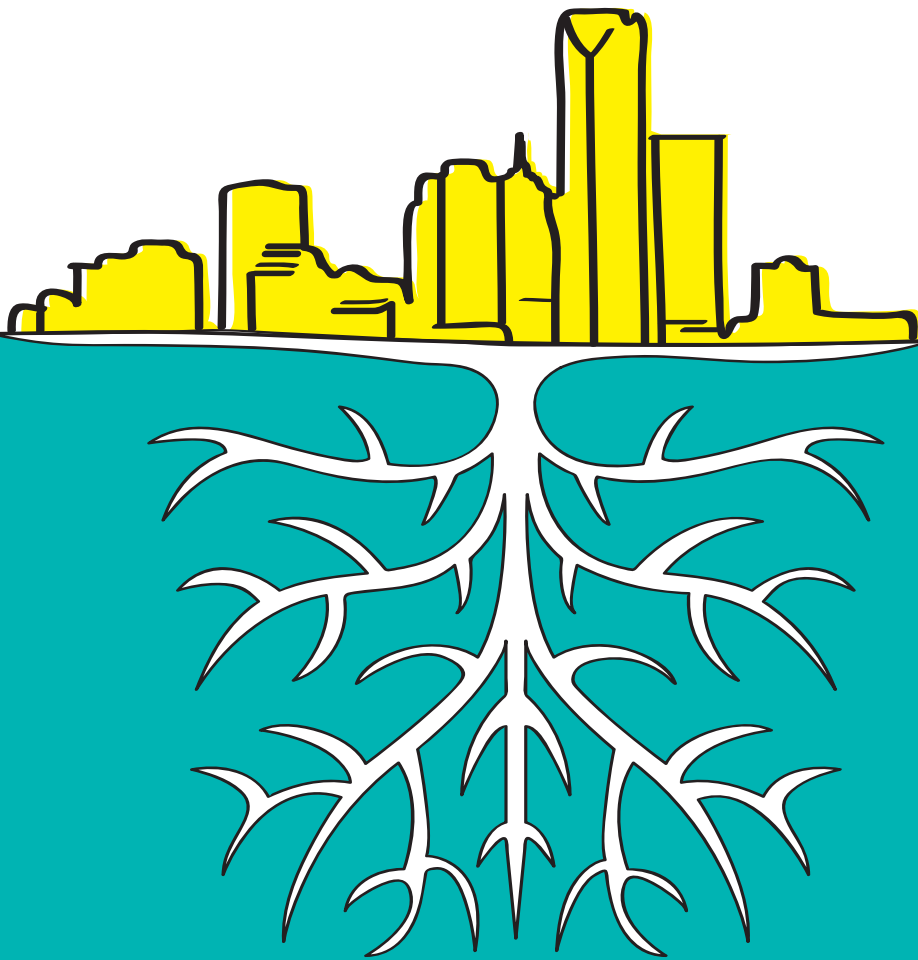


ROOTED IN STABILITY



OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

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

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THE OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

A Blended Component Unit of
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Year Ended June 30, 2011

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

Introductory Section

OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

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The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 2, 2010

The Board of Trustees
Oklahoma City Municipal Facilities Authority

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

The Authority's annual report includes the reports of independent accountants, management's discussion and analysis (MD&A), Authority-wide, fund and combining financial statements and related notes. Management's narrative on the financial activities of the Authority for the fiscal year ended June 30, 2011, is in the MD&A section of this report, immediately following the independent accountants' report on financial statements and supplementary information. The Authority's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Authority. The Authority is a blended component unit of the City of Oklahoma City (City) and, as such, is included within the funds of the City's Comprehensive Annual Financial Report (CAFR).

The Authority was created by the City Council on November 17, 1976 to acquire, maintain, construct or equip industrial and cultural facilities. The General Purpose Fund was formed to prefund services to citizens such as weed abatement and drainage improvements and serves as the general fund of the Authority. The OCMFA Utilities Fund was created to issue bonds to finance water and sewer infrastructure. In 2011, the capital assets of this fund were transferred to the City Water and Wastewater Fund. The OCMFA Services Fund was created to administer long-term contracts for insurance and capital related information technology projects for the City.

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

The economic environment and outlook for Oklahoma City are positive. Although the City experienced the economic downturn other cities faced over the last few years, the current year demonstrates a solid economy and recovery trend. Dr. Russell R. Evans, Director and Research Economist for the Center for Applied Economic Research at Oklahoma State University, reviewed the economic condition of the City and State in January 2011 and projected a modest national recovery in 2011. For Oklahoma, he projected employment and personal incomes to grow, unemployment to rise slightly then fall, and retail sales to continue their growth.

An unemployment rate of 5.7% in June 2011, annual personal income increase of 3.5%, significant gains in oil and natural gas rotary rig count from the same period last year, increased sales in motor vehicles, an additional 28,300 nonfarm jobs, and significant increases in sales tax revenues are strong indicators of economic growth. In fact, August 2011 sales tax collections were up 18 percent compared to the same month the previous year.

Several large commercial construction projects including a significant upgrade for airport retail shops and the opening of a new outlet mall with full occupancy of 82 new businesses contribute to the City's current economic condition. According to the June 21, 2011 Business Journal, these and other factors put Oklahoma City on the radar of every national retailer.

The City is also developing infrastructure for this growth through a major quality of life program funded by a temporary one-cent sales tax. This seven-year plan with improvements estimated to cost \$777 million, includes a 70-acre downtown park, a modern streetcar system, a new convention center, sidewalks, trails, improvements to the Oklahoma River, senior health and wellness centers, and expansion of the Oklahoma City Fairgrounds public event buildings.

The diversity of Oklahoma City's economy is reflected in the OKC Thunder, the City's NBA team, being ranked 6th-Best Pro Sports Franchise and 2nd Best in the NBA by ESPN.

Oklahoma City's continued high rankings among metropolitan cities in the United States promises an immediate and sustainable economic growth outlook for the next few years. The City was ranked number 1 in America's Most Affordable City by Forbes Magazine (October 28, 2010); #1 in Tech Job Growth by Tech-America Foundation (December 2, 2010), 1st in Real GDP Gains among the Top 50 Markets by The Bureau of Economic Analysis (February 23, 2011), 2nd-Best Place to Start a Small Business by The Fiscal Times (July 1, 2011), and # 3 Best Cities for Recent Grads by Newsweek (June 1, 2011).

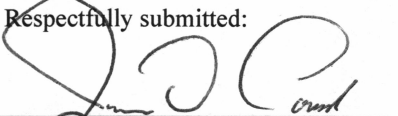
Oklahoma City's central location at the intersection of Interstate highways I-35, I-44 and I-40, its regional transportation hub at Will Rogers World Airport, ample water supplies, numerous performing arts, entertainment, and recreational facilities all contribute to a positive economic outlook for the near future.


