service dates used to determine the 2011 accumulated depreciation restatement amounts were in error and other depreciation balances had been adjusted in the prior year in error. In addition, this correction resulted in a correction to previously reported capitalized interest on construction projects in the Fairgrounds Fund. As a result, an adjustment was required to correct accumulated depreciation balances as of July 1, 2011 in governmental and business-type activities. The effect of the prior period adjustments resulted in a restatement of beginning of year net assets in governmental activities and the Fairgrounds Fund and business-type activities of $1,098,911 and $6,624,296, respectively. The effect of the prior period adjustment increased previously reported 2011 changes in net assets $9,908 for governmental activities and decreased previously reported changes in net assets $1,468,297 for the Fairgrounds Fund and business-type activities.

III. A. FUND BALANCE

Restricted Fund Balance

Restricted for TIF districts	$2,904
Restricted for Underground SID	$2,025
Restricted for NBA operations	187,816
Restricted for Cox Convention Center maintenance	443,691
Restricted for Chesapeake Energy Arena maintenance	2,129,375
Restricted for Sports Facility maintenance and improvements	22,898
	$2,788,709

Committed Fund Balance

Committed for Metropolitan Area Projects Use Tax	**$334,323**

Assigned Fund Balance

Assigned for Metropolitan Area Projects support	$359,833
Assigned for the centennial land run project	1,346,137
Assigned for Fairgrounds electricity	51,603
Assigned for Oklahoma City Redhawks utility reimbursements	47,049
Assigned for Civic Center parking	53,409
Assigned for Civic Center promotions	80,293
Assigned for water taxi and canal operations	234,549
Assigned for non-capital equipment replacement	253,731
Assigned for SMG operations	1,967,997
Assigned for Oklahoma River sediment removal	1,053,313
Assigned for General Purpose Fund encumbrances	1,105,913
Reallocation for negative unassigned	(2,117,657)
	$4,436,170

Unassigned

Unassigned	($2,117,657)
Assigned for negative fund balance	2,117,657
	$ -

III. B. NET ASSETS

Invested in Capital Assets, Net of Related Debt

	Governmental Activities	*Business-type Activities*
Capital assets, net	$102,014,781	$80,617,478
Retainages and capital related accounts payable	(351,398)	(3,071,448)
Bonds payable, net	-	(85,233,896)
Bond accounts funded with bond proceeds	-	3,521,280
Bond issuance costs paid from bond proceeds	-	1,557,366
	$101,663,383	**($2,609,220)**

Restricted for Capital Projects

	Governmental Activities	Business-type Activities
Sports facility sales tax capital projects	$373,932	$ -
Bond construction account	-	3,522,266
Bond construction account funded with bond proceeds	-	(3,521,280)
	$373,932	**$986**

Restricted for Debt Service

	Governmental Activities	Business-type Activities
Bond principal and interest accounts	$ -	$2,902,063
Bond reserve accounts	-	777,067
Current bond interest payable	-	(992,334)
	$ -	**$2,686,796**

Restricted for Culture and Recreation

	Governmental Activities	Business-type Activities
Restricted for NBA operations	$187,816	$ -
Restricted for Cox Convention Center maintenance	444,949	-
Restricted for Chesapeake Energy Arena maintenance	2,133,109	-
	$2,765,874	**$ -**

Restricted for Public Services

	Governmental Activities	Business-type Activities
Restricted for TIF districts	$2,910	$ -
	$2,910	**$ -**

Unrestricted

	Governmental Activities	Business-type Activities
Unrestricted	$5,786,319	$1,752,560
Restricted for TIF districts negative net assets	(767,900)	-
Restricted for business improvement districts negative net assets	(1,708,350)	-
	$3,310,069	**$1,752,560**

IV. REVENUES AND EXPENSES

IV. A. LEASE REVENUES

Cox Center and Civic Center Facilities are rented during the year for only a short period of time.

