



Oklahoma City Municipal Facilities Authority

A blended component unit of The City of Oklahoma City, Oklahoma
Annual Financial Report | for the Fiscal Year ended June 30, 2015

Photo courtesy of the Oklahoma City National Memorial & Museum

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, 2015

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Laura L. Papas, Controller

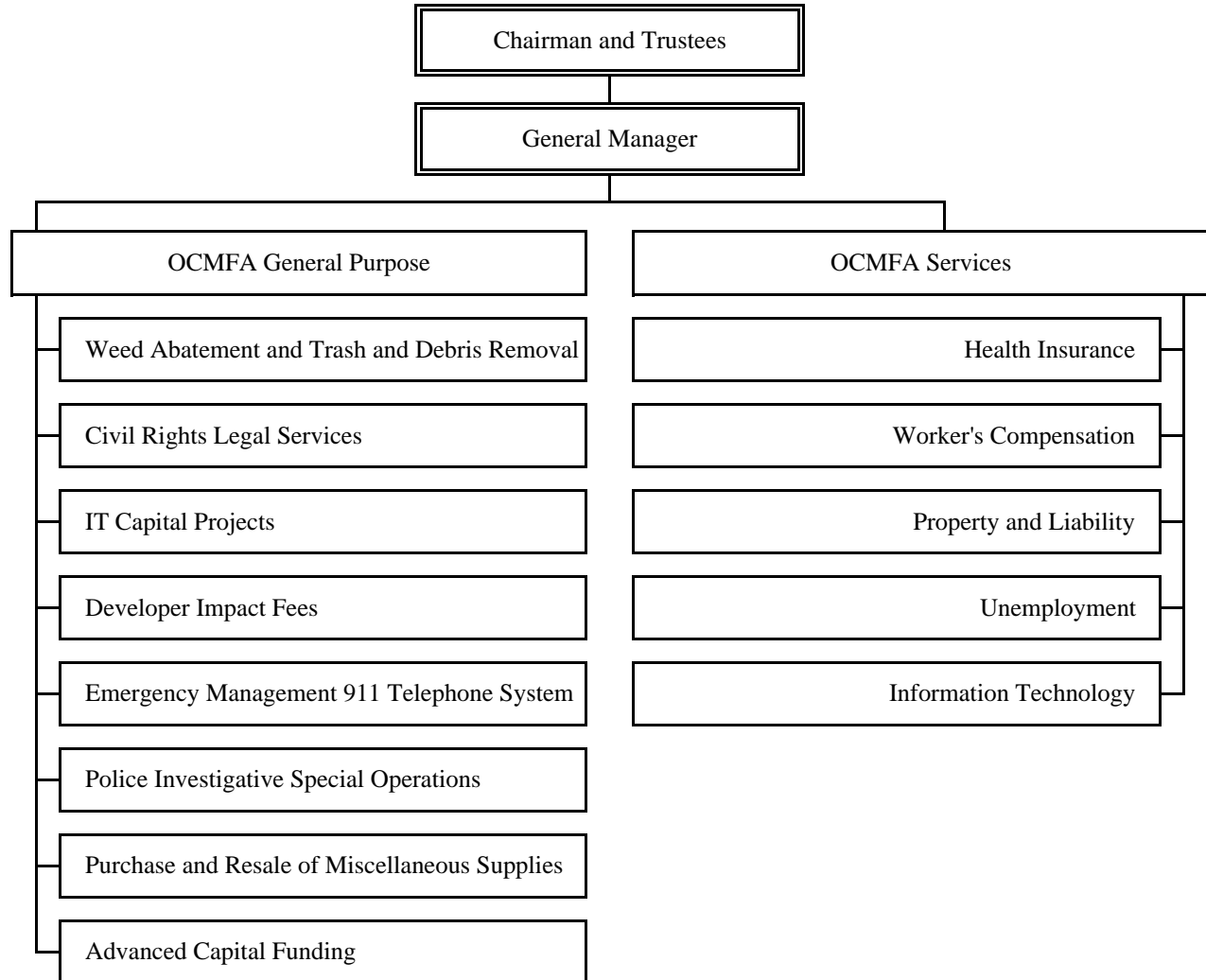
OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

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Oklahoma City Municipal Facilities Authority Organization Chart



Introductory Section



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 4, 2015

The Board of Trustees
Oklahoma City Municipal Facilities Authority

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

The Authority's annual report includes the reports of independent auditors, management's discussion and analysis (MD&A), Authority-wide, fund and combining financial statements and related notes. Management's narrative on the financial activities of the Authority for the fiscal year ended June 30, 2015, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Authority's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Authority. The Authority is a blended component unit of the City of Oklahoma City (City) and, as such, is included within the funds of the City's Comprehensive Annual Financial Report (CAFR).

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

During 2015, the OCMFA Services Fund Property and Liability continued to pay expenses and reimburse departments for expenses paid related to the May 31, 2013 disaster and pay expenses for the flood of the 420 W. Main building. The General Purpose Fund prefunded bond projects mainly for streets, bridges and traffic improvement projects. This prefunding process continues to serve as an effective tool in shortening the length of construction time on voter approved general obligation bond projects.

The current economic environment in Oklahoma City is positive; however, the economic outlook has been recently muted due to low oil and natural gas prices that are negatively impacting the many energy-related companies working in and around Oklahoma City. The cost of living rating is consistently below the national average and the City has a strong industry presence, low commuting times, convenient airline travel, high quality education, entertainment and sports opportunities, favorable weather, and is centrally located within the State of Oklahoma. According to The Brookings Institution, greater Oklahoma City ranks No. 7 in the U.S. for economic growth, and Forbes says that Oklahoma City is among the fastest growing cities in 2015.

In a report prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), dated February 10, 2015 and entitled "National, State, and Local Economic Outlook," the Institute reported that the U.S. economy will continue to have positive but slow growth in 2015. The baseline forecast is for Oklahoma City metro area private sector employment to expand at a 1.7% annual pace; roughly half the average of the last four years. Employment gains will be led again by demand for consumer services including construction, leisure, health care, and retail trade. Metro area unemployment rates are expected to tick up in 2015, averaging 4.3% for the year compared to the 4.1% average set in 2014. Oklahoma City per capita personal income is estimated to have grown to \$44,899 in 2014 and is expected to reach \$45,611 in 2015. The Institute described the economic and fiscal outlook as "conflicted." Short run challenges from falling oil prices are moving into the state's economy. The extent of the short run weakness will be determined by the future price path of oil and the speed with which economic activity rebounds in the state. Oklahoma City's fiscal outlook is bolstered somewhat by long-term trends favoring concentrations of economic activity along the I-35 corridor. The fiscal outlook will be determined by the interplay of short run distress and long run development. Using a model that balances both long and short-term influences the Institute projected sales tax growth of 2.15% for fiscal year 2015-2016.


Additionally, Chris Tatham, president of ETC Institute presented on July 28, 2015, the results of a Citizen Satisfaction Survey that was conducted in May and June of 2015. Of the residents surveyed, 88% rated Oklahoma City as an excellent or good place to live, 84% as a good place to work, and 81% as a good place to raise children. Overall, Oklahoma City residents have a very positive perception of the City and think the City is moving in the right direction. Among the largest U.S. cities, Oklahoma City is 19% above the national average in overall satisfaction with City services.

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


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

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

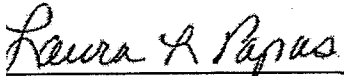
Respectfully submitted:



James D. Couch
General Manager



Craig Freeman
City of Oklahoma City Finance Director



Laura L. Papas
City of Oklahoma City Controller

Financial Section

Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Oklahoma City Municipal Facilities Authority (the Authority), a blended component unit of the City of Oklahoma City, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The transmittal letter preceding this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. That letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
December 4, 2015

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, 2015. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures 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 \$39,690,608 (net position) at June 30, 2015. This compares to the previous year when assets exceeded liabilities by \$43,355,853.
- Total assets for the Authority decreased by \$6,204,119 (6.0%) to \$96,469,131 during the fiscal year.
- Total liabilities for the Authority decreased by \$2,538,874 (4.3%) to \$56,778,523 during the fiscal year.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets for 2015 of \$12,800,566, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted net position for capital projects for 2015 of \$1,077,056 is constrained for capital projects.
 - (3) Restricted net position for public safety for 2015 of \$374,237 is constrained for federal and state asset forfeiture and purchase and maintenance of police and fire equipment.
 - (4) Unrestricted net position is \$25,438,749 at June 30, 2015.
- The Authority's governmental fund reported total ending fund balance of \$17,848,652 this year. This compares to the prior year ending fund balance of \$18,070,793, showing a decrease of \$222,141 during the current year.