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


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

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

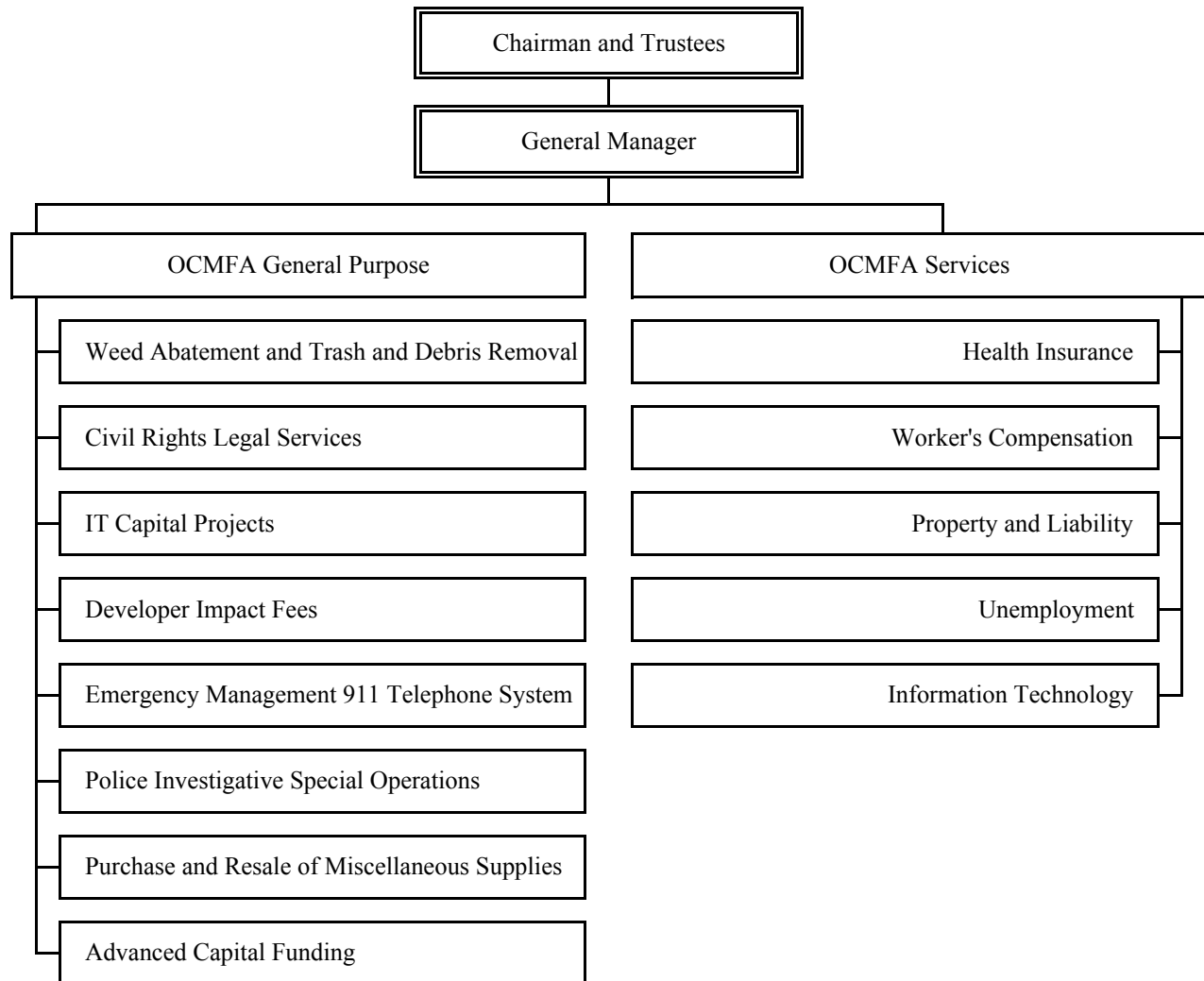
Respectfully submitted:


James D. Couch
General Manager


Craig Freeman
City of Oklahoma City Finance Director


Glen D. Earley
City of Oklahoma City Controller

Oklahoma City Municipal Facilities Authority Organization Chart



Financial Section

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Oklahoma City Municipal Facilities Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2011, 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., in 2011, the Authority changed its method of accounting for fund balances in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*, by retroactively restating prior years' financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, 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.

The accompanying management's discussion and analysis and budgetary and pension information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

December 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Municipal Facilities Authority (Authority) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2011. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Authority is a blended component unit of the City of Oklahoma City (City).

Financial Summary

- Authority assets exceeded liabilities by \$28,851,230 (net assets) at June 30, 2011. This compares to the previous year when assets exceeded liabilities by \$76,019,247.
- Total assets for the Authority decreased by \$33,532,820 (30.9%) to \$74,965,673 during the fiscal year.
- Total liabilities for the Authority increased by \$13,635,194 (42.0%) to \$46,114,443 during the fiscal year.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets for 2011 of \$21,475,976, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted net assets for capital projects for 2011 of \$577,902 are constrained for capital projects.
 - (3) Restricted net assets for public safety for 2011 of \$661,836 are constrained for federal and state asset forfeiture and purchase and maintenance of police and fire equipment.
 - (4) Unrestricted net assets are \$6,135,516 at June 30, 2011.
- The Authority's governmental fund reported total ending fund balance of \$16,989,671 this year. This compares to the prior year ending fund balance of \$18,749,774, as restated, showing a decrease of \$1,760,103 during the current year.

Overview of the Financial Statements

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

Authority-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Fund

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

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

Proprietary Funds

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

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

Notes to the Financial Statements

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

Financial Analysis

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

Business-type activities are comprised of depreciation of water utilities assets used by the City's Water Utilities Department, employee benefit and insurance program services provided to the employees of the City and related public trusts and information technology support services for long-term contracts and licenses of the City. In 2011, the capital assets of the OCMFA Utilities Fund were transferred to the City Water and Wastewater Fund.

The Authority's net assets at fiscal year-end are \$28,851,230. This is a decrease of \$47,168,017 from last year's net assets. Overall the Authority's financial position declined during fiscal year 2011. Revenues for the year ended June 30, 2010 have been adjusted to reflect a reclassification of restricted interest income from general revenues to operating grants and contributions in governmental activities and unrestricted interest income from operating grants and contributions to general revenues in business-type activities. Restrictions of net assets have been changed to restricted for capital projects and public safety instead of unrestricted for June 30, 2010. Business-type activities charges for services have been decreased and transfers increased for a reclassification of transfers to OCMFA Services Fund for the year ended June 30, 2010.

Summary of Net Assets (Deficit)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2011	2010	2011	2010	2011	2010	
Assets							
Current assets	\$17,318,678	\$18,747,492	\$34,952,145	\$27,605,384	\$52,270,823	\$46,352,876	12.8%
Capital assets, net	13,284,987	24,428,016	8,219,612	36,586,809	21,504,599	61,014,825	(64.8)
Other non-current assets	<u>376,695</u>	<u>462,249</u>	<u>813,556</u>	<u>668,543</u>	<u>1,190,251</u>	<u>1,130,792</u>	5.3
Total assets	<u>30,980,360</u>	<u>43,637,757</u>	<u>43,985,313</u>	<u>64,860,736</u>	<u>74,965,673</u>	<u>108,498,493</u>	(30.9)
Liabilities							
Current liabilities	681,146	439,407	13,861,367	11,003,842	14,542,513	11,443,249	27.1
Non-current liabilities	-	-	<u>31,571,930</u>	<u>21,036,000</u>	<u>31,571,930</u>	<u>21,036,000</u>	50.1
Total liabilities	<u>681,146</u>	<u>439,407</u>	<u>45,433,297</u>	<u>32,039,842</u>	<u>46,114,443</u>	<u>32,479,249</u>	42.0
Net assets (deficit)							
Invested in capital assets, net of related debt	13,284,987	24,347,944	8,190,989	36,586,809	21,475,976	60,934,753	(64.8)
Capital projects	577,902	525,933	-	-	577,902	525,933	9.9
Public safety	661,836	812,996	-	-	661,836	812,996	(18.6)
Unrestricted	<u>15,774,489</u>	<u>17,511,480</u>	<u>(9,638,973)</u>	<u>(3,765,915)</u>	<u>6,135,516</u>	<u>13,745,565</u>	(55.4)
Total net assets (deficit)	<u>\$30,299,214</u>	<u>\$43,198,353</u>	<u>(\$1,447,984)</u>	<u>\$32,820,894</u>	<u>\$28,851,230</u>	<u>\$76,019,247</u>	(62.0)

Net assets decreased \$12.90 million for governmental activities and decreased \$34.27 million for business-type activities. Most of the reduction in net assets is the result of changes in capital asset ownership. Governmental activities capital assets, net, decreased \$11.14 million primarily related to the transfer of purchased and developed software to OCMFA Services Fund, Information Technology, of \$9.66 million and current year depreciation of \$1.53 million. Capital assets, net, for business-type activities decreased \$28.37 million primarily due to a transfer of utility assets of \$30.33 million to the City Utilities Fund and current year depreciation of \$7.72 million, offset by the \$9.66 million transfer of capital assets from the General Purpose Fund and capital outlay of \$25 thousand. Current liabilities for business-type activities increased \$2.86 million primarily due to insurance recoveries of \$4.62 million and accounts payable of \$487 thousand accrued to OCMFA Services Fund, Risk Management, for insurance property claims related to the May 2010 hail storm offset by decreases in the current portion of worker's compensation estimated claims payable of \$2.23 million. Non-current liabilities for business-type activities increased \$10.54 million due to increases in long-term estimated workers compensation liability and property damage insurance liability.