IV. B. INTERFUND TRANSFERS

Transfers Within the Authority

	Financial Services Fund
General Purpose Fund	**($73,101)**

	Golf Courses Fund						
	Lake Hefner Golf Course	Lincoln Park Lincoln Park	Trosper Park Golf Course	Earlywine Park Golf Course	James E. Stewart Golf Course	Golf Course System	Total
Lake Hefner	$ -	$14,833	$481	$433	$ -	$311,925	$327,672
Lincoln	(14,833)	(36)	-	(6,311)	-	424,869	403,689
Trosper	(481)	-	36	(24)	-	34,035	33,566
Earlywine	(433)	6,311	24	181	-	291,119	297,202
James E. Stewart	-	-	-	-	(181)	-	(181)
Golf System	(311,923)	(424,873)	(34,034)	(291,118)	-	-	(1,061,948)
	($327,670)	**($403,765)**	**($33,493)**	**($296,839)**	**($181)**	**$1,061,948**	**$ -**

Transfers Within the City

	Governmental Activities	*Business-type Activities*		
	General Purpose Fund	Golf Courses Fund	Fairgrounds Fund	Total
TRANSFER FROM				
City General Fund	$1,296,157	$1,158,866	$ -	$2,455,023
City Capital Improvement Fund	1,000,000	-	127,820	1,127,820
City Special Districts Fund	1,606,852	-	-	1,606,852
City Information Technology Fund	75,333	-	-	75,333
City Hotel/Motel Fund	-	-	6,053,770	6,053,770
	$3,978,342	**$1,158,866**	**$6,181,590**	**$11,318,798**
TRANSFER TO				
City Sports Facilities Sales Tax Func	$1,794,680	$ -	$ -	$1,794,680
City Capital Improvement Fund	319,436	-	-	319,436
	$2,114,116	**$ -**	**$ -**	**$2,114,116**

Dependency on the City

The City subidizes the cost for water and wastewater services to the Golf Courses Fund. For the year ended June 30, 2012, the City General Fund transferred $889,070 to cover these costs. James E. Stewart Golf Course received a subsidy from the City General Fund in the amount of $269,796 for operating expenses.

Administrative Chargebacks

On August 26, 2003, the Authority increased green fees of $0.25 to $0.50 and annual green fees $25.00 to $62.50. This fee will reimburse a portion of funds necessary to finance various City administrative costs and water payments associated with the operation of the golf courses. On June 23, 2009, this fee was extended through June 30, 2011. The revenue generated from the fee extensions will be deposited into each golf course operations account and transferred to the City General Fund. The administrative charges to the City for the year are as follows: Lake Hefner Golf Course $889,070; Lincoln Park Golf Course $30,544; Trosper Park Golf Course $11,174; and Earlywine Park Golf Course $22,553. These charges are reported with expenses.

V. DEFINED BENEFIT PENSION PLAN - OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM (OCERS)

V. A. PLAN DESCRIPTION

The OCERS is the administrator of a single employer defined benefit local government retirement plan for the Authority. Plan amendments and benefit provisions are established and amended by City Council action. Unless otherwise indicated, the information in this note is provided as of the latest actuarial valuation, December 31, 2011. Actuarial valuations are performed annually.

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	1958; City Council Ordinance
Determination of contribution requirements	Actuarially determined
Employer	
Employer	8.56% of covered payroll
Plan members	6.0% of covered payroll
Funding of administrative costs	Investment earnings
Period required to vest	5 years
Cost of living increases	Cost of living adjustments are compounded annually; increases must be approved by the OCERS Board
Eligibility for distribution	30 years credited service regardless of age, or age 60 with 10 years (Pre 3/67 hires), or 25 years of credited service regardless of age, or age 65 with 5 years (Post 3/67 hires), or age 55 with 5 years on a reduced basis, or 5 years service, with benefits to begin at age 65 (60 with 10 years if Pre 3/67 hire)

Funding Policy
Contribution requirements are actuarially determined and established by City Council ordinance. Beginning July 07, 2011, the employer contribution rate changed from 6.77% of covered payroll to 8.56% of covered payroll. The employee contributes 6.0% of covered payroll. Administrative costs are funded with investment earnings.

Benefit Provisions
The OCERS was established by City Council Ordinance in 1958 to hold funds in trust to provide pension, disability, and survivor benefits to its members.