Overview of the Financial Statements

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

Authority-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Fund

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

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

Proprietary Fund

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

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

Notes to the Financial Statements

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

Financial Analysis

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

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

The Authority's net position at fiscal year-end is \$39,690,608. This is a decrease of \$3,665,245 from last year's net position. Overall the Authority's financial position declined during fiscal year 2015.

Summary of Net Position

| | Governmental | | Business-type | | Total | | Total % Change |
|----------------------------------|----------------------------|----------------------------|---------------------------|----------------------------|----------------------------|----------------------------|-------------------|
| | Activities | | Activities | | | | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | |
| Assets | | | | | | | |
| Current assets | \$19,141,581 | \$19,660,052 | \$50,393,734 | \$51,294,725 | \$69,535,315 | \$70,954,777 | (2.0%) |
| Capital assets, net | 11,652,473 | 12,845,000 | 1,148,093 | 2,294,637 | 12,800,566 | 15,139,637 | (15.4) |
| Other non-current assets | <u>986,555</u> | <u>1,032,939</u> | <u>13,146,695</u> | <u>15,545,897</u> | <u>14,133,250</u> | <u>16,578,836</u> | (14.8) |
| Total assets | <u>31,780,609</u> | <u>33,537,991</u> | <u>64,688,522</u> | <u>69,135,259</u> | <u>96,469,131</u> | <u>102,673,250</u> | (6.0) |
| Liabilities | | | | | | | |
| Current liabilities | 751,272 | 795,915 | 20,743,677 | 24,211,000 | 21,494,949 | 25,006,915 | (14.0) |
| Non-current liabilities | - | - | <u>35,283,574</u> | <u>34,310,482</u> | <u>35,283,574</u> | <u>34,310,482</u> | 2.8 |
| Total liabilities | <u>751,272</u> | <u>795,915</u> | <u>56,027,251</u> | <u>58,521,482</u> | <u>56,778,523</u> | <u>59,317,397</u> | (4.3) |
| Net position | | | | | | | |
| Net investment in capital assets | 11,652,473 | 12,845,000 | 1,148,093 | 2,294,637 | 12,800,566 | 15,139,637 | (15.4) |
| Restricted for: | | | | | | | |
| Capital projects | 1,077,056 | 973,899 | - | - | 1,077,056 | 973,899 | 10.6 |
| Public safety | 374,237 | 717,462 | - | - | 374,237 | 717,462 | (47.8) |
| Unrestricted | <u>17,925,571</u> | <u>18,205,715</u> | <u>7,513,178</u> | <u>8,319,140</u> | <u>25,438,749</u> | <u>26,524,855</u> | (4.1) |
| Total net position | <u>\$31,029,337</u> | <u>\$32,742,076</u> | <u>\$8,661,271</u> | <u>\$10,613,777</u> | <u>\$39,690,608</u> | <u>\$43,355,853</u> | (8.5) |

Current assets decreased by \$518 thousand in governmental activities and decreased by \$901 thousand in business-type activities. Cash and investments increased \$1.29 million for governmental activities and increased \$147 thousand for business-type activities. Governmental activities accounts receivable decreased \$194 thousand related to a decrease in oil and gas royalties of \$108 thousand due to lower market prices and a decrease in receivables for nuisance abatement fees of \$86 thousand. Business-type activities accounts receivable decreased \$1.29 million related to insurance recovery receipts for disaster claims. Governmental activities receivable from the City decreased \$1.25 million due to a decrease in reimbursements from the City General Obligation Bond Fund for prefunded construction costs. Business-type activities receivable from the City increased \$88 thousand primarily due to an advance to the Oklahoma City Public Property Authority (OCPPA) for golf cart loans of \$212 thousand, an increase in due from the City General Fund of \$45 thousand for reimbursements for unemployment and cell phone equipment, offset by a decrease in due from the City Grants Management Fund of \$174 thousand for Federal Emergency Management Agency reimbursements. Prepaid assets for governmental activities decreased \$195 thousand for software maintenance and licenses.

Capital assets decreased \$1.19 million in governmental activities due to normal depreciation of \$1.10 million and asset retirements of \$88 thousand. Capital assets decreased \$1.14 million in business-type activities due to normal depreciation of \$1.46 million, offset by asset additions of \$318 thousand.

Other non-current assets for governmental activities decreased \$46 thousand due to an increase of \$264 thousand in the receivable from the City General Obligation Bond Fund for prefunded construction costs, offset by a decrease of \$310 thousand related to the normal amortization of long term prepaid software licenses and support. Other non-current assets for business-type activities decreased by \$2.40 million due to a decrease in unfunded liabilities from the City Risk Management Fund related to cost reimbursement advances in the amount of \$3.23 million, offset by an increase in non-current receivables of \$810 thousand from OCPPA for golf cart loans and an increase in prepaid insurance of \$24 thousand.

Current liabilities for governmental activities decreased by \$45 thousand primarily due to an decrease of accounts payable of \$338 thousand due to timing of vendor payments, offset by an increase in payable to the City of Oklahoma City of \$293 thousand for Public Works administrative charges. Business-type activities current liabilities decreased \$3.47 million primarily due to an decrease in accounts payable of \$1.04 million related to the timing of vendor payments, a decrease in payable to component units and due to other funds of \$1.51 million, a decrease in due to other funds of \$449 thousand related to disaster reimbursements and a change in estimated claims payable of \$914 thousand due to an increase in the actuarially determined liability for health care and worker's compensation of \$257 thousand, offset by a decrease in the property claim liability of \$1.17 million related to flood damage. Non-current liabilities for business-type activities increased \$973 thousand due to an increase in the actuarially determined liability for worker's compensation of \$954 thousand and an increase of \$19 thousand in the liability to the City Information Technology and Risk Management Funds for cost reimbursement advances.

Summary of Changes in Net Position

| | Governmental | | Business-type | | Total | | Total % Change |
|---------------------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|-------------------|
| | Activities | | Activities | | | | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| Revenues | | | | | | | |
| Charges for services | \$1,047,510 | \$2,052,644 | \$42,129,182 | \$39,923,601 | \$43,176,692 | \$41,976,245 | 2.9% |
| Operating grants and contributions | 3,344,664 | 2,609,133 | 559,730 | 664,206 | 3,904,394 | 3,273,339 | 19.3 |
| Capital grants and contributions | 143 | 15 | - | - | 143 | 15 | 853.3 |
| General revenues | 776,651 | 1,306,636 | 54,067 | 48,622 | 830,718 | 1,355,258 | (38.7) |
| Total operating revenues | 5,168,968 | 5,968,428 | 42,742,979 | 40,636,429 | 47,911,947 | 46,604,857 | 2.8 |
| Program expenses | | | | | | | |
| General government | 3,205,420 | 1,815,276 | - | - | 3,205,420 | 1,815,276 | 76.6 |
| Public safety | 1,161,084 | 1,130,265 | - | - | 1,161,084 | 1,130,265 | 2.7 |
| Public services | 2,046,832 | 1,463,812 | - | - | 2,046,832 | 1,463,812 | 39.8 |
| Culture and recreation | 468,371 | 433,001 | - | - | 468,371 | 433,001 | 8.2 |
| Risk management | - | - | 43,348,214 | 39,919,386 | 43,348,214 | 39,919,386 | 8.6 |
| Information technology | - | - | 1,347,271 | 2,021,177 | 1,347,271 | 2,021,177 | (33.3) |
| Total expenses | 6,881,707 | 4,842,354 | 44,695,485 | 41,940,563 | 51,577,192 | 46,782,917 | 10.2 |
| Transfers | - | 17,939 | - | (17,939) | - | - | 0.0 |
| Changes in net position | (1,712,739) | 1,144,013 | (1,952,506) | (1,322,073) | (3,665,245) | (178,060) | (1958.4) |
| Beginning net position | | | | | | | |
| As previously reported | 32,742,076 | 32,079,784 | 10,613,777 | 11,935,850 | 43,355,853 | 44,015,634 | (1.5) |
| Prior period restatement | - | (481,721) | - | - | - | (481,721) | 100.0 |
| Beginning net position | 32,742,076 | 31,598,063 | 10,613,777 | 11,935,850 | 43,355,853 | 43,533,913 | (0.4) |
| Ending net position | \$31,029,337 | \$32,742,076 | \$8,661,271 | \$10,613,777 | \$39,690,608 | \$43,355,853 | (8.5) |

Governmental activities charges for services decreased \$1.01 million primarily due to decreased revenue for weed abatement and debris removal. Operating grants and contributions increased \$735 thousand primarily related to payments from the City Information Technology Fund to fund equipment maintenance costs. Governmental general revenues decreased \$530 thousand primarily due to decreased oil and gas royalties of \$392 thousand due to deflated market prices and a decrease in unsecured and abandoned housing fines of \$231 thousand, offset by an increase in interest income of \$93 thousand.