Summary of Changes in Net Assets (Deficit)

	Governmental		Business-type		Total		Total % Change
	Activities		Activities				
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Revenues							
Charges for services	\$998,535	\$893,740	\$38,463,926	\$30,903,225	\$39,462,461	\$31,796,965	24.1%
Operating grants and contributions	7,083	6,837	-	-	7,083	6,837	3.6
Capital grants and contributions	-	-	-	-	-	-	0.0
General revenues	<u>1,301,249</u>	<u>1,236,297</u>	<u>299,134</u>	<u>252,490</u>	<u>1,600,383</u>	<u>1,488,787</u>	7.5
Total operating revenues	<u>2,306,867</u>	<u>2,136,874</u>	<u>38,763,060</u>	<u>31,155,715</u>	<u>41,069,927</u>	<u>33,292,589</u>	23.4
Program expenses							
General government	1,423,715	1,486,774	-	-	1,423,715	1,486,774	(4.2)
Public safety	1,569,568	3,183,374	-	-	1,569,568	3,183,374	(50.7)
Public services	1,152,729	930,540	-	-	1,152,729	930,540	23.9
Culture and recreation	206,029	415,463	-	-	206,029	415,463	(50.4)
Water utilities	-	-	6,097,769	6,621,764	6,097,769	6,621,764	(7.9)
Risk management	-	-	57,745,219	39,952,161	57,745,219	39,952,161	44.5
Information technology	-	-	<u>2,798,540</u>	<u>1,798,958</u>	<u>2,798,540</u>	<u>1,798,958</u>	55.6
Total expenses	<u>4,352,041</u>	<u>6,016,151</u>	<u>66,641,528</u>	<u>48,372,883</u>	<u>70,993,569</u>	<u>54,389,034</u>	30.5
Transfers	<u>(10,853,962)</u>	<u>1,693,132</u>	<u>(6,390,410)</u>	<u>14,365,656</u>	<u>(17,244,372)</u>	<u>16,058,788</u>	(207.4)
Changes in net deficit	<u>(12,899,136)</u>	<u>(2,186,145)</u>	<u>(34,268,878)</u>	<u>(2,851,512)</u>	<u>(47,168,014)</u>	<u>(5,037,657)</u>	(836.3)
Beginning net assets (deficit)							
As previously reported	43,198,350	49,837,223	32,820,894	43,053,287	76,019,244	92,890,510	(18.2)
Prior period restatement	-	<u>(4,452,728)</u>	-	<u>(7,380,881)</u>	-	<u>(11,833,609)</u>	100.0
Beginning net assets	<u>43,198,350</u>	<u>45,384,495</u>	<u>32,820,894</u>	<u>35,672,406</u>	<u>76,019,244</u>	<u>81,056,901</u>	(6.2)
Ending net assets (deficit)	<u>\$30,299,214</u>	<u>\$43,198,350</u>	<u>(\$1,447,984)</u>	<u>\$32,820,894</u>	<u>\$28,851,230</u>	<u>\$76,019,244</u>	(62.0)

Governmental activities charges for services increased \$105 thousand primarily due to increases in impact fees for private development new construction of \$29 thousand; revenue collections of \$72 thousand for weed abatement and junk debris removal; and \$4 thousand from the rental of the old Central Fire Station from the Arts Council of Oklahoma City.

Business-type activities, charges for services increased \$7.56 million primarily related to increased costs for life and health insurance of \$2.50 million and 2011 insurance reimbursements of \$ 5.14 million related to the damages sustained by the hail storm, flood and tornado that occurred in fiscal year 2010.

Governmental activities, program expenses for public safety and culture and recreation decreased \$1.61 million and \$209 thousand, respectively. The decrease in public safety program expenses is primarily related to a decrease in depreciation expense caused by the transfer of assets from the General Purpose Fund to OCMFA Services Fund. The decrease for culture and recreation is related to a prior year, one-time \$200 thousand expenditure for the construction of the Oklahoma Sports Hall of Fame and Jim Thorpe Museum.

Business-type activities, program expenses for risk management and information technology increased \$17.79 million and \$1.00 million, respectively. The increase in risk management is primarily due to increased costs for life and health insurance and insurance reimbursements related to the damages sustained by the hail storm, flood and tornado that occurred during fiscal year 2010 as well as increased long-term workers compensation liability. The increase in information technology is primarily related to additional depreciation expense of \$1.59 million, offset by decreases in the amounts spent on software licensing and telephone expenses.

Net transfers for both governmental and business-type activities decreased \$12.55 million and \$20.76 million, respectively. The decrease in governmental activities is related to transfers of \$9.66 million to OCMFA Services Fund Information Technology and \$1.66 million to the City Special Purpose Fund for park improvements. The decrease for business-type activities is related to transfer of assets to the City Utilities Fund of \$30.33 million, offset by transfers of \$9.66 million from governmental activities.

Governmental Fund

As discussed, the Authority governmental fund is reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The Authority governmental fund reported ending fund balance of \$16,989,671. Of this year-end total, approximately \$2,469,220 is unassigned, indicating availability for continuing Authority general service requirements.

The total ending fund balance of the governmental fund shows a decrease of \$1,760,103 over the prior year. This decrease is primarily the result of the events and programs described within the analysis of the Authority's governmental activities.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, at fiscal year-end is \$21,504,599.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total		Total % Change
	2011	2010	2011	2010	2011	2010	
Non-Depreciable Assets							
Land	\$5,401,779	\$5,401,779	\$ -	\$2,280,748	\$5,401,779	\$7,682,527	(29.7%)
Construction in progress	<u>119,659</u>	<u>3,581</u>	-	-	<u>119,659</u>	<u>3,581</u>	3241.5
Total non-depreciable assets	<u>5,521,438</u>	<u>5,405,360</u>	-	<u>2,280,748</u>	<u>5,521,438</u>	<u>7,686,108</u>	(28.2)
Depreciable Assets							
Improvements other than buildings	5,677,879	6,174,393	-	17,962,465	5,677,879	24,136,858	(76.5)
Buildings	1,357,085	1,421,571	57,441	16,248,295	1,414,526	17,669,866	(92.0)
Furniture, machinery, and equipment	<u>728,585</u>	<u>11,426,694</u>	<u>8,162,171</u>	<u>95,301</u>	<u>8,890,756</u>	<u>11,521,995</u>	(22.8)
Total depreciable assets	<u>7,763,549</u>	<u>19,022,658</u>	<u>8,219,612</u>	<u>34,306,061</u>	<u>15,983,161</u>	<u>53,328,719</u>	(70.0)
	<u>\$13,284,987</u>	<u>\$24,428,018</u>	<u>\$8,219,612</u>	<u>\$36,586,809</u>	<u>\$21,504,599</u>	<u>\$61,014,827</u>	(64.8)

The Authority's net capital assets for governmental and business-type activities as of June 30, 2011 was \$13.28 million and \$8.22 million, respectively. The governmental activities decrease of \$11.14 million is due to a \$9.66 million transfer of assets to OCMFA Services Fund, Information Technology, and current year depreciation of \$1.53 million offset by capital outlay of \$273 thousand and asset retirements of surplus assets of \$228 thousand. The business-type activities decrease of \$28.37 million is due to a \$30.33 million transfer of assets to the City Utilities Fund and current year depreciation of \$7.72 million offset by \$9.66 million transfer of capital assets from the General Purpose Fund and capital outlay of \$25 thousand. See Note II. A. 3. for more information regarding capital assets.

Economic Factors

The improvements in the local economy lead to increases in revenues collected from weed abatement and junk debris removal.

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.