Benefit provisions include both duty and non-duty disability retirement and death benefits. Average Final Compensation (AFC) determines the retirement benefit and is calculated as the highest 36 months of earned employee compensation (excluding compensation for unused vacation and sick leave and amounts elected to be deferred under Section 125 of the Internal Revenue Code) during the last 60 months of service. Generally, the normal retirement benefit is 2% of AFC for each full year of service, plus 1/12 of 2% for each whole month of a partial year of service to a maximum of 100% of AFC. There are modifications to the normal retirement benefit for early and deferred retirement, duty and non-duty disability, and death benefits.

Cost of Living Adjustments
Retirement pension may be adjusted annually for changes in the Consumer Price Index. The maximum adjustment is 4% compounded annually.

Membership

	2012
Active employees - nonvested	737
Active employees - vested	1,661
Retirees and beneficiaries currently receiving benefits	1,299
Terminated plan members entitled to but not yet receiving benefits	75
	3,772

Annual Required Contributions - Actuarial Assumptions

Valuation date	12/31/11
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll
Amortization period	30 years, closed
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	8%
Cost of living benefit increases (maximum)	4%
Inflation	4.5%
Projected salary increases	4.5% to 8.3%
Mortality table	1994 group annuity table set forward 1 year for women and 3 years for men

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by OCERS and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between OCERS and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

For the actuarial valuation dated December 31, 2010, the amortization period changed from 26 years, closed, to 25 years, closed.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and that actuarial determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

V. B. ANNUAL PENSION COST, TREND INFORMATION, AND RESERVES

Annual Pension Cost and Trend Information

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2012	$9,614,625	100%	$ -
2011	7,132,772	100	-
2010	5,585,595	100	-

Reserves

There are no assets legally reserved for purposes other than the payment of plan member benefits. The Plan held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds 5% or more of net assets available for benefits. There are no long-term contracts for contributions.

V. C. FUNDING STATUS AND FUNDING PROGRESS

Actuarial value of plan assets (AVA)	$514,499,000
Actuarial accrued liability (AAL)	593,922,000
Unfunded actuarial accrued liability (UAAL)	79,423,000
Funded ratio (AVA/AAL)	87%
Covered payroll (active plan members)	109,293,000
UAAL as a percentage of covered payroll	72.7%

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the AVA is increasing or decreasing over time relative to the AAL for benefits. Multi-year trend information is presented in the OCERS CAFR. The OCERS CAFR may be obtained from Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

VI. DEFINED CONTRIBUTION PLANS

The Authority participates in two defined contribution plans administered by the International City Manager's Association Retirement Corporation. Plan provisions and contribution requirements are established or amended by City Council resolution. The plans are money purchase plans qualified under section 401 of the Internal Revenue Code.

Participants of the first plan are comprised of eligible employees hired before September 1, 2001. The City and participants are required to contribute 8.35% and 6.0% of annual covered payroll, respectively. Participants of the first plan vest at service inception and are entitled to 100% of vested contributions

Participants of the second plan are comprised of eligible employees hired after September 1, 2001. The City and participants are required to contribute 7.0% and 6.0% of annual covered payroll, respectively. Participants of the second plan vest after 5 years of service.

The two plans include 109 participants comprised of City Council appointees and management personnel. The Authority currently has no participants in the plan.

VII. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

VII. A. PLAN DESCRIPTION

The Authority provides post-employment healthcare benefits for retired employees and their dependents through the City of Oklahoma City Post-retirement Medical Plan (the Plan), a single-employer defined benefit healthcare plan administered by the OCPEBT. The benefits, coverage levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The Plan issues a separate report that can be obtained from Human Resources at 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	2008; City Council Ordinance
Determination of contribution requirements	City Policy
Contribution rates:	
Employer	64% of premium
Plan members	36% of premium
Funding of administrative costs	Investment earnings
Period required to vest	5 years
Eligibility for distribution	General employees are eligible for membership in the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 25 years of service. Police officers are eligible for benefits under the Plan if they retire from the City with 20 years of service. Firefighters retiring before January 1, 2003 are eligible for membership. Participation may only be elected at the time of retirement.

Funding Policy

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning January 1, 2012, the employer contribution rate changed from 66% of premium to 64% of premium. The employee contributes the balance of the premium. Administrative costs are funded with investment earnings.

Benefit Provisions

The City provides post-retirement healthcare benefits to its retirees. The Plan covers all current retirees who elected post-retirement medical coverage and future retired general employees.