Business-type activities charges for services increased \$2.21 million primarily related to increased risk management premium revenues for life, dental and health insurance of \$2.17 million. Operating grants and contributions decreased \$104 thousand primarily due to an increase in payments from the City General Fund for unemployment of \$19 thousand, an increase in payments from the City Risk Management and Information Technology Fund for capital purchases of \$318 thousand, an increase of \$61 thousand in transfers from the City Grant Management Fund for disaster relief, offset by a decrease in payments from the City General Fund for property reserves of \$500 thousand in the prior year.

Governmental activities program expenses increased \$2.04 million. General government expenses increased \$1.39 million primarily due to equipment maintenance of \$1.03 million that was previously recorded in the City Information Technology Fund and an increase of software support of \$310 thousand. Public services expenses increased \$583 thousand primarily due to salary reimbursements of \$756 thousand previously recorded in the City General Fund, offset by a decrease in debris removal of \$79 thousand, and a decrease in loss on disposal of assets of \$75 thousand. Culture and recreation expenses increased \$35 thousand due to an increase in depreciation of \$13 thousand and increase in loss on disposal of assets of \$48 thousand.

Business-type activities program expenses for risk management program expenses increased by \$3.43 million primarily related to increases in life, dental and health insurance costs of \$2.96 million and an increase in prescription benefit costs of \$471 thousand. Business-type program expenses for information technology expenses decreased by \$673 thousand which is primarily related to a decrease of normal depreciation of \$426 thousand and prior year loss on disposal of assets of \$217 thousand.

Governmental Fund

As discussed, the Authority governmental fund is reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The Authority governmental fund reported an ending fund balance of \$17,848,652 of which \$2,977,676 is unassigned.

The total ending fund balance of the governmental fund shows a decrease of \$222,141 from 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 \$12,800,566.

Capital Assets, Net of Accumulated Depreciation

| | Governmental Activities | | Business-type Activities | | Total | | Total % Change |
|--|----------------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| Non-Depreciable Assets | | | | | | | |
| Land | <u>\$5,401,779</u> | <u>\$5,401,779</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$5,401,779</u> | <u>\$5,401,779</u> | <u>0.0%</u> |
| Depreciable Assets | | | | | | | |
| Improvements other than buildings | 3,456,812 | 3,932,841 | - | - | 3,456,812 | 3,932,841 | (12.1) |
| Buildings | 1,018,781 | 1,113,572 | 47,262 | 49,806 | 1,066,043 | 1,163,378 | (8.4) |
| Furniture, machinery, and equipment | <u>1,775,101</u> | <u>2,396,808</u> | <u>1,100,831</u> | <u>2,244,831</u> | <u>2,875,932</u> | <u>4,641,639</u> | (38.0) |
| Total depreciable assets | <u>6,250,694</u> | <u>7,443,221</u> | <u>1,148,093</u> | <u>2,294,637</u> | <u>7,398,787</u> | <u>9,737,858</u> | (24.0) |
| | <u>\$11,652,473</u> | <u>\$12,845,000</u> | <u>\$1,148,093</u> | <u>\$2,294,637</u> | <u>\$12,800,566</u> | <u>\$15,139,637</u> | (15.4) |

The Authority's net capital assets for governmental and business-type activities as of June 30, 2015 was \$11.65 million and \$1.15 million, respectively. The governmental activities decrease of \$1.19 million is primarily due to normal depreciation of \$1.10 million and retirements of \$387 thousand, net of \$299 thousand accumulated depreciation, related to the biennial inventory of capital assets. The business-type activities decrease of \$1.15 million is due to current year depreciation of \$1.46 million and retirements of \$17 thousand, net of \$17 thousand in accumulated depreciation, offset by \$318 thousand in capital additions primarily for computer servers and related equipment. See Note II. D. for more information regarding capital assets.

Economic Factors

The changes in the local economy did not translate to a significant increased financial position in the Authority.

Contacting the Authority's Financial Management

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

Basic Financial Statements

Authority-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

Proprietary Fund Financial Statements

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

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

STATEMENT OF NET POSITION
June 30, 2015

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

| | Governmental | Business-type | |
|--|---------------------|----------------------|---------------------|
| | Activities | Activities | Total |
| <u>ASSETS</u> | | | |
| <u>CURRENT ASSETS</u> | | | |
| Pooled cash----- | \$3,046,851 | \$9,607,038 | \$12,653,889 |
| Non-pooled cash----- | 32,242 | - | 32,242 |
| Investments----- | 10,902,007 | 32,804,743 | 43,706,750 |
| Accounts receivable, net----- | 1,958,476 | 5,498,506 | 7,456,982 |
| Interest, dividends and royalties receivable----- | 43,402 | 131,961 | 175,363 |
| Receivable from the City of Oklahoma City----- | 2,803,919 | 1,214,094 | 4,018,013 |
| Receivable from component units----- | - | 1,761 | 1,761 |
| Intergovernmental receivables----- | - | 145,267 | 145,267 |
| Prepays----- | 354,684 | 990,364 | 1,345,048 |
| Total current assets----- | 19,141,581 | 50,393,734 | 69,535,315 |
| <u>NON-CURRENT ASSETS</u> | | | |
| Receivable from the City of Oklahoma City----- | 635,193 | 13,123,130 | 13,758,323 |
| Non-current prepaids----- | 351,362 | 23,565 | 374,927 |
| Capital assets: | | | |
| Land and construction in progress----- | 5,401,779 | - | 5,401,779 |
| Other capital assets, net of accumulated depreciation----- | 6,250,694 | 1,148,093 | 7,398,787 |
| Capital assets, net----- | 11,652,473 | 1,148,093 | 12,800,566 |
| Total non-current assets----- | 12,639,028 | 14,294,788 | 26,933,816 |
| Total assets----- | 31,780,609 | 64,688,522 | 96,469,131 |
| <u>LIABILITIES</u> | | | |
| <u>CURRENT LIABILITIES</u> | | | |
| Accounts payable and accrued expenses----- | 419,540 | 1,657,611 | 2,077,151 |
| Payable to the City of Oklahoma City----- | 329,403 | 3,188 | 332,591 |
| Payable to component units----- | - | 543,144 | 543,144 |
| Estimated claims payable----- | - | 18,539,734 | 18,539,734 |
| Unearned revenue----- | 2,329 | - | 2,329 |
| Total current liabilities----- | 751,272 | 20,743,677 | 21,494,949 |
| <u>NON-CURRENT LIABILITIES</u> | | | |
| Estimated claims payable----- | - | 29,517,000 | 29,517,000 |
| Payable to the City of Oklahoma City----- | - | 5,766,574 | 5,766,574 |
| Total non-current liabilities----- | - | 35,283,574 | 35,283,574 |
| Total liabilities----- | 751,272 | 56,027,251 | 56,778,523 |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets----- | 11,652,473 | 1,148,093 | 12,800,566 |
| Restricted for: | | | |
| Capital projects----- | 1,077,056 | - | 1,077,056 |
| Public safety----- | 374,237 | - | 374,237 |
| Unrestricted----- | 17,925,571 | 7,513,178 | 25,438,749 |
| Total net position----- | \$31,029,337 | \$8,661,271 | \$39,690,608 |