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Basic Financial Statements

Authority-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

STATEMENT OF NET ASSETS
June 30, 2011

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Governmental	Business-type	Total
	Activities	Activities	
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Pooled cash-----	\$3,912,911	\$9,358,960	\$13,271,871
Non-pooled cash-----	34,105	-	34,105
Investments-----	8,736,633	20,856,253	29,592,886
Accounts receivable, net-----	-	3,101,880	3,101,880
Interest, dividends and royalties receivable-----	62,322	124,041	186,363
Due from other funds-----	4,464,548	1,007,914	5,472,462
Prepays-----	108,159	503,097	611,256
Total current assets-----	17,318,678	34,952,145	52,270,823
<u>NON-CURRENT ASSETS</u>			
Advance to other funds-----	-	670,628	670,628
Non-current prepaids-----	376,695	142,928	519,623
Capital assets:			
Land and construction in progress-----	5,521,438	-	5,521,438
Other capital assets, net of accumulated depreciation-----	7,763,549	8,219,612	15,983,161
Capital assets, net-----	13,284,987	8,219,612	21,504,599
Total non-current assets-----	13,661,682	9,033,168	22,694,850
Total assets-----	30,980,360	43,985,313	74,965,673
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable-----	495,755	1,788,245	2,284,000
Due to other funds-----	185,391	470,280	655,671
Payable to component units-----	-	73,466	73,466
Estimated claims payable-----	-	11,529,376	11,529,376
Total current liabilities-----	681,146	13,861,367	14,542,513
<u>NON-CURRENT LIABILITIES</u>			
Estimated claims payable-----	-	31,571,930	31,571,930
Total liabilities-----	681,146	45,433,297	46,114,443
<u>NET ASSETS (DEFICIT)</u>			
Invested in capital assets, net of related debt-----	13,284,987	8,190,989	21,475,976
Restricted for:			
Capital projects-----	577,902	-	577,902
Public safety-----	661,836	-	661,836
Unrestricted-----	15,774,489	(9,638,973)	6,135,516
Total net assets (deficit)-----	\$30,299,214	(\$1,447,984)	\$28,851,230

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Program Revenues		Governmental Activities	Business Type Activities	Total
		Charges for Services	Operating Grants and Contributions			
GOVERNMENTAL ACTIVITIES						
General government	\$1,423,715	\$ -	\$ -	(\$1,423,715)	\$ -	(\$1,423,715)
Public safety:						
Police-----	1,887	-	-	(1,887)	-	(1,887)
Other-----	1,567,681	-	1,946	(1,565,735)	-	(1,565,735)
Public services-----	1,152,729	994,268	5,137	(153,324)	-	(153,324)
Culture and recreation-----	206,029	4,267	-	(201,762)	-	(201,762)
Total governmental activities-----	<u>4,352,041</u>	<u>998,535</u>	<u>7,083</u>	<u>(3,346,423)</u>	<u>-</u>	<u>(3,346,423)</u>
BUSINESS-TYPE ACTIVITIES						
Water utilities-----	6,097,769	-	-	-	(6,097,769)	(6,097,769)
Risk management-----	57,745,219	38,463,926	-	-	(19,281,293)	(19,281,293)
Information technology-----	2,798,540	-	-	-	(2,798,540)	(2,798,540)
Total business-type activities--	<u>66,641,528</u>	<u>38,463,926</u>	<u>-</u>	<u>-</u>	<u>(28,177,602)</u>	<u>(28,177,602)</u>
Total -----	<u>\$70,993,569</u>	<u>\$39,462,461</u>	<u>\$7,083</u>	<u>(3,346,423)</u>	<u>(28,177,602)</u>	<u>(31,524,025)</u>
GENERAL REVENUES						
Oil and gas royalties-----				907,168	-	907,168
Unrestricted investment income----				119,139	299,134	418,273
Miscellaneous-----				274,942	-	274,942
Total general revenues -----				<u>1,301,249</u>	<u>299,134</u>	<u>1,600,383</u>
Transfers within the Authority-----				(9,659,869)	9,659,869	-
Transfers within the City-----				(1,194,093)	(16,050,279)	(17,244,372)
Changes in net assets (deficit) -----				<u>(12,899,136)</u>	<u>(34,268,878)</u>	<u>(47,168,014)</u>
Net assets-beginning-----				43,198,350	32,820,894	76,019,244
Net assets (deficit)-ending -----				<u>\$30,299,214</u>	<u>(\$1,447,984)</u>	<u>\$28,851,230</u>

See accompanying notes to financial statements.

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2011**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	General Purpose Fund
<u>ASSETS</u>	
Pooled cash-----	\$3,912,911
Non-pooled cash-----	34,105
Investments-----	8,736,633
Interest, dividends, and royalties receivable-----	62,322
Due from other funds-----	4,464,548
Prepays-----	484,854
Total assets-----	<u><u>\$17,695,373</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts payable-----	\$495,755
Due to other funds-----	185,391
Deferred revenue-----	24,556
Total liabilities-----	<u><u>705,702</u></u>
<u>FUND BALANCES</u>	
Non-spendable-----	484,854
Restricted-----	775,978
Committed-----	244,449
Assigned-----	13,015,170
Unassigned-----	2,469,220
Total fund balance-----	<u><u>16,989,671</u></u>
Total liabilities and fund balances-----	<u><u>17,695,373</u></u>
<u>RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS, GOVERNMENTAL ACTIVITIES</u>	
Total fund balance-----	\$16,989,671
Capital assets, net of accumulated depreciation-----	13,284,987
Deferred investment income earned but unavailable-----	24,556
Net assets-governmental activities-----	<u><u>\$30,299,214</u></u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2011**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	General Purpose Fund
<u>REVENUES</u>	
Licenses and permits-----	\$60,105
Oil and gas royalties-----	907,168
Fines and forfeitures-----	928,366
Investment income-----	122,226
Charges for services-----	5,797
Rental income-----	4,267
Other-----	274,942
Total revenues-----	<u>2,302,871</u>
<u>EXPENDITURES</u>	
<u>CURRENT</u>	
General government-----	768,395
Public safety other-----	851,464
Public services-----	936,504
Culture and recreation-----	39,510
Capital Outlay-----	273,008
Total expenditures-----	<u>2,868,881</u>
Deficiency of revenues under expenditures-----	(566,010)
<u>OTHER FINANCING SOURCES</u>	
Transfers from other funds-----	1,212,100
Transfers to other funds-----	(2,406,193)
Net other financing uses-----	<u>(1,194,093)</u>
Net change in fund balances-----	(1,760,103)
<u>FUND BALANCE, BEGINNING</u>	
Fund balance, beginning-----	18,749,774
Fund balances, ending-----	<u><u>\$16,989,671</u></u>
<u>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES, GOVERNMENTAL ACTIVITIES</u>	
Net change in fund balance-----	(\$1,760,103)
Recognition of earned but unavailable deferred investment income-----	3,996
Depreciation expense-----	(1,528,137)
Capital outlay-----	273,008
Loss on disposal of assets-----	(228,031)
Transfer of assets to OCMFA Services-----	(9,659,869)
Change in net deficit-governmental activities-----	<u><u>(\$12,899,136)</u></u>

See accompanying notes to financial statements.

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011**

	Enterprise Funds		
	OCMFA Utilities	OCMFA Services	Total
ASSETS			
CURRENT ASSETS			
Pooled cash-----	\$ -	\$9,358,960	\$9,358,960
Investments-----	-	20,856,253	20,856,253
Accounts receivable, net-----	-	3,101,880	3,101,880
Interest, dividends, and royalties receivable-----	-	124,041	124,041
Due from other funds-----	-	1,007,914	1,007,914
Prepays-----	-	503,097	503,097
Total current assets-----	-	34,952,145	34,952,145
NON-CURRENT ASSETS			
Advance to other funds-----	-	670,628	670,628
Non-current prepaids-----	-	142,928	142,928
Capital assets:			
Other capital assets, net of accumulated depreciation-----	-	8,219,612	8,219,612
Capital assets, net-----	-	8,219,612	8,219,612
Total non-current assets-----	-	9,033,168	9,033,168
Total assets-----	-	43,985,313	43,985,313
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable-----	-	1,788,245	1,788,245
Due to other funds-----	-	470,280	470,280
Payable to component units-----	-	73,466	73,466
Estimated claims payable-----	-	11,529,376	11,529,376
Total current liabilities-----	-	13,861,367	13,861,367
NON-CURRENT LIABILITIES			
Estimated claims payable-----	-	31,571,930	31,571,930
Total liabilities-----	-	45,433,297	45,433,297
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt-----	-	8,190,989	8,190,989
Unrestricted-----	-	(9,638,973)	(9,638,973)
Total net assets (deficit)-----	\$ -	(\$1,447,984)	(\$1,447,984)