The City provides medical benefits either through a fully insured health plan or through a self-insured Group Indemnity Plan. Benefits include general inpatient and outpatient medical services and prescription drug coverage. General employees are eligible for membership in the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 25 years of service. Coverage for dependents can continue upon the death of the retiree. Spouses of employees who die in active service while eligible for benefits can receive coverage.

Membership

Active members	3,291
Retirees and beneficiaries currently receiving benefits	2,162
	5,453

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/11
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	4.9%
Blended discount rate method	The discount rate is based on the expected long-term return on the investments that are used to finance the benefit programs
Inflation rate	3%
Projected salary increases	3%
Health care trend rate	4.5% (5.0% for Medicare age)
Mortality table	RP 2000 combined mortality table projected to 2010 using scale AA

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by OCPEBT and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between OCPEBT and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and that actuarial determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

VII. B. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION, TREND INFORMATION, AND RESERVES

	Authority Funds (1)	Total
Annual required contribution	$544,193	$36,181,832
Interest on net OPEB obligation	57,192	3,802,518
Adjustment to annual required contribution	(52,502)	(3,490,699)
Annual OPEB cost	548,883	36,493,651
Contributions made	-	(20,064,984)
Increase in net OPEB obligation	548,883	16,428,667
Net OPEB obligation, beginning of year	1,418,242	77,444,366
end of year	**$1,967,125**	**$93,873,033**

(1) In prior years, the allocation was based on the total number of employees in the Golf Courses Fund. Effective July 1, 2010, the net OPEB obligation allocation basis changed to total full-time employees in the Golf Courses Fund that are eligible to participate in the OPEB plan. The effect of this change resulted in an OPEB credit of $1,029,411 in 2011. The OPEB cost in 2010 was $2,280,886.

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$36,493,651	$20,064,984	55.0%	$93,873,033
2011	39,786,634	18,746,938	47.1	77,444,366
2010	35,775,474	19,424,748	54.3	56,404,670

Reserves

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds 5% or more of net assets available for benefits. There are no long-term contracts for contributions.

VII. C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial value of plan assets (AVA)	$15,017,721
Actuarial accrued liability (AAL)	483,931,717
Unfunded actuarial accrued liability (UAAL)	468,913,996
Funded ratio (AVA/AAL)	3%
Covered payroll (active plan members)	180,551,843
UAAL as a percentage of covered payroll	259.7%

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. OCPEBT financial statements including the actuarial report referred to in this note may be obtained from Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

VIII. CONSTRUCTION COMMITMENTS

Construction projects are substantially funded with revenue bonds. Active construction in progress remaining commitments are composed of park improvements in government activities totaling $11,192 and fairgrounds improvements totaling $2,980,746.

IX. CONTINGENCIES

The Authority is party to various legal proceedings which normally occur in operations. Any liabilities resulting from these legal proceedings are not likely to have a material adverse impact on the Authority.

X. SUBSEQUENT EVENTS

On June 19, 2012, the Authority approved issuance of Golf Revenue Bonds, Series 2012 in principal amount of $7,665,000. The Series 2012 bonds were sold on July 11, 2012. the Series 2012 bonds will be used to finance the construction and renovation of the Lincoln Park Golf Course Clubhouse and to pay the cost of issuance of the Series 2012 Bonds.

Required Supplementary Information

DEFINED BENEFIT PENSION

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	$514,499,000	$593,922,000	$79,423,000	86.6%	$109,293,000	72.7%
12/31/10	524,731,000	566,834,000	42,103,000	92.6	102,915,000	40.9
12/31/09	529,137,000	556,427,000	27,290,000	95.1	110,408,000	24.7
12/31/08	528,664,000	519,234,000	(9,430,000)	101.8	105,566,000	(8.9)
12/31/07	529,876,000	488,827,000	(41,049,000)	108.4	99,574,000	(41.2)
12/31/06	476,913,000	457,547,000	(19,366,000)	104.2	95,504,000	(20.3)

(1) Amounts are reported in even thousands

(2) Brackets indicate funding in excess of actuarial accrued liability.