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

| | Net (Expense) Revenue and Changes in Net Position | | | | | | |
|-------------------------------------|--|----------------------------|--|--|----------------------------|--------------------------------|----------------------------|
| | Expenses | Program Revenues | | | Governmental Activities | Business Type Activities | Total |
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | \$3,205,420 | \$ - | \$3,337,819 | \$143 | \$132,542 | \$ - | \$132,542 |
| Public safety: | | | | | | | |
| Police----- | 1,887 | - | - | - | (1,887) | - | (1,887) |
| Other----- | 1,159,197 | - | 1,516 | - | (1,157,681) | - | (1,157,681) |
| Public services----- | 2,046,832 | 1,042,951 | 5,329 | - | (998,552) | - | (998,552) |
| Culture and recreation----- | 468,371 | 4,559 | - | - | (463,812) | - | (463,812) |
| Total governmental activities----- | <u>6,881,707</u> | <u>1,047,510</u> | <u>3,344,664</u> | <u>143</u> | <u>(2,489,390)</u> | <u>-</u> | <u>(2,489,390)</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Risk management----- | 43,348,214 | 42,129,182 | 245,684 | - | - | (973,348) | (973,348) |
| Information technology----- | 1,347,271 | - | 314,046 | - | - | (1,033,225) | (1,033,225) |
| Total business-type activities----- | <u>44,695,485</u> | <u>42,129,182</u> | <u>559,730</u> | <u>-</u> | <u>-</u> | <u>(2,006,573)</u> | <u>(2,006,573)</u> |
| Total----- | <u>\$51,577,192</u> | <u>\$43,176,692</u> | <u>\$3,904,394</u> | <u>\$143</u> | <u>(2,489,390)</u> | <u>(2,006,573)</u> | <u>(4,495,963)</u> |
| GENERAL REVENUES | | | | | | | |
| Oil and gas royalties----- | | | | | 480,688 | - | 480,688 |
| Unrestricted investment income----- | | | | | 140,518 | 54,067 | 194,585 |
| Miscellaneous----- | | | | | 155,445 | - | 155,445 |
| Total general revenues----- | | | | | <u>776,651</u> | <u>54,067</u> | <u>830,718</u> |
| Changes in net position----- | | | | | <u>(1,712,739)</u> | <u>(1,952,506)</u> | <u>(3,665,245)</u> |
| Net position-beginning----- | | | | | 32,742,076 | 10,613,777 | 43,355,853 |
| Net position-ending----- | | | | | <u>\$31,029,337</u> | <u>\$8,661,271</u> | <u>\$39,690,608</u> |

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2015**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

| | General Purpose Fund |
|--|-------------------------------------|
| <u>ASSETS</u> | |
| Pooled cash----- | \$3,046,851 |
| Non-pooled cash----- | 32,242 |
| Investments----- | 10,902,007 |
| Accounts receivable, net----- | 1,958,476 |
| Interest, dividends, and royalties receivable----- | 43,402 |
| Receivable from the City of Oklahoma City----- | 2,803,919 |
| Prepays----- | 706,046 |
| Non-current receivable from the City of Oklahoma City----- | 635,193 |
| Total assets----- | <u>\$20,128,136</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u> | |
| <u>LIABILITIES</u> | |
| Accounts payable and accrued expenses----- | \$419,540 |
| Payable to the City of Oklahoma City----- | 329,403 |
| Unearned revenue----- | 2,329 |
| Total liabilities----- | <u>751,272</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| | <u>1,528,212</u> |
| <u>FUND BALANCES</u> | |
| Non-spendable----- | 1,341,238 |
| Restricted----- | 1,329,297 |
| Committed----- | 104,989 |
| Assigned----- | 12,095,452 |
| Unassigned----- | 2,977,676 |
| Total fund balance----- | <u>17,848,652</u> |
| Total liabilities, deferred inflows of resources, and fund balances----- | <u>\$20,128,136</u> |
| <u>RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION, GOVERNMENTAL ACTIVITIES</u> | |
| Total fund balance----- | \$17,848,652 |
| Capital assets, net of accumulated depreciation----- | 11,652,473 |
| Revenue earned but unavailable----- | 1,528,212 |
| Net position-governmental activities----- | <u>\$31,029,337</u> |

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2015**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

| | General Purpose Fund |
|---|-------------------------------------|
| <u>REVENUES</u> | |
| Licenses and permits----- | \$112,999 |
| Oil and gas royalties----- | 501,192 |
| Fines and forfeitures----- | 971,989 |
| Investment income----- | 146,962 |
| Rental income----- | 4,559 |
| Payments from the City of Oklahoma City----- | 3,337,817 |
| Other----- | 391,380 |
| Total revenues----- | <u>5,466,898</u> |
| <u>EXPENDITURES</u> | |
| <u>CURRENT</u> | |
| Payments to the City of Oklahoma City----- | 15,170 |
| General government----- | 2,488,182 |
| Public safety other----- | 1,038,241 |
| Public services----- | 1,875,589 |
| Culture and recreation----- | 272,000 |
| Total expenditures----- | <u>5,689,182</u> |
| Deficiency of revenues under expenditures----- | (222,284) |
| <u>OTHER FINANCING SOURCES</u> | |
| Sale of assets----- | 143 |
| Net change in fund balances----- | (222,141) |
| Fund balance, beginning----- | <u>18,070,793</u> |
| Fund balances, ending----- | <u>\$17,848,652</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----- | (\$222,141) |
| Recognition of earned but unavailable revenue----- | (298,071) |
| Depreciation expense----- | (1,104,374) |
| Loss on disposal of assets----- | (88,153) |
| Change in net position-governmental activities----- | <u>(\$1,712,739)</u> |

See accompanying notes to financial statements.

**STATEMENT OF NET POSITION
 PROPRIETARY FUND
 June 30, 2015**

**OKLAHOMA CITY MUNICIPAL
 FACILITIES AUTHORITY**

| | OCMFA Services |
|--|---------------------------|
| <u>ASSETS</u> | |
| <u>CURRENT ASSETS</u> | |
| Pooled cash----- | \$9,607,038 |
| Investments----- | 32,804,743 |
| Accounts receivable, net----- | 5,498,506 |
| Interest, dividends, and royalties receivable----- | 131,961 |
| Receivable from the City of Oklahoma City----- | 1,214,094 |
| Receivable from component units----- | 1,761 |
| Intergovernmental receivables----- | 145,267 |
| Prepays----- | 990,364 |
| Total current assets----- | 50,393,734 |
| <u>NON-CURRENT ASSETS</u> | |
| Receivable from the City of Oklahoma City----- | 13,123,130 |
| Non-current prepaids----- | 23,565 |
| Capital assets: | |
| Other capital assets, net of accumulated depreciation----- | 1,148,093 |
| Capital assets, net----- | 1,148,093 |
| Total non-current assets----- | 14,294,788 |
| Total assets----- | 64,688,522 |
| <u>LIABILITIES</u> | |
| <u>CURRENT LIABILITIES</u> | |
| Accounts payable and accrued expenses----- | 1,657,611 |
| Payable to the City of Oklahoma City----- | 3,188 |
| Payable to component units----- | 543,144 |
| Estimated claims payable----- | 18,539,734 |
| Total current liabilities----- | 20,743,677 |
| <u>NON-CURRENT LIABILITIES</u> | |
| Estimated claims payable----- | 29,517,000 |
| Payable to the City of Oklahoma City----- | 5,766,574 |
| Total non-current liabilities----- | 35,283,574 |
| Total liabilities----- | 56,027,251 |
| <u>NET POSITION</u> | |
| Net investment in capital assets----- | 1,148,093 |
| Unrestricted----- | 7,513,178 |
| Total net position----- | \$8,661,271 |

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2015**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

| | OCMFA Services |
|--|---------------------------|
| <u>OPERATING REVENUES</u> | |
| Service charges----- | \$42,080,093 |
| Fines and forfeitures----- | 11,313 |
| Other----- | 41 |
| Total operating revenues----- | <u>42,091,447</u> |
| <u>OPERATING EXPENSES</u> | |
| Maintenance, operations, and contractual services----- | 43,169,660 |
| Materials and supplies----- | 3,438 |
| Depreciation----- | 1,464,556 |
| Total operating expenses----- | <u>44,637,654</u> |
| Operating loss----- | <u>(2,546,207)</u> |
| <u>NON-OPERATING REVENUE (EXPENSE)</u> | |
| Investment income----- | 54,067 |
| Payments from the City of Oklahoma City----- | 559,730 |
| Payments to the City of Oklahoma City----- | (57,831) |
| Other revenue----- | 37,735 |
| Net non-operating revenue----- | <u>593,701</u> |
| Change in net position----- | (1,952,506) |
| Total net position, beginning----- | 10,613,777 |
| Total net position, ending----- | <u>\$8,661,271</u> |