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011**

	Enterprise Funds		
	OCMFA Utilities	OCMFA Services	Total
<u>OPERATING REVENUES</u>			
Service charges-----	\$ -	\$33,246,163	\$33,246,163
Other charges-----	-	1,077	1,077
Other-----	-	5,186,349	5,186,349
Total operating revenues-----	-	38,433,589	38,433,589
<u>OPERATING EXPENSES</u>			
Maintenance, operations, and contractual services-----	-	58,903,432	58,903,432
Materials and supplies-----	-	19,916	19,916
Depreciation-----	6,097,769	1,620,411	7,718,180
Total operating expenses-----	6,097,769	60,543,759	66,641,528
Operating loss-----	(6,097,769)	(22,110,170)	(28,207,939)
<u>NON-OPERATING REVENUE</u>			
Investment income-----	-	299,134	299,134
Other revenue-----	-	30,337	30,337
Net non-operating revenues-----	-	329,471	329,471
<u>TRANSFERS</u>			
Transfers within the Authority-----	-	9,659,869	9,659,869
Transfers within the City-----	(30,333,754)	14,283,475	(16,050,279)
Total transfers-----	(30,333,754)	23,943,344	(6,390,410)
Change in net assets (deficit)-----	(36,431,523)	2,162,645	(34,268,878)
Total net assets (deficit), beginning-----	36,431,523	(3,610,629)	32,820,894
Total net assets (deficit), ending-----	\$ -	(\$1,447,984)	(\$1,447,984)

See accompanying notes to financial statements.

**STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Enterprise Funds		
	OCMFA Utilities	OCMFA Services	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers-----	\$ -	\$33,659,351	\$33,659,351
Cash payments to suppliers for goods and services-----	-	(45,832,815)	(45,832,815)
Operating payments from (to) component units-----	-	73,466	73,466
Other cash receipts-----	-	2,116,442	2,116,442
Net cash used by operating activities-----	-	(9,983,556)	(9,983,556)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Transfers received from (paid to) other funds-----	-	14,279,847	14,279,847
Net cash provided by non-capital financing activities-----	-	14,279,847	14,279,847
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u>			
Payments for acquisition and construction of capital assets-----	-	(14,580)	(14,580)
Net cash provided by capital and capital related financing activities-----	-	(14,580)	(14,580)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Changes in pooled investments-----	-	(3,226,823)	(3,226,823)
Investment income received-----	-	66,883	66,883
Purchased interest-----	-	(19,412)	(19,412)
Net cash used by investing activities-----	-	(3,179,352)	(3,179,352)
Net increase in cash-----	-	1,102,359	1,102,359
Cash, beginning-----	-	8,256,601	8,256,601
Cash, ending-----	\$ -	\$9,358,960	\$9,358,960
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>			
Operating loss-----	(\$6,097,769)	(\$22,110,170)	(\$28,207,939)
<u>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>			
Depreciation-----	6,097,769	1,620,411	7,718,180
Non-operating revenue-----	-	30,344	30,344
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable-----	-	(3,101,880)	(3,101,880)
(Increase) decrease in due from other funds-----	-	375,603	375,603
(Increase) decrease in prepaid assets-----	-	(38,085)	(38,085)
(Increase) decrease in other assets-----	-	(142,928)	(142,928)
Increase (decrease) in accounts payable-----	-	391,197	391,197
Increase (decrease) in due to other funds-----	-	470,280	470,280
Increase (decrease) in payable to component unit-----	-	73,466	73,466
Increase (decrease) in long-term liabilities-----	-	12,448,206	12,448,206
Total adjustments-----	6,097,769	12,126,614	18,224,383
Net cash used by operating activities-----	\$ -	(9,983,556)	(9,983,556)
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>			
Net increase (decrease) in fair value of investments-----	\$ -	\$166,414	\$166,414
Transfer of capital assets from (to) other funds-----	(30,333,755)	9,659,869	(20,673,886)
Total non-cash investing, capital, and financing activities-----	(\$30,333,755)	\$9,826,283	(\$20,507,472)

See accompanying notes to financial statements.

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Municipal Facilities Authority (Authority) financial activities for the fiscal year ended June 30, 2011.

I. B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

Authority Administration

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

I. B. 2. BASIC FINANCIAL STATEMENTS

Authority-wide Financial Statements

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

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

Fund Financial Statements

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

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

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Authority applies relevant Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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

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

Governmental Fund

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

General Purpose Fund

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

Proprietary Funds

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

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

Enterprise Funds

OCMFA Utilities Fund

Accounts for certain capital assets of the water utility operations of the City. This fund does not collect revenues. The capital assets of this fund were transferred to the City Water and Wastewater Fund in 2011.

OCMFA Services Fund

Risk Management Unit:

Accounts for charges for health insurance services from City departments and the related expenses for certain insurance programs of the City.

Information Technology Unit:

Accounts for charges for information technology services from City departments and related expenses for the operation of certain computer and telecommunication systems.

I. C. BUDGET LAW AND PRACTICE

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

I. D. POLICIES RELATED TO ASSETS AND LIABILITIES

I. D. 1. CASH AND INVESTMENTS

The Authority participates in the investment policy approved by the City Council. The Authority's governing board formally adopted the City's updated deposit and investment policy in March 2011.

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

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

I. D. 2. PREPAIDS

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

I. D. 3. ACCOUNTS RECEIVABLE

Significant receivables includes receivables for property damage recoveries and Fringe Benefit Management Company (FBMC) plan forfeitures. Receivables related to insurance recoveries are recorded when the amount is considered realized or realizable. FBMC claims are managed by a third-party and are remitted to the Authority annually and represent amounts due at June 30, 2011. These receivables are due within one year and are expected to be fully collected and therefore no allowance for doubtful accounts has been recorded.

I. D. 4. INTERFUND BALANCES

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

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

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

I. D. 5. CAPITAL ASSETS AND DEPRECIATION

Property and equipment are stated at actual or estimated historical cost. Donated capital assets are stated at their fair market value on the date donated. The Authority generally capitalizes assets with cost of \$7,500 or more as purchases and construction outlays occur. Capital assets are reported in the Authority-wide statements and respective proprietary funds and are depreciated using the straight-line method with estimated useful lives ranging from 2 to 50 years. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts with the resulting gain or loss recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

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

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

I. D. 6. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Fund Balance Usage

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

Net Assets

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

Net Assets Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

I. D. 7. USE OF ESTIMATES

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

I. E. MAJOR REVENUES

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

I. F. TAX STATUS

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

I. G. RETAINAGES

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

II. ASSETS AND LIABILITIES

II. A. ASSETS

II. A. 1. DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2011, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust, less Federal depository insurance.

Investments

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

	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Rating (1)</u>	Weighted Average Months to <u>Maturity (2)</u>
<u>POOLED INVESTMENTS</u>				
Fannie Mae	\$7,188,225	\$7,169,490	AAA/Aaa	25.54
Federal obligations	15,541,754	15,575,170	AAA/Aaa	16.87
U.S. Treasury notes	6,101,492	6,080,000	N/A	16.79
Money market funds	<u>761,415</u>	<u>761,415</u>	AAA/Aaa	1.43
	<u>\$29,592,886</u>	<u>\$29,586,075</u>		

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

Investment policy

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

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

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

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

Portfolio Structure (1)

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

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

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

Investments Held by Others

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

Compliance with State Restrictions

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

II. A. 2. ACCOUNTS RECEIVABLE

The accounts receivable for the OCMFA Services Fund at June 30, 2011 is \$3,101,879. Of this, \$3,053,455 is receivable for insurance recoveries related to weather related damages sustained during fiscal year 2010 and flexible benefit plan forfeitures of \$48,424.