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Employer's Contribution Rate (1)	Annual Required Contribution	Percentage Contributed
2012	8.56%	$9,614,625	100%
2011	6.77	7,132,772	100
2010	6.77	5,585,595	100
2009	5.04	5,464,178	100
2008	6.16	7,211,608	100
2007	7.94	8,479,329	100

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

See Note V. DEFINED BENEFIT PENSION PLAN - OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM (OCERS) for actuarial assumptions and other information used to determine the annual required contributions.

OTHER POST-EMPLOYMENT BENEFITS

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$15,017,721	$483,931,717	$468,913,996	3.1%	$180,551,843	259.7%
7/1/2010	11,565,753	517,681,810	506,116,057	2.2	175,293,051	288.7
7/1/2009	8,252,345	479,805,848	471,553,503	1.7	176,563,546	267.1

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Employer Contribution	Annual Required Contribution	Percentage Contributed
2012	$20,064,984	$36,181,832	55.5%
2011	18,746,938	39,559,528	47.4
2010	19,424,748	35,614,202	54.5

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

See Note VII. OTHER POST-EMPLOYMENT BENEFITS (OPEB) for actuarial assumptions and other information used to determine the annual required contributions.

This Page Left Intentionally Blank

Combining Statements and Schedules

This Page Left Intentionally Blank

	Lake Hefner Golf Course	Lincoln Park Golf Course	Trosper Park Golf Course	Earlywine Park Golf Course	James E. Stewart Golf Course	Golf Course System	Total Golf Fund
ASSETS							
CURRENT ASSETS							
Pooled cash	$ -	$ -	$ -	$ -	$ -	$254,377	$254,377
Non-pooled cash	442,968	374,605	28,169	554,515	3,323	-	1,403,580
Investments	-	-	-	-	-	1,237,741	1,237,741
Accounts receivable, net	-	2	-	-	7	-	9
Interest, dividends, and royalties receivable	-	-	-	-	-	5,622	5,622
Due within golf courses	74,719	(122,018)	(70,808)	(29,216)	(181)	147,504	-
Inventories	143,884	67,367	20,525	105,942	5,248	-	342,966
Total current assets	661,571	319,956	(22,114)	631,241	8,397	1,645,244	3,244,295
NON-CURRENT ASSETS							
Deferred debt expense, net	-	-	-	-	-	53,466	53,466
Capital assets:							
Other capital assets, net of accumulated depreciation	762,547	3,145,767	1,155,673	1,853,990	678,327	9,447	7,605,751
Capital assets, net	762,547	3,145,767	1,155,673	1,853,990	678,327	9,447	7,605,751
Total non-current assets	762,547	3,145,767	1,155,673	1,853,990	678,327	62,913	7,659,217
Total assets	**1,424,118**	**3,465,723**	**1,133,559**	**2,485,231**	**686,724**	**1,708,157**	**10,903,512**
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	157,446	82,356	77,301	54,059	32,048	75,012	478,222
Wages and benefits payable	55,802	41,148	18,943	38,942	14,456	-	169,291
Due to other funds	2,394	2,394	1,197	2,394	-	94,762	103,141
Compensated absences	17,118	19,910	10,604	16,169	2,297	-	66,098
Bond interest payable	-	-	-	-	-	62,961	62,961
Bonds payable	-	-	-	-	-	505,000	505,000
Total current liabilities	232,760	145,808	108,045	111,564	48,801	737,735	1,384,713
NON-CURRENT LIABILITIES							
Compensated absences	48,763	32,124	10,069	31,175	13,643	-	135,774
Advance from other funds	-	167,237	92,443	153,099	-	-	412,779
Bonds payable:							
Bonds payable	-	-	-	-	-	7,490,000	7,490,000
Deferred amount on refunding	-	-	-	-	-	(2,056)	(2,056)
Bonds payable, net	-	-	-	-	-	7,487,944	7,487,944
Net other post-employment benefit obligation	645,717	513,253	227,123	422,258	158,774	-	1,967,125
Total non-current liabilities	694,480	712,614	329,635	606,532	172,417	7,487,944	10,003,622
Total liabilities	**927,240**	**858,422**	**437,680**	**718,096**	**221,218**	**8,225,679**	**11,388,335**
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	716,535	3,145,768	1,155,673	1,853,990	678,326	(7,894,348)	(344,056)
Restricted for: Capital projects	-	-	-	-	-	986	986
Debt service	-	-	-	-	-	378,753	378,753
Unrestricted	(219,657)	(538,467)	(459,794)	(86,855)	(212,820)	997,087	(520,506)
Total net assets (deficit)	**$496,878**	**$2,607,301**	**$695,879**	**$1,767,135**	**$465,506**	**($6,517,522)**	**($484,823)**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOLF COURSES FUND
For the Year Ended June 30, 2012