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Year Ended June 30, 2015**

**OKLAHOMA CITY MUNICIPAL
 FACILITIES AUTHORITY**

| | OCMFA Services |
|---|---------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Cash received from customers----- | \$42,123,662 |
| Cash payments to suppliers for goods and services----- | (63,250,869) |
| Cash payments for internal services----- | (3,605) |
| Operating payments from the City of Oklahoma City----- | 232,269 |
| Cost reimbursements from (to) other funds----- | 18,630,784 |
| Other cash receipts----- | 3,287,735 |
| Net cash provided by operating activities----- | <u>1,019,976</u> |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u> | |
| Non-capital payments from City of Oklahoma City----- | 314,046 |
| Non-capital payments to City of Oklahoma City----- | (1,088,943) |
| Net cash used by non-capital financing activities----- | <u>(774,897)</u> |
| <u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u> | |
| Payments for acquisition and construction of capital assets----- | (318,012) |
| Net cash used by capital and capital related financing activities----- | <u>(318,012)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Changes in pooled investments----- | 4,837,221 |
| Investment income received----- | 228,092 |
| Purchased interest----- | (8,063) |
| Net cash provided by investing activities----- | <u>5,057,250</u> |
| Net increase in cash----- | <u>4,984,317</u> |
| Cash, beginning----- | 4,622,721 |
| Cash, ending----- | <u>\$9,607,038</u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | |
| Operating income (loss)----- | (\$2,546,207) |
| <u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | |
| Depreciation----- | 1,464,556 |
| Other revenue (expense)----- | 104,233 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable----- | 1,286,811 |
| (Increase) decrease in receivable from the City of Oklahoma City----- | 3,379,196 |
| (Increase) decrease in receivable from component units----- | 6,202 |
| (Increase) decrease in prepaid assets----- | (21,068) |
| (Increase) decrease in other assets----- | 954,000 |
| Increase (decrease) in accounts payable and accrued expenses----- | (1,044,058) |
| Increase (decrease) in payable to the City of Oklahoma City----- | (419,353) |
| Increase (decrease) in payable to component unit----- | (1,229,954) |
| Increase (decrease) in long-term liabilities----- | (1,183,228) |
| Increase (decrease) in notes, lease and estimated claims payable----- | 268,846 |
| Total adjustments----- | <u>3,566,183</u> |
| Net cash provided by operating activities----- | <u>\$1,019,976</u> |

See accompanying notes to financial statements.

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Municipal Facilities Authority (Authority) financial activities for the fiscal year ended June 30, 2015.

I. B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

Authority Administration

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

I. B. 2. BASIC FINANCIAL STATEMENTS

Authority-wide Financial Statements

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

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

Fund Financial Statements

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

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

Generally Accepted Accounting Principles (U.S. GAAP)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Governmental Fund

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

General Purpose Fund

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

Proprietary Fund

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

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

Enterprise Fund

OCMFA Services Fund

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

I. C. BUDGET LAW AND PRACTICE

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

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

I. D. 1. CASH AND INVESTMENTS

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

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

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

I. D. 2. ACCOUNTS RECEIVABLE

Significant receivables includes receivables for property damage recoveries and nuisance abatement fees. Receivables related to insurance recoveries are recorded when the amount is considered realized or realizable. These receivables are expected to be fully collected and therefore no allowance for doubtful accounts has been recorded. Receivables for nuisance abatement are recorded when the services are provided. These receivables are reported net of an allowance for uncollectible accounts. The allowance is estimated using average historical collections over assessments.

I. D. 3. PREPAIDS

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

I. D. 4. INTERFUND BALANCES

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

I. D. 5. CAPITAL ASSETS AND DEPRECIATION

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

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

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

I. D. 6. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future or future periods and will not be recognized as revenue until that time. Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as revenue in the period the amounts become available.

I. D. 7. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Fund Balance Usage

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

Net Position

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

Net investment in Capital Assets

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

Restricted Net Position

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

I. D. 8. USE OF ESTIMATES

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

I. D. 9. RISK MANAGEMENT AND ESTIMATED CLAIMS PAYABLE

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

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

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

Employee Life and Health

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

Worker's Compensation

Worker's compensation programs are self-insured. The City Risk Management Fund provides worker's compensation coverage for the City and certain component units. Risk of loss is with the City Risk Management Fund. The City Risk Management Fund charges City funds and component units and reimburses the OCMFA Services Fund for expenses for claims. The OCMFA Services Fund manages claims. Worker's compensation claims incurred but not yet paid are calculated by a third-party using the chain-ladder and additive distribution methods. The OCMFA Services Fund records estimated claims payable at the discounted amount. The discount rate is 2.0%. Claim costs are reported in the City Risk Management Fund. A copy of the third-party report can be obtained from Risk Management, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Property and Liability

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

Unemployment and Disability Insurance

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

I. E. MAJOR REVENUES

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

I. F. TAX STATUS

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

I. G. RETAINAGES

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

II. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

II. A. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires deposits to be 110 percent secured by collateral valued at market less the amount of the Federal depository insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health, as determined by the bank's institutional rating provided by commercially available bank rating services or on 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 by the City Treasurer of the institutions' financial strength in accordance with the investment policy.

At June 30, 2015, the Authority's cash is collateralized with securities held by the pledging financial institution in the name of the Authority or the City, less Federal depository insurance.

Investments

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

| | Fair Value/ <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 | \$15,998,465 | \$16,083,386 | AA/Aaa | 23.45 |
| Federal obligations | 24,254,888 | 26,502,378 | AA/Aaa | 21.23 |
| U.S. Treasury notes | 2,018,282 | 2,017,969 | N/A | 43.70 |
| Money market funds | <u>1,435,115</u> | <u>1,435,115</u> | AAA/Aaa | 1.77 |
| | <u>\$43,706,750</u> | <u>\$46,038,848</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 | |
| | Maximum % (2) | | Maximum % (4) |
| Repurchase agreements | 100.0% | 0-1 year | 100% |
| U.S. Treasury securities (3) | 100.0 | 1-3 years | 90 |
| Certificates of deposit | 50.0 | 3-5 years | 90 |
| Money market funds | 100.0 | | |
| Savings accounts | 100.0 | | |
| U.S. noncallable agencies securities | 100.0 | | |
| U.S. Callable Agency Securities | 20.0 | | |
| Prime Commercial Paper | 7.5 | | |
| City judgments | 5.0 | | |

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

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

Investments Held by Others

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

Compliance with State Restrictions

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

II. B. RECEIVABLES AND UNCOLLECTIBLE AMOUNTS

Accounts Receivable

Governmental activities

| | |
|---|---------------------------|
| Oil and gas royalties | \$55,506 |
| Nuisance abatement | 4,080,819 |
| Less allowance for uncollectible accounts | <u>(2,177,849)</u> |
| | <u>\$1,958,476</u> |

Business-type activities

| | |
|----------------------------------|---------------------------|
| Insurance recoveries receivables | <u>\$5,498,506</u> |
|----------------------------------|---------------------------|

Intergovernmental Receivable

In May 2013, severe weather resulted in the declaration of a disaster for damage to City property. A Federal Emergency Management Agency grant was awarded to the City. In connection with this award, the OCMFA Services Fund has a receivable of \$145,267 as of June 30, 2015 from the Oklahoma Emergency Management Agency to supplement matching fund requirements.

II. C. PREPAIDS

The General Purpose Fund reported prepaid software license and support agreements of \$706,046 including \$351,362 reported as non-current. The OCMFA Services Fund reported \$738,616 including \$23,096 reported as non-current for prepaid insurance, \$274,891 for prepaid software license and support agreements including \$469 reported as non-current, and \$422 for prepaid membership fees.