II. A. 3. PREPAIDS

The Authority reported prepaid balances of \$484,854 and \$503,097 for prepaid expenses in the General Purpose Fund and OCMFA Services Fund, respectively. The General Purpose Fund reported prepaid software license and support agreements of \$481,841 including \$376,695 reported as non-current and prepaid 911 phone services of \$3,013. The OCMFA Services Fund reported \$475,270 for prepaid insurance, \$750 for worker's compensation permit fees and \$170,005 for prepaid software license and support agreements including \$142,928 reported as non-current.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

II. A. 4. CAPITAL ASSETS

Changes in Capital Assets

	Capital Assets, not depreciated			Capital Assets, depreciated				Total Capital Assets, net
	Land	Construction		Improvements Other Than	Furniture, Machinery, &		Total	
		In Progress	Total	Buildings	Buildings	Equipment		
<i>Governmental Activities</i>								
CAPITAL ASSETS								
Balance, June 30, 2010	\$5,401,779	\$3,581	\$5,405,360	\$15,938,440	\$7,254,443	\$35,879,301	\$59,072,184	\$64,477,544
Increases	-	116,078	116,078	-	-	199,439	199,439	315,517
Decreases	-	-	-	(42,528)	(16,051)	(24,287,843)	(24,346,422)	(24,346,422)
Balance, June 30, 2011	<u>5,401,779</u>	<u>119,659</u>	<u>5,521,438</u>	<u>15,895,912</u>	<u>7,238,392</u>	<u>11,790,897</u>	<u>34,925,201</u>	<u>40,446,639</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2010				9,764,047	5,832,872	24,452,607	40,049,526	40,049,526
Increases				492,872	64,482	970,783	1,528,137	1,528,137
Decreases				(38,886)	(16,047)	(14,361,078)	(14,416,011)	(14,416,011)
Balance, June 30, 2011				<u>10,218,033</u>	<u>5,881,307</u>	<u>11,062,312</u>	<u>27,161,652</u>	<u>27,161,652</u>
Governmental activities capital assets, net	<u>5,401,779</u>	<u>119,659</u>	<u>5,521,438</u>	<u>5,677,879</u>	<u>1,357,085</u>	<u>728,585</u>	<u>7,763,549</u>	<u>13,284,987</u>
<i>Business-type Activities</i>								
CAPITAL ASSETS								
Balance, June 30, 2010	\$2,280,748	\$ -	\$2,280,748	\$129,779,632	\$39,501,682	\$30,504,553	\$199,785,867	\$202,066,615
Increases	-	-	-	-	-	23,869,759	23,869,759	23,869,759
Decreases	(2,280,748)	-	(2,280,748)	(129,779,632)	(39,282,982)	(29,925,723)	(198,988,337)	(201,269,085)
Balance, June 30, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,700</u>	<u>24,448,589</u>	<u>24,667,289</u>	<u>24,667,289</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2010				111,817,167	23,253,387	30,409,252	165,479,806	165,479,806
Increases				5,403,513	696,798	1,617,869	7,718,180	7,718,180
Decreases				(117,220,680)	(23,788,926)	(15,740,703)	(156,750,309)	(156,750,309)
Balance, June 30, 2011				<u>-</u>	<u>161,259</u>	<u>16,286,418</u>	<u>16,447,677</u>	<u>16,447,677</u>
Business-type activities capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,441</u>	<u>8,162,171</u>	<u>8,219,612</u>	<u>8,219,612</u>
Capital assets, net	<u>\$5,401,779</u>	<u>\$119,659</u>	<u>\$5,521,438</u>	<u>\$5,677,879</u>	<u>\$1,414,526</u>	<u>\$8,890,756</u>	<u>\$15,983,161</u>	<u>\$21,504,599</u>

Depreciation Expense

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
General government	\$427,292	Water Utilities	\$6,097,766
Police public safety	1,887	Risk Management	24,153
Public safety other	716,217	Information Technology	<u>1,596,261</u>
Public services	216,224		<u>\$7,718,180</u>
Culture and recreation	<u>166,517</u>		
	<u>\$1,528,137</u>		

II. B. LIABILITIES

II. B. 1. ESTIMATED CLAIMS PAYABLE

Risk Management Claims Payable

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

Health insurance claims incurred but not reported for the City's active self-insured group indemnity Plan (Indemnity Plan) are calculated by a third-party using the one day weighted average of annual claims over the weighted average days lag in claims reporting. A copy of the third party report can be obtained from Human Resources, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Worker's compensation claims incurred but not yet paid are calculated by a third-party using the chain-ladder and additive distribution methods. The City records worker's compensation claims payable at the discounted amount. The undiscounted carrying value at June 30, 2011 is \$35,385,748. Claims are discounted to present value factors implicit in the U.S. Treasury yields as of June 30, 2010. A copy of the third party report can be obtained from Risk Management, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

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

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the change in approximate aggregate liabilities for the City for fiscal year 2011.

	Health <u>Care</u>	Worker's <u>Compensation</u>	Property <u>Damage</u>	<u>Total</u>
Liability balance, July 1, 2009	\$957,583	\$29,665,000	\$ -	\$30,622,583
Claims and changes in estimates	13,612,099	7,836,874	-	21,448,973
Claims payments	<u>(13,581,582)</u>	<u>(7,836,874)</u>	<u>-</u>	<u>(21,418,456)</u>
Liability balance, June 30, 2010	988,100	29,665,000	-	30,653,100
Claims and changes in estimates	14,267,001	12,975,433	6,139,553	33,381,987
Claims payments	<u>(14,228,866)</u>	<u>(4,714,085)</u>	<u>(1,990,830)</u>	<u>(20,933,781)</u>
Liability balance, June 30, 2011	<u>\$1,026,235</u>	<u>\$37,926,348</u>	<u>\$4,148,723</u>	<u>\$43,101,306</u>
Assets available to pay claims at year end	<u>\$8,046,299</u>	<u>\$18,660,029</u>	<u>\$3,101,879</u>	<u>\$26,706,328</u>

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

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

Estimated Claims Payment Requirements to Maturity

Fiscal Year	Principal
2011	\$11,529,376
2012	<u>31,571,930</u>
	<u>\$43,101,306</u>

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

	Balance July 1, 2010	Incurred	Paid	Balance June 30, 2011	Due Within One Year	Due After One Year
Estimated claims payable - OCMFA Services						
Risk Management	<u>\$30,653,100</u>	<u>\$33,381,987</u>	<u>\$20,933,781</u>	<u>\$43,101,306</u>	<u>\$11,529,376</u>	<u>\$31,571,930</u>

II. C. INTERFUND BALANCES

Due Within City

	DUE TO		DUE FROM	
	<u>Governmental Activities</u> General Purpose Fund	<u>Business-type Activities</u> OCMFA Services	<u>Governmental Activities</u> General Purpose Fund	<u>Business-type Activities</u> OCMFA Services
<u>DUE FROM OTHER FUNDS</u>			<u>DUE TO OTHER FUNDS</u>	
City General Fund	\$ -	\$1,005,080	City General Fund	\$177,346
City General Obligation Bond Fund	4,464,548	-	City Stormwater Drainage Fund	<u>8,045</u>
City Grants Management	-	2,419	Total due to other funds	<u>185,391</u>
City Information Technology Fund	-	<u>415</u>		
Total due to other funds	<u>4,464,548</u>	<u>1,007,914</u>		
<u>ADVANCE TO OTHER FUNDS</u>			Oklahoma City Water Utilities Trust	-
OCPA Golf Course Fund	-	<u>670,628</u>	City Solid Waste Management Fund	-
	<u>\$4,464,548</u>	<u>\$1,678,542</u>	City Water and Wastewater Fund	-
				<u>1,178</u>
				<u>\$185,391</u>
				<u>\$470,280</u>

Pre-Funded Costs

The Authority pays for initial architectural and engineering fees for the City and related trust construction projects before the funding is finalized. This process allows more timely initiation of capital projects due to the length of time involved in finalizing debt and contracts for construction by the City and related trusts. When the funding is finalized and construction begins, the City or related trust reimburses the Authority for the cost of the prefunded fees. Any amounts outstanding are reported with interfund balances. During 2011, the Authority prefunded \$2,599,907 related to City general obligation bond projects. At June 30, 2011, the Authority reported an amount due from the City General Obligation Bond Fund of \$4,464,548 for unreimbursed prefunded fees.