	Lake Hefner Golf Course	Lincoln Park Golf Course	Trosper Park Golf Course	Earlywine Park Golf Course	James E. Stewart Golf Course	Golf Course System	Total Golf Fund
OPERATING REVENUES							
CHARGES FOR SERVICES							
Green fees	$1,660,612	$1,479,376	$570,310	$1,207,283	$157,401	$ -	$5,074,982
Concessions	614,901	420,476	184,624	261,709	28,361	-	1,510,071
Other charges	1,722	1,378	150	384	-	-	3,634
Total charges for services	2,277,235	1,901,230	755,084	1,469,376	185,762	-	6,588,687
Golf cart rentals	723,117	770,937	292,430	563,267	53,100	-	2,402,851
Other	7,964	2,025	(5,429)	19,515	711	-	24,786
Total operating revenues	**3,008,316**	**2,674,192**	**1,042,085**	**2,052,158**	**239,573**	**-**	**9,016,324**
OPERATING EXPENSES							
Personal services	1,638,759	1,250,219	577,568	1,019,917	420,527	-	4,906,990
Maintenance, operations, and contractual services	373,691	375,955	234,799	256,454	104,129	1,021,172	2,366,200
Materials and supplies	755,214	538,095	271,335	357,212	45,581	-	1,967,437
Depreciation	258,588	348,454	161,565	381,078	93,517	2,983	1,246,185
Total operating expenses	**3,026,252**	**2,512,723**	**1,245,267**	**2,014,661**	**663,754**	**1,024,155**	**10,486,812**
Operating income (loss)	**(17,936)**	**161,469**	**(203,182)**	**37,497**	**(424,181)**	**(1,024,155)**	**(1,470,488)**
NON-OPERATING REVENUES (EXPENSES)							
Investment income	336	-	38	445	-	2,469	3,288
Interest on bonds and notes	-	(7,295)	(4,044)	(7,006)	-	(256,480)	(274,825)
Amortization	-	-	-	-	-	(10,807)	(10,807)
Other revenues	2,478	1,427	1,864	724	195	40,002	46,690
Net non-operating revenues (expenses)	2,814	(5,868)	(2,142)	(5,837)	195	(224,816)	(235,654)
Income (loss) before transfers	**(15,122)**	**155,601**	**(205,324)**	**31,660**	**(423,986)**	**(1,248,971)**	**(1,706,142)**
TRANSFERS							
Transfers within the golf courses	(327,670)	(403,765)	(33,493)	(296,839)	(181)	1,061,948	-
Transfers from other funds	-	-	-	-	269,796	889,070	1,158,866
Total transfers	(327,670)	(403,765)	(33,493)	(296,839)	269,615	1,951,018	1,158,866
Changes in net assets (deficit)	**(342,792)**	**(248,164)**	**(238,817)**	**(265,179)**	**(154,371)**	**702,047**	**(547,276)**
Total net assets, beginning	839,670	2,855,465	934,696	2,032,314	619,877	(7,219,569)	62,453
Total net assets (deficit), ending	**$496,878**	**$2,607,301**	**$695,879**	**$1,767,135**	**$465,506**	**($6,517,522)**	**($484,823)**

This Page Left Intentionally Blank

COMBINING STATEMENT OF CASH FLOWS
GOLF COURSES FUND
For the Year Ended June 30, 2012