II. D. CAPITAL ASSETS

Changes in Capital Assets

| | Capital Assets, not depreciated | | | Capital Assets, depreciated | | | | Total Capital Assets, net |
|---|---------------------------------|-----------------------------|---------------------------|---|---------------------------|---|---------------------------|---------------------------------|
| | Land | Construction In Progress | Total | Improvements Other Than Buildings | Buildings | Furniture, Machinery, & Equipment | Total | |
| <i>Governmental Activities</i> | | | | | | | | |
| <u>CAPITAL ASSETS</u> | | | | | | | | |
| Balance, June 30, 2014 | \$5,401,779 | \$ - | \$5,401,779 | \$15,045,086 | \$7,163,276 | \$11,099,940 | \$33,308,302 | \$38,710,081 |
| Decreases | - | - | - | (222,139) | (17,057) | (147,484) | (386,680) | (386,680) |
| Balance, June 30, 2015 | <u>5,401,779</u> | <u>-</u> | <u>5,401,779</u> | <u>14,822,947</u> | <u>7,146,219</u> | <u>10,952,456</u> | <u>32,921,622</u> | <u>38,323,401</u> |
| <u>ACCUMULATED DEPRECIATION</u> | | | | | | | | |
| Balance, June 30, 2014 | | | | 11,112,245 | 6,049,704 | 8,703,132 | 25,865,081 | 25,865,081 |
| Increases | | | | 431,749 | 89,261 | 583,364 | 1,104,374 | 1,104,374 |
| Decreases | | | | (177,859) | (11,527) | (109,141) | (298,527) | (298,527) |
| Balance, June 30, 2015 | | | | <u>11,366,135</u> | <u>6,127,438</u> | <u>9,177,355</u> | <u>26,670,928</u> | <u>26,670,928</u> |
| Governmental activities capital assets, net | <u>5,401,779</u> | <u>-</u> | <u>5,401,779</u> | <u>3,456,812</u> | <u>1,018,781</u> | <u>1,775,101</u> | <u>6,250,694</u> | <u>11,652,473</u> |
| <i>Business-type Activities</i> | | | | | | | | |
| <u>CAPITAL ASSETS</u> | | | | | | | | |
| Balance, June 30, 2014 | | | | | 218,700 | 23,123,571 | 23,342,271 | 23,342,271 |
| Increases | | | | | - | 318,012 | 318,012 | 318,012 |
| Decreases | | | | | - | (16,699) | (16,699) | (16,699) |
| Balance, June 30, 2015 | | | | | <u>218,700</u> | <u>23,424,884</u> | <u>23,643,584</u> | <u>23,643,584</u> |
| <u>ACCUMULATED DEPRECIATION</u> | | | | | | | | |
| Balance, June 30, 2014 | | | | | 168,894 | 20,878,740 | 21,047,634 | 21,047,634 |
| Increases | | | | | 2,544 | 1,462,012 | 1,464,556 | 1,464,556 |
| Decreases | | | | | - | (16,699) | (16,699) | (16,699) |
| Balance, June 30, 2015 | | | | | <u>171,438</u> | <u>22,324,053</u> | <u>22,495,491</u> | <u>22,495,491</u> |
| Business-type activities capital assets, net | | | | | <u>47,262</u> | <u>1,100,831</u> | <u>1,148,093</u> | <u>1,148,093</u> |
| Capital assets, net | <u>\$5,401,779</u> | <u>\$ -</u> | <u>\$5,401,779</u> | <u>\$3,456,812</u> | <u>\$1,066,043</u> | <u>\$2,875,932</u> | <u>\$7,398,787</u> | <u>\$12,800,566</u> |

Depreciation Expense

| <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--------------------------------|---------------------------|---------------------------------|---------------------------|
| General government | \$575,306 | Risk Management | \$117,285 |
| Police public safety | 1,887 | Information Technology | <u>1,347,271</u> |
| Public safety other | 71,202 | | <u>\$1,464,556</u> |
| Public services | 258,633 | | |
| Culture and recreation | <u>197,346</u> | | |
| | <u>\$1,104,374</u> | | |

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. UNEARNED REVENUES

Within governmental activities, the Authority has unearned revenue of \$2,329 at the end of the fiscal year. The unearned revenue recorded is for prepaid facilities rental by the Arts Council of Oklahoma City.

III. B. ESTIMATED CLAIMS PAYABLE

Risk Management Claims Payable

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the change in claims liabilities for the OCMFA Services Fund for fiscal year 2015.

| | Health <u>Care</u> | Worker's <u>Compensation (1,2)</u> | Property <u>Damage (2)</u> | <u>Total</u> |
|---|---------------------------|---------------------------------------|-------------------------------|----------------------------|
| Liability balance, July 1, 2013 | \$1,411,538 | \$39,607,000 | \$4,726,548 | \$45,745,086 |
| Claims and changes in estimates | 15,753,256 | 6,851,343 | 8,297,268 | 30,901,867 |
| Claims payments | <u>(15,843,167)</u> | <u>(7,000,343)</u> | <u>(5,786,326)</u> | <u>(28,629,836)</u> |
| Liability balance, June 30, 2014 | 1,321,627 | 39,458,000 | 7,237,490 | 48,017,117 |
| Claims and changes in estimates | 17,285,660 | 9,163,197 | 3,186,012 | 29,634,869 |
| Claims payments | <u>(17,016,814)</u> | <u>(8,221,197)</u> | <u>(4,357,241)</u> | <u>(29,595,252)</u> |
| Liability balance, June 30, 2015 | <u>\$1,590,473</u> | <u>\$40,400,000</u> | <u>\$6,066,261</u> | <u>\$48,056,734</u> |
| Assets available to pay claims at year end | <u>\$9,101,721</u> | <u>\$27,065,310</u> | <u>\$10,511,894</u> | <u>\$46,678,925</u> |

- (1) Worker's compensation estimated claims are calculated using the chain-ladder and additive distribution methods. The City records worker's compensation claims payable at the discounted amount. The undiscounted carrying value at June 30, 2015 is \$44,952,000. Claims are discounted at 2% at June 30, 2015.
- (2) Assets available to pay claims does not include cost reimbursement receivable from/payable to the City Risk Management Fund as these advances result in a deficit net position in the City Risk Management Fund and therefore are not available to pay the claims.

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

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

Property and Liability Claims

The OCMFA Services Fund Property and Liability incurred costs relating to property damage during fiscal year 2015. The costs are reimbursed by the City Risk Management Fund. The claims in the current year relate primarily to storms during May, 2015 where flooding damage occurred to several City facilities.

Estimated Claims Payment Requirements to Maturity

| Fiscal Year | <u>Principal</u> |
|-------------|----------------------------|
| 2016 | \$18,539,734 |
| 2017 | <u>29,517,000</u> |
| | <u>\$48,056,734</u> |

III. C. CHANGES IN LONG-TERM LIABILITIES

| | <u>Balance July 1, 2014</u> | <u>Incurred</u> | <u>Paid</u> | <u>Balance June 30, 2015</u> | <u>Due Within One Year</u> | <u>Due After One Year</u> |
|---|---------------------------------|----------------------------|----------------------------|----------------------------------|--------------------------------|-------------------------------|
| Estimated claims payable - OCMFA Services Fund | | | | | | |
| Risk Management | <u>\$48,017,117</u> | <u>\$29,634,869</u> | <u>\$29,595,252</u> | <u>\$48,056,734</u> | <u>\$18,539,734</u> | <u>\$29,517,000</u> |

III. D. DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). At June 30, 2015, revenue earned but unavailable for governmental activities is \$1,528,212.

IV. NET POSITION AND FUND BALANCE

IV. A. NET POSITION

Net Investment in Capital Assets

| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | <u>Total</u> |
|---------------------|------------------------------------|-------------------------------------|----------------------------|
| Capital assets, net | <u>\$11,652,473</u> | <u>\$1,148,093</u> | <u>\$12,800,566</u> |

Restricted for Capital Projects

| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | <u>Total</u> |
|---------------------------------|------------------------------------|-------------------------------------|---------------------------|
| Restricted for capital projects | <u>\$1,077,056</u> | <u>\$ -</u> | <u>\$1,077,056</u> |

Restricted for Public Safety

| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-------------------------|
| Restricted for federal and state asset forfeiture | \$88,106 | \$ - | \$88,106 |
| Restricted for purchase and maintenance of police and fire equipment | <u>286,131</u> | <u>-</u> | <u>286,131</u> |
| | <u>\$374,237</u> | <u>\$ -</u> | <u>\$374,237</u> |

Unrestricted

| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | <u>Total</u> |
|--------------|------------------------------------|-------------------------------------|----------------------------|
| Unrestricted | <u>\$17,925,571</u> | <u>\$7,513,178</u> | <u>\$25,438,749</u> |