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

In February 2001 a loan for \$407,253 to the OCPPA from the Authority's workers compensation reserves was approved for reconstruction of the greens at Trosper Park Golf Course. The loan was refinanced in November 2004 for a longer period, at a lower interest rate of 4.6%, with the final payment due in March 2012. At June 30, 2011, the balance of this loan is \$51,728 and accrued interest of \$199.

In April 2006 a loan for \$481,000 from the Authority workers compensation reserves to the OCPPA was approved for the purchase of golf carts. The loan is being repaid from Lake Hefner Park Golf Course revenues. The loan is to be repaid over five years at an annual interest rate of 5.36% beginning June 1, 2006 with final payment paid in May 2011.

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

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

The loan will be repaid over six years at an annual rate of 3.67% beginning April 1, 2008 with the final payment due March 1, 2014. The principal due at June 30, 2011 is \$616,815 and accrued interest of \$1,886.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$268,866	\$20,005	\$288,871
2013	225,244	10,904	236,148
2014	<u>174,433</u>	<u>2,678</u>	<u>177,111</u>
	<u>\$668,543</u>	<u>\$33,587</u>	<u>\$702,130</u>

Payable To/From Component units of the City

The Trust reported \$73,466 at June 30, 2011, payable to Oklahoma City Zoological Trust of \$70,566 and the Central Oklahoma Transportation Parking Authority of \$2,900 for prior year insurance proceeds.

III. FUND EQUITY

III. A. FUND BALANCE

Adoption of New Accounting Standard

Effective July 1, 2010, the Authority implemented GASB Statement 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. This statement requires the Authority to classify fund balances as spendable or non-spendable and to specifically identify restrictions or limitations on spendable amounts. Implementing this standard had no impact on reported total fund balances, only the classification of those fund balances.

Non-Spendable Fund Balance

Prepays \$484,854

Restricted Fund Balance

Restricted for federal and state asset forfeiture	\$43,956
Restricted for purchase and maintenance of police and fire equipment	155,237
Restricted for capital projects	<u>576,785</u>
	<u>\$775,978</u>

Committed Fund Balance

Committed for 911 services \$244,449

Assigned Fund Balance

Assigned for Information Technology projects	\$1,030,317
Assigned for civil defense legal fees	115,001
Assigned for parks improvements, creation and maintenance	3,212,328
Assigned for Myriad Botanical Gardens operations	6,173
Assigned for bond capital projects	6,733,030
Assigned for encumbrances	<u>1,918,321</u>
	<u>\$13,015,170</u>

Unassigned

Unassigned \$2,469,220

III. B. NET ASSETS

Invested in Capital Assets, Net of Related Debt

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Capital assets, net	\$13,284,987	\$8,219,612	\$21,504,599
Retainage and accounts payable	-	(28,623)	(28,623)
	<u>\$13,284,987</u>	<u>\$8,190,989</u>	<u>\$21,475,976</u>

Restricted for Capital Projects

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Restricted for capital projects	<u>\$577,902</u>	<u>\$ -</u>	<u>\$577,902</u>

Restricted for Public Safety

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Restricted for federal and state asset forfeiture	\$44,049	\$ -	\$44,049
Restricted for purchase and maintenance of police and fire equipment	<u>617,787</u>	<u>-</u>	<u>617,787</u>
	<u>\$661,836</u>	<u>\$ -</u>	<u>\$661,836</u>

Unrestricted

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Unrestricted	<u>\$15,774,489</u>	<u>(\$9,638,973)</u>	<u>\$6,135,516</u>

III. C. DEFICIT NET ASSETS

Deficit net assets of \$1,447,984 are the result of increased estimated claims related to workers compensation and accounts payable related to unemployment insurance.

IV. INTERFUND TRANSFERS

Transfers Within the City

<u>TRANSFERS TO</u>		<u>TRANSFERS FROM</u>	
	<i>Governmental</i> <i>Activities</i>		<i>Governmental</i> <i>Activities</i>
	<u>General</u> <u>Purpose Fund</u>		<u>General</u> <u>Purpose Fund</u>
<u>TRANSFERS FROM</u>		<u>TRANSFERS TO</u>	
City Police and Fire		City General Fund	\$306,673
Sales Tax Fund	\$30,000	City Capital Improvement Fund	509,815
City Information Technology Fund	<u>1,182,100</u>	City Special Purpose Fund	<u>1,589,705</u>
	<u>\$1,212,100</u>		<u>\$2,406,193</u>
<u>TRANSFERS TO</u>		<u>TRANSFERS FROM</u>	
	<i>Business-type</i> <i>Activities</i>		<i>Business-type</i> <i>Activities</i>
	<u>OCMFA</u> <u>Services Fund</u>		<u>OCMFA</u> <u>Utilities Fund</u>
<u>TRANSFERS FROM</u>		<u>TRANSFERS TO</u>	
City General Fund	\$1,312,685	City Water and Wastewater Fund	<u>\$30,333,754</u>
City Information Technology Fund	1,658,000		
City Risk Management Fund	<u>11,312,790</u>		
	<u>\$14,283,475</u>		

Transfers Within the Authority

The OCMFA Capital Asset Fund has a transfer to OCMFA Services Fund, Information Technology, for purchased and developed software of \$23,844,886, net of accumulated depreciation of \$14,185,017.

Combining Financial Statements

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**COMBINING STATEMENT OF NET ASSETS
OCMFA SERVICES FUND
June 30, 2011**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Risk Management						Information Technology	Total
	Health Care	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management			
	<u>Insurance</u>	<u>Compensation</u>	<u>Liability</u>	<u>Insurance</u>	<u>Management</u>			
ASSETS								
CURRENT ASSETS								
Pooled cash-----	\$2,751,663	\$5,514,572	\$727,041	\$212	\$8,993,488	\$365,472	\$9,358,960	
Investments-----	6,129,811	12,277,579	1,629,664	1,140	20,038,194	818,059	20,856,253	
Accounts receivable, net-----	48,424	-	3,053,456	-	3,101,880	-	3,101,880	
Interest, dividends and royalties receivable-----	37,975	66,846	12,244	150	117,215	6,826	124,041	
Due from other funds-----	4,133	355	1,001,906	-	1,006,394	1,520	1,007,914	
Prepays-----	-	155,968	320,051	-	476,019	27,078	503,097	
Total current assets-----	8,972,006	18,015,320	6,744,362	1,502	33,733,190	1,218,955	34,952,145	
NON-CURRENT ASSETS								
Advance to other funds-----	-	670,628	-	-	670,628	-	670,628	
Prepays-----	-	-	-	-	-	142,928	142,928	
Capital assets:								
Other capital assets, net of accumulated depreciation---	1,516	94,503	-	-	96,019	8,123,593	8,219,612	
Capital assets, net-----	1,516	94,503	-	-	96,019	8,123,593	8,219,612	
Total non-current assets-----	1,516	765,131	-	-	766,647	8,266,521	9,033,168	
Total assets-----	8,973,522	18,780,451	6,744,362	1,502	34,499,837	9,485,476	43,985,313	
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable-----	927,223	120,422	595,923	31,611	1,675,179	113,066	1,788,245	
Due to other funds-----	-	-	470,280	-	470,280	-	470,280	
Payable to component units-----	-	-	73,466	-	73,466	-	73,466	
Estimated claims payable-----	1,026,235	6,354,418	4,148,723	-	11,529,376	-	11,529,376	
Total current liabilities-----	1,953,458	6,474,840	5,288,392	31,611	13,748,301	113,066	13,861,367	
Estimated claims payable-----	-	31,571,930	-	-	31,571,930	-	31,571,930	
Total liabilities-----	1,953,458	38,046,770	5,288,392	31,611	45,320,231	113,066	45,433,297	
NET ASSETS								
Invested in capital assets, net of related debt-----	1,516	79,561	(13,681)	-	67,396	8,123,593	8,190,989	
Unrestricted-----	7,018,548	(19,345,880)	1,469,651	(30,109)	(10,887,790)	1,248,817	(9,638,973)	
Total net assets (deficit)-----	\$7,020,064	(\$19,266,319)	\$1,455,970	(\$30,109)	(\$10,820,394)	\$9,372,410	(\$1,447,984)	