	Lake Hefner Golf Course	Lincoln Park Golf Course	Trosper Park Golf Course	Earlywine Park Golf Course	James E. Stewart Golf Course	Golf Course System	Total Golf Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	$2,985,177	$2,673,320	$1,040,887	$2,027,155	$236,270	$ -	$8,962,809
Cash payments to suppliers for goods and services	(1,132,281)	(921,006)	(489,272)	(599,636)	(151,468)	(1,014,196)	(4,307,859)
Cash payments to employees and professional contractors for services	(1,479,690)	(1,126,569)	(498,164)	(907,225)	(382,889)	(8,380)	(4,402,917)
Operating payments within the Department	(291,243)	(391,693)	(33,215)	(286,098)	181	1,002,068	-
Other cash receipts	-	-	-	-	-	40,000	40,000
Net cash provided (used) by operating activities	**81,963**	**234,052**	**20,236**	**234,196**	**(297,906)**	**19,492**	**292,033**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers received from (paid to) other funds	-	(86,076)	(48,007)	(90,182)	276,329	897,308	949,372
Net cash provided (used) by non-captal financing activities	**-**	**(86,076)**	**(48,007)**	**(90,182)**	**276,329**	**897,308**	**949,372**
CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES							
Payments for acquisition and construction of capital assets	(5,230)	(18,700)	(13,000)	(42,799)	-	-	(79,729)
Principal paid on long-term debt	-	-	-	-	-	(469,814)	(469,814)
Interest paid on long-term debt	-	-	-	-	-	(270,190)	(270,190)
Net cash provided (used) by captal and related financing activities	**(5,230)**	**(18,700)**	**(13,000)**	**(42,799)**	**-**	**(740,004)**	**(819,733)**
CASH FLOWS FROM INVESTING ACTIVITIES							
Payments for purchase of investments	-	-	-	-	-	(1,253,747)	(1,253,747)
Proceeds from sale of investments	-	-	-	-	-	1,231,194	1,231,194
Changes in pooled investments	-	-	-	-	-	(289,657)	(289,657)
Investment income received	336	-	38	445	-	2,704	3,523
Net cash provided (used) by investing activities	**336**	**-**	**38**	**445**	**-**	**(309,506)**	**(308,687)**
Net increase (decrease) in cash	**77,069**	**129,276**	**(40,733)**	**101,660**	**(21,577)**	**(132,710)**	**112,985**
Cash, beginning	365,899	245,329	68,902	452,855	24,900	387,087	1,544,972
Cash, ending	**$442,968**	**$374,605**	**$28,169**	**$554,515**	**$3,323**	**$254,377**	**$1,657,957**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	**($17,936)**	**$161,469**	**($203,182)**	**$37,497**	**($424,181)**	**($1,024,155)**	**($1,470,488)**
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) OPERATING ACTIVTIES							
Depreciation	258,588	348,454	161,565	381,078	93,517	2,983	1,246,185
Other revenue	2,478	1,428	1,864	724	195	50,759	57,448
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	-	(2)	3	6	(7)	-	-
(Increase) decrease in payments/transfers from (to) within the Department	(327,670)	(403,766)	-	-	-	731,436	-
(Increase) decrease in due from other funds	36,426	22,074	6,279	(286,098)	181	221,137	(1)
(Increase) decrease in inventories	(18,478)	(11,981)	1,536	(2,308)	6,102	5	(25,124)
Increase (decrease) in accounts payable	(2,557)	218	34,609	(10,717)	(7,862)	(4,549)	9,142
Increase (decrease) in wages and benefits payable	(17,986)	(21,897)	(10,615)	(8,094)	(9,418)	-	(68,010)
Increase (decrease) in due to other funds	1,890	(7,864)	(38,297)	2,394	-	41,876	(1)
Increase (decrease) in compensated absences	(16,585)	7,038	4,080	673	(1,207)	-	(6,001)
Increase (decrease) in net other post-employment benefit obligation	183,793	138,881	62,394	119,041	44,774	-	548,883
Total adjustments	99,899	72,583	223,418	196,699	126,275	1,043,647	1,762,521
Net cash provided (used) by operating activities	**$81,963**	**$234,052**	**$20,236**	**$234,196**	**($297,906)**	**$19,492**	**$292,033**
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES							
Net increase (decrease) in fair value of investments	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**($4,291)**	**($4,291)**

This Page Left Intentionally Blank

BKD LLP
CPAs & Advisors

Leadership Square South Tower
211 N. Robinson, Suite 600
Oklahoma City, OK 73102-9421
405.606.2580 Fax 405.600.9799 www.bkd.com

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 Public Property Authority
Oklahoma City, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Oklahoma City Public Property 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 18, 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. The financial statements of The Combined Operations of the Cox Convention Center and the Chesapeake Energy Arena, as managed by SMG, which are reported within the Authority's governmental activities and general purpose fund financial statements, were not audited in accordance with *Government Auditing Standards.*

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 opinions 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and responses as items 12-01, 12-02 and 12-03 to be material weaknesses.