IV. B. FUND BALANCE

Non-Spendable Fund Balance

| | |
|--|---------------------------|
| Prepays | \$706,046 |
| Non-current portion of receivable from the City of Oklahoma City | <u>635,192</u> |
| | <u>\$1,341,238</u> |

Restricted Fund Balance

| | |
|--|---------------------------|
| Restricted for Federal and state asset forfeiture | \$87,966 |
| Restricted for purchase and maintenance of police and fire equipment | 165,703 |
| Restricted for capital projects | <u>1,075,628</u> |
| | <u>\$1,329,297</u> |

Committed Fund Balance

| | |
|----------------------------|-------------------------|
| Committed for 911 services | <u>\$104,989</u> |
|----------------------------|-------------------------|

Assigned Fund Balance

| | |
|---|----------------------------|
| Assigned for information technology projects | \$896,802 |
| Assigned for civil defense legal fees | 30,797 |
| Assigned for parks improvements, creation and maintenance | 3,514,072 |
| Assigned for Myriad Botanical Gardens operations | 11,380 |
| Assigned for bond capital projects | 7,437,680 |
| Assigned for encumbrances | <u>204,721</u> |
| | <u>\$12,095,452</u> |

Unassigned

| | |
|------------|---------------------------|
| Unassigned | <u>\$2,977,676</u> |
|------------|---------------------------|

V. REVENUES AND EXPENSES

V. A. LEASE REVENUES

Arts Council of Oklahoma City

The OCMFA General Purpose Fund leases the Old Central Fire Station to the Arts Council of Oklahoma City. The term is 15 years and expires December 31, 2022. The annual rent is adjusted based on the most recent change in the Consumer Price Index for all Urban Consumers, as reported by the U.S. Department of Labor Bureau of Labor Statistics.

CareATC, Inc.

On February 3, 2015, the OCMFA Services Fund entered into a lease agreement with the Central Oklahoma Transportation and Parking Authority for tenant space in the new Arts District Garage for operation of a City Employee Health Clinic. OCMFA has entered into a sublease agreement with CareATC, Inc. who will operate the clinic on behalf of OCMFA. The initial term is for four years with a one-year renewal option. After the initial term, there is an option to renew for up to three additional five-year terms.

VI. INTERFUND TRANSACTIONS

VI. A. INTERFUND BALANCES

Payable/Receivable To/From the City

| | | <u>PAYABLE TO</u> | |
|-----------------------------------|---|---------------------------|---------------------------|
| | | <u>Governmental</u> | <u>Business-type</u> |
| | | <u>Activities</u> | <u>Activities</u> |
| | | General | OCMFA |
| <u>RECEIVABLE FROM</u> | <u>Purpose</u> | <u>Purpose Fund</u> | <u>Services</u> |
| City General Fund | Operating subsidies, cell phone equipment | \$ - | \$44,504 |
| City Grants Management | Grant related cost reimbursement | - | 945,826 |
| City General Obligation Bond Fund | Prefunded project costs | 2,679,089 | - |
| City Capital Improvement Fund | Capital improvements | 124,830 | - |
| City Information Technology Fund | Cell phone equipment | - | 9,166 |
| City Water and Wastewater Fund | Cell phone equipment, software licenses | - | 2,191 |
| OCPPA Golf Courses | Golf cart loans | - | 211,560 |
| City Stormwater Drainage Fund | Cell phone equipment | - | 847 |
| | | <u>\$2,803,919</u> | <u>\$1,214,094</u> |

| | | <u>RECEIVABLE FROM</u> | |
|-------------------------------|-------------------------------------|-------------------------|-----------------------|
| | | <u>Governmental</u> | <u>Business-type</u> |
| | | <u>Activities</u> | <u>Activities</u> |
| | | General | OCMFA |
| <u>PAYABLE TO</u> | <u>Purpose</u> | <u>Purpose Fund</u> | <u>Services</u> |
| City General Fund | Public Works administrative charges | \$325,755 | \$ - |
| City Stormwater Drainage Fund | Public Works administrative charges | 3,648 | - |
| City Print Shop Fund | Postage | - | 3,188 |
| | | <u>\$329,403</u> | <u>\$3,188</u> |

Long-Term Receivable From the City

Prefunded Project 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 as a receivable from the City. During 2015, the Authority prefunded \$1,435,348 related to City general obligation bond projects and was reimbursed for \$2,484,312. At June 30, 2015, the Authority reported an amount receivable from the City General Obligation Bond Fund of \$3,314,282 for unreimbursed prefunded fees, of which \$2,679,089 is reported as a current receivable.

Receivable From Oklahoma City Public Property Authority (OCPPA) Golf Courses Funds

On January 13, 2015 a loan for \$1,088,943 from the Authority workers compensation reserves to the OCPPA was approved for the purchase of new golf carts. The loan was made to 2 golf courses as follows:

| | |
|--------------------------|-----------|
| Lake Hefner | \$462,809 |
| Lincoln Park Golf Course | 626,134 |

The loan will be repaid over six years at an annual rate of 2.26% beginning March 1, 2015 with the final payment made on February 1, 2020. The principal due at June 30, 2015 is \$1,020,109 of which \$211,559 is reported as a current receivable including accrued interest of \$1,922.

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> |
|--------------------|---------------------------|------------------------|---------------------------|
| 2016 | \$209,638 | \$20,892 | \$230,530 |
| 2017 | 214,425 | 16,105 | 230,530 |
| 2018 | 219,322 | 11,208 | 230,530 |
| 2019 | 224,330 | 6,200 | 230,530 |
| 2020 | <u>152,394</u> | <u>1,488</u> | <u>153,882</u> |
| | <u>\$1,020,109</u> | <u>\$55,893</u> | <u>\$1,076,002</u> |

Cost Reimbursement Receivable From (Payable To) City Internal Services Funds

The City Risk Management and Information Technology Funds charge City funds for centralized services. The OCMFA Services Fund manages long-term contracts for costs related to these services. The City Risk Management and Information Technology Funds reimburse the Authority for these costs. The advance represents the under (over) funded liabilities of the OCMFA Services Fund at June 30, 2015.

| | <u>Worker's Compensation</u> | <u>Property and Liability</u> | <u>Information Technology</u> | <u>Total</u> |
|---------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|---------------------------|
| Advance balance, July 1, 2014 | \$15,545,897 | (\$4,377,369) | (\$1,370,113) | \$9,798,415 |
| Charges for services | - | - | (17,150) | (17,150) |
| Other services | 9,606,916 | 4,633,353 | 3,270,256 | 17,510,525 |
| Materials and supplies | 203 | - | 246,097 | 246,300 |
| Investment income | (125,370) | (30,511) | (9,890) | (165,771) |
| Other income | (216,992) | (1,978,459) | - | (2,195,451) |
| Reimbursement from the City | <u>(12,497,995)</u> | <u>(2,692,647)</u> | <u>(3,440,141)</u> | <u>(18,630,783)</u> |
| Advance balance, June 30, 2015 | <u>\$12,312,659</u> | <u>(\$4,445,633)</u> | <u>(\$1,320,941)</u> | <u>\$6,546,085</u> |

Payable To/From Component Units of the City

The OCMFA Services Fund Property and Liability reported \$543 thousand payable to the Oklahoma City Airport Trust for reimbursement of insurable costs related to the May 31, 2013 disaster.

VI. B. INTERFUND TRANSFERS AND PAYMENTS

Payments To/From the City

| | | PAYMENTS TO | |
|----------------------------------|----------------------------------|------------------------------------|-------------------------------------|
| | | <i>Governmental Activities</i> | <i>Business-type Activities</i> |
| | | <u>General</u> | <u>OCMFA</u> |
| | | <u>Purpose Fund</u> | <u>Services Fund</u> |
| <u>PAYMENTS FROM</u> | <u>Purpose</u> | | |
| City General Fund | Operating subsidies | \$374,063 | \$183,887 |
| City Grants Management Fund | Grant related cost reimbursement | - | 61,797 |
| City Information Technology Fund | 911 phone services | 812,528 | - |
| City Information Technology Fund | Equipment maintenance | 1,068,016 | - |
| City Information Technology Fund | Software support | 1,083,210 | - |
| City Information Technology Fund | Cost Reimbursement | - | 314,046 |
| | | <u>\$3,337,817</u> | <u>\$559,730</u> |
| | | PAYMENTS FROM | |
| | | <i>Governmental Activities</i> | <i>Business-type Activities</i> |
| | | <u>General</u> | <u>OCMFA</u> |
| | | <u>Purpose Fund</u> | <u>Services Fund</u> |
| <u>PAYMENTS TO</u> | <u>Purpose</u> | | |
| City Capital Improvement Fund | Capital Improvements | <u>\$15,170</u> | <u>\$57,831</u> |

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Combining Financial Statements

Combining Statements for the OCMFA Services Fund

The OCMFA Services Fund manages long-term contracts for costs of the City of Oklahoma City (City). This Fund is used to account for the financing of goods and services provided by one department to other departments within the City.