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
OCMFA SERVICES FUND
For the Year Ended June 30, 2011**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Risk Management						Information Technology	Total
	Health Care	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management			
	Insurance							
<u>OPERATING REVENUES</u>								
<u>CHARGES FOR SERVICES</u>								
Service charges-----	\$33,246,163	\$ -	\$ -	\$ -	\$33,246,163	\$ -	\$33,246,163	
Other charges-----	1,077	-	-	-	1,077	-	1,077	
Total charges for services-----	33,247,240	-	-	-	33,247,240	-	33,247,240	
Other-----	46,796	-	5,139,553	-	5,186,349	-	5,186,349	
Total operating revenues-----	33,294,036	-	5,139,553	-	38,433,589	-	38,433,589	
<u>OPERATING EXPENSES</u>								
Maintenance, operations, and contractual services-	32,885,264	16,599,702	7,935,180	295,796	57,715,942	1,187,490	58,903,432	
Materials and supplies-----	1,975	3,050	99	-	5,124	14,792	19,916	
Depreciation-----	1,516	22,637	-	-	24,153	1,596,258	1,620,411	
Total operating expenses-----	32,888,755	16,625,389	7,935,279	295,796	57,745,219	2,798,540	60,543,759	
Operating income (loss)-----	405,281	(16,625,389)	(2,795,726)	(295,796)	(19,311,630)	(2,798,540)	(22,110,170)	
<u>NON-OPERATING REVENUE</u>								
Investment income-----	79,690	177,710	28,924	458	286,782	12,352	299,134	
Other revenue-----	30,337	-	-	-	30,337	-	30,337	
Net non-operating revenue-----	110,027	177,710	28,924	458	317,119	12,352	329,471	
<u>TRANSFERS</u>								
Transfers within the Authority-----	-	-	-	-	-	9,659,869	9,659,869	
Transfers from other funds-----	-	9,831,713	2,481,081	312,685	12,625,479	1,657,996	14,283,475	
Total transfers-----	-	9,831,713	2,481,081	312,685	12,625,479	11,317,865	23,943,344	
Changes in net assets-----	515,308	(6,615,966)	(285,721)	17,347	(6,369,032)	8,531,677	2,162,645	
Total net assets (deficit), beginning-----	6,504,756	(12,650,353)	1,741,691	(47,456)	(4,451,362)	840,733	(3,610,629)	
Total net assets (deficit), ending-----	\$7,020,064	(\$19,266,319)	\$1,455,970	(\$30,109)	(\$10,820,394)	\$9,372,410	(\$1,447,984)	

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**COMBINING STATEMENT OF CASH FLOWS
OCMFA SERVICES FUND
For the Year Ended For the Year Ended June 30, 2011**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Risk Management						Total
	Health Care Insurance	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management	Information Technology	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers-----	\$33,283,442	\$376,720	(\$2,074)	\$ -	\$33,658,088	\$1,263	\$33,659,351
Cash payments to suppliers for goods and services-----	(32,812,074)	(8,318,703)	(2,998,439)	(312,665)	(44,441,881)	(1,390,934)	(45,832,815)
Operating payments from (to) component units-----	-	-	73,466	-	73,466	-	73,466
Other operating cash receipts-----	30,344	-	2,086,098	-	2,116,442	-	2,116,442
Net cash provided (used) by operating activities-----	501,712	(7,941,983)	(840,949)	(312,665)	(8,593,885)	(1,389,671)	(9,983,556)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers received from (paid to) other funds-----	-	9,829,628	2,479,534	312,685	12,621,847	1,658,000	14,279,847
financing activities-----	-	9,829,628	2,479,534	312,685	12,621,847	1,658,000	14,279,847
CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES							
Payments for acquisition and construction of capital assets-----	-	(14,580)	-	-	(14,580)	-	(14,580)
Net cash provided (used) by capital and related financing activities-----	-	(14,580)	-	-	(14,580)	-	(14,580)
CASH FLOWS FROM INVESTING ACTIVITIES							
Changes in pooled investments-----	(426,029)	(1,469,170)	(1,137,928)	(231)	(3,033,358)	(193,465)	(3,226,823)
Investment income received-----	11,920	51,497	3,365	96	66,878	5	66,883
Purchased interest-----	(5,651)	(11,385)	(1,608)	(1)	(18,645)	(767)	(19,412)
Net cash used by investing activities-----	(419,760)	(1,429,058)	(1,136,171)	(136)	(2,985,125)	(194,227)	(3,179,352)
Net increase (decrease) in cash-----	81,952	444,007	502,414	(116)	1,028,257	74,102	1,102,359
Cash, beginning-----	2,669,711	5,070,565	224,627	328	7,965,231	291,370	8,256,601
Cash, ending-----	\$2,751,663	\$5,514,572	\$727,041	\$212	\$8,993,488	\$365,472	\$9,358,960
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)-----	\$405,281	(\$16,625,389)	(\$2,795,726)	(\$295,796)	(\$19,311,630)	(\$2,798,540)	(\$22,110,170)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Depreciation-----	1,516	22,637	-	-	24,153	1,596,258	1,620,411
Non-operating revenue-----	30,344	-	-	-	30,344	-	30,344
(Increase) decrease in accounts receivable-----	(48,424)	-	(3,053,456)	-	(3,101,880)	-	(3,101,880)
(Increase) decrease in due from other funds-----	(307)	376,720	(2,074)	-	374,339	1,264	375,603
(Increase) decrease in prepaid assets-----	-	7,085	(18,092)	-	(11,007)	(27,078)	(38,085)
(Increase) decrease in other assets-----	-	-	-	-	-	(142,928)	(142,928)
Increase (decrease) in accounts payable-----	75,167	15,616	335,930	(16,869)	409,844	(18,647)	391,197
Increase (decrease) in due to other funds-----	-	-	470,280	-	470,280	-	470,280
Increase (decrease) in payable to component unit-----	-	-	73,466	-	73,466	-	73,466
Increase (decrease) in long-term liabilities-----	38,135	8,261,348	4,148,723	-	12,448,206	-	12,448,206
Total adjustments-----	96,431	8,683,406	1,954,777	(16,869)	10,717,745	1,408,869	12,126,614
Net cash provided (used) by operating activities-----	\$501,712	(\$7,941,983)	(\$840,949)	(\$312,665)	(\$8,593,885)	(\$1,389,671)	(\$9,983,556)
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES							
Net increase (decrease) in fair value of investments-----	\$48,010	\$94,551	\$15,980	\$214	\$158,755	\$7,659	\$166,414
Transfer of capital assets from (to) other funds-----	-	-	-	-	-	9,659,869	9,659,869
Total non-cash investing, capital, and financing activities-----	\$48,010	\$94,551	\$15,980	\$214	\$158,755	\$9,667,528	\$9,826,283

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

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

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Oklahoma City Municipal Facilities Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 2, 2011, which contained an explanatory paragraph regarding a change in accounting principle. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 11-01, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 2, 2011.

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 governing body, 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 2, 2011

**Oklahoma City Municipal Facilities Authority
 Schedule of Findings and Responses
 Year Ended June 30, 2011**

Reference Number	Finding
11-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Property insurance claims and recoveries relating to an event which occurred in May 2010 were not recognized until the current year. Transactions involving non-cash and non-routine transactions require additional accounting and understanding from the Authority.</p> <p>Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Non-cash transactions could occur without being recorded accurately resulting in potential material misstatements in the financial statements or material misappropriations of assets due to error or fraud and not be detected and/or corrected in a timely manner.</p> <p>Cause – Due to a lack of communication between involved parties and an appropriate awareness of events by accounting personnel, proper accounting for this transaction was not completed timely. The Authority should maintain an understanding of non-cash and non-routine transactions in order to ensure they are properly accounted for.</p> <p>Recommendation – We recommend that additional channels of communication be established between Authority operations and accounting to ensure that accounting for non-routine transactions may be properly understood and accounting determined. Additionally, we recommend that the Authority evaluate events for impacts on the Authority’s activities to determine whether additional accounting is necessary.</p> <p>Views of Responsible Officials and Planned Corrective Actions –The Finance Department – Accounting Services Division reviews Trust agendas for identifying non-routine transactions and makes determinations regarding necessary accounting transactions. In addition, the Accounting Service Division has established a process to review unusual events during the year during the year-end closing process.</p>