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 18, 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses, and, accordingly, we express no opinion on them.

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 18, 2012

Oklahoma City Public Property Authority

Schedule of Findings and Responses

Year Ended June 30, 2012

Reference Number	Finding
12-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – In connection with the 2010 audit, we communicated a material weakness concerning controls over capital asset accounting. The Accounting Services Division of the Finance Department (the Finance Department) implemented additional control procedures in response to our 2010 finding. As a result, it was determined during 2011 that certain fixed assets had not been accurately reclassified in prior periods from construction in progress to the appropriate fixed asset categories upon completion of the associated project(s). This resulted in an incorrect depreciation expense in prior years. This matter required a restatement of the 2010 financial statements. During 2012, the Finance Department identified additional errors that had been made with respect to capitalization of interest on capital asset projects. After further investigation of this matter, it was determined the prior year depreciation restatement adjustments were not correct because, for many projects, the incorrect asset completion date had been provided by City departments and relied on by the Finance Department to calculate depreciation expense. Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties. 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 the 2011 financial statements. Cause – Due to the volume of completed projects identified in 2011, the completion dates of construction-in-progress assets provided by City departments to the Finance Department were not validated by the Finance Department. Recommendation – We recommend depreciation begin when construction in progress is substantially complete and the assets are placed in service. We acknowledge significant efforts were made to improve controls over capital asset accounting, and we recommend the Finance Department continue to look for additional ways to further improve controls and reconciliations relating to capital assets as well as developing additional procedures to ensure the Finance Department that the information received has been properly validated. Views of Responsible Officials and Planned Corrective Actions – We agree the asset management system and related accounting procedures need revision. We will revise the asset management system and develop extensive procedures to ensure the system properly tracks capital assets.

Oklahoma City Public Property Authority

Schedule of Findings and Responses

Year Ended June 30, 2012

Reference Number	Finding
12-02	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – Interfund reimbursements were not properly reflected within the Authority's financial statements to reflect the fund responsible for the particular expense. As a result, the Authority has not historically reported a liability to the City of Oklahoma City for business improvement district funds received by the Authority but not yet expended by the Authority as of year-end. This matter required a restatement of the 2011 financial statements to properly reflect this liability. Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties. 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 the 2011 financial statements. Cause – Previously issued accounting guidance was not properly implemented and the accruals recorded by the Authority were not properly monitored. Recommendation – We recommend management increase monitoring of activity/transactions of the Authority to ensure proper year-end accruals and proper presentation in accordance with prescribed guidance. Views of Responsible Officials and Planned Corrective Actions – We agree with the change in treatment of these transactions and have recorded these transactions in the current year and will record the appropriate amounts in the future.

Oklahoma City Public Property Authority

Schedule of Findings and Responses

Year Ended June 30, 2012

Reference Number	Finding
12-03	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – In an effort to improve reporting of unrecorded payables, the City and related trusts and authorities changed the method used to identify certain payables to be accrued at year-end. The City and related trusts and authorities implemented a process whereby the department managers provided estimates of payables based on the progress on projects. The Accounting Services Division relied on the payable information provided by the department managers and did not validate the information. Based on our testing of payables, we identified certain instances where payables recorded under this new method were both overstated and understated.

Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.

Effect – Potential material misstatements in the financial statements due to error could occur and not be detected and/or corrected in a timely manner.

Cause – Insufficient education of department managers regarding what information was actually needed and the testing of the new process methodology was not completed.

Recommendation – We recommend that new processes implemented be clearly communicated and results tested to ensure the accuracy of the information being generated by the new process.

View of Responsible Officials and Planned Corrective Actions – We agree the process needs improvement and will implement year-end training and a process that includes requiring documentation of amounts provided by departments in order to validate accuracy of information.