- * **Health Care Insurance** – Established to account for the risk financing activities of the City and certain component units with regards to the health care plan.*
- * **Worker’s Compensation** – Established to account for the disability, medical and rehabilitation expenses and related costs associated with on the job injuries. These expenses and related costs are eliminated through reimbursement from and reported in the City Risk Management Fund.*
- * **Property and Liability** – Established to account for the funding and costs associated with the property and liability insurance program. These expenses and related costs are eliminated through reimbursement from and reported in the City Risk Management Fund.*
- * **Unemployment Insurance** – Established for the purpose of financing unemployment costs.*
- * **Information Technology** – Established to account for the operations of the Trust’s computer and telecommunication systems. These expenses and related costs are eliminated through reimbursement from and reported in the City Information Technology Fund.*

**COMBINING STATEMENT OF NET POSITION
OCMFA SERVICES FUND
June 30, 2015**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

| | Risk Management | | | | | | Information Technology | Total |
|--|--------------------|--------------------------|------------------------------|---------------------------|-----------------------------|--------------------|---------------------------|-------|
| | Health Care | Worker's Compensation | Property and Liability | Unemployment Insurance | Total Risk Management | | | |
| | Insurance | Compensation | Liability | Insurance | Management | | | |
| ASSETS | | | | | | | | |
| CURRENT ASSETS | | | | | | | | |
| Pooled cash----- | \$2,189,471 | \$6,134,634 | \$1,031,560 | \$437 | \$9,356,102 | \$250,936 | \$9,607,038 | |
| Investments----- | 7,459,898 | 20,978,743 | 3,513,936 | 1,488 | 31,954,065 | 850,678 | 32,804,743 | |
| Accounts receivable, net----- | - | - | 5,498,506 | - | 5,498,506 | - | 5,498,506 | |
| Interest, dividends and royalties receivable----- | 30,013 | 84,385 | 14,135 | 6 | 128,539 | 3,422 | 131,961 | |
| Receivable from the City of Oklahoma City----- | 3,345 | 211,560 | 945,826 | 22,498 | 1,183,229 | 30,865 | 1,214,094 | |
| Receivable from component units----- | - | - | - | - | - | 1,761 | 1,761 | |
| Intergovernmental receivables----- | - | - | 145,267 | - | 145,267 | - | 145,267 | |
| Prepays----- | 422 | 242,023 | 473,754 | - | 716,199 | 274,165 | 990,364 | |
| Total current assets----- | 9,683,149 | 27,651,345 | 11,622,984 | 24,429 | 48,981,907 | 1,411,827 | 50,393,734 | |
| NON-CURRENT ASSETS | | | | | | | | |
| Receivable from the City of Oklahoma City----- | - | 13,123,130 | - | - | 13,123,130 | - | 13,123,130 | |
| Prepays----- | - | - | 23,096 | - | 23,096 | 469 | 23,565 | |
| Capital assets: | | | | | | | | |
| Other capital assets, net of accumulated depreciation--- | - | - | - | - | - | 1,148,093 | 1,148,093 | |
| Capital assets, net----- | - | - | - | - | - | 1,148,093 | 1,148,093 | |
| Total non-current assets----- | - | 13,123,130 | 23,096 | - | 13,146,226 | 1,148,562 | 14,294,788 | |
| Total assets----- | 9,683,149 | 40,774,475 | 11,646,080 | 24,429 | 62,128,133 | 2,560,389 | 64,688,522 | |
| LIABILITIES | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Accounts payable and accrued expenses----- | 578,240 | 374,475 | 591,042 | 22,499 | 1,566,256 | 91,355 | 1,657,611 | |
| Payable to the City of Oklahoma City----- | 3,188 | - | - | - | 3,188 | - | 3,188 | |
| Payable to component units----- | - | - | 543,144 | - | 543,144 | - | 543,144 | |
| Estimated claims payable----- | 1,590,473 | 10,883,000 | 6,066,261 | - | 18,539,734 | - | 18,539,734 | |
| Total current liabilities----- | 2,171,901 | 11,257,475 | 7,200,447 | 22,499 | 20,652,322 | 91,355 | 20,743,677 | |
| NON-CURRENT LIABILITIES | | | | | | | | |
| Estimated claims payable----- | - | 29,517,000 | - | - | 29,517,000 | - | 29,517,000 | |
| Payable to the City of Oklahoma City----- | - | - | 4,445,633 | - | 4,445,633 | 1,320,941 | 5,766,574 | |
| Total non-current liabilities----- | - | 29,517,000 | 4,445,633 | - | 33,962,633 | 1,320,941 | 35,283,574 | |
| Total liabilities----- | 2,171,901 | 40,774,475 | 11,646,080 | 22,499 | 54,614,955 | 1,412,296 | 56,027,251 | |
| NET POSITION | | | | | | | | |
| Net investment in capital assets----- | - | - | - | - | - | 1,148,093 | 1,148,093 | |
| Unrestricted----- | 7,511,248 | - | - | 1,930 | 7,513,178 | - | 7,513,178 | |
| Total net position----- | \$7,511,248 | \$ - | \$ - | \$1,930 | \$7,513,178 | \$1,148,093 | \$8,661,271 | |

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
OCMFA SERVICES FUND
For the Year Ended June 30, 2015**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

| | Risk Management | | | | | | Information Technology | Total |
|--|--------------------|--------------------------|------------------------------|---------------------------|-----------------------------|--------------------|---------------------------|-------|
| | Health Care | Worker's Compensation | Property and Liability | Unemployment Insurance | Total Risk Management | | | |
| | Insurance | Compensation | Liability | Insurance | Management | Technology | | |
| <u>OPERATING REVENUES</u> | | | | | | | | |
| <u>CHARGES FOR SERVICES</u> | | | | | | | | |
| Service charges----- | \$42,080,093 | \$ - | \$ - | \$ - | \$42,080,093 | \$ - | \$42,080,093 | |
| Total charges for services----- | 42,080,093 | - | - | - | 42,080,093 | - | 42,080,093 | |
| Fines and forfeitures----- | 11,313 | - | - | - | 11,313 | - | 11,313 | |
| Other----- | 41 | - | - | - | 41 | - | 41 | |
| Total operating revenues----- | 42,091,447 | - | - | - | 42,091,447 | - | 42,091,447 | |
| <u>OPERATING EXPENSES</u> | | | | | | | | |
| Maintenance, operations, and contractual services----- | 43,006,835 | - | - | 162,825 | 43,169,660 | - | 43,169,660 | |
| Materials and supplies----- | 3,438 | - | - | - | 3,438 | - | 3,438 | |
| Depreciation----- | - | 117,285 | - | - | 117,285 | 1,347,271 | 1,464,556 | |
| Total operating expenses----- | 43,010,273 | 117,285 | - | 162,825 | 43,290,383 | 1,347,271 | 44,637,654 | |
| Operating income (loss)----- | (918,826) | (117,285) | - | (162,825) | (1,198,936) | (1,347,271) | (2,546,207) | |
| <u>NON-OPERATING REVENUE (EXPENSE)</u> | | | | | | | | |
| Investment income----- | 54,022 | - | - | 45 | 54,067 | - | 54,067 | |
| Payments to the City of Oklahoma City----- | - | 3,966 | (61,797) | - | (57,831) | - | (57,831) | |
| Payments from the City of Oklahoma City----- | - | - | 61,797 | 183,887 | 245,684 | 314,046 | 559,730 | |
| Other revenue----- | 37,735 | - | - | - | 37,735 | - | 37,735 | |
| Net non-operating revenue----- | 91,757 | 3,966 | - | 183,932 | 279,655 | 314,046 | 593,701 | |
| Changes in net position----- | (827,069) | (113,319) | - | 21,107 | (919,281) | (1,033,225) | (1,952,506) | |
| Total net position, beginning----- | 8,338,317 | 113,319 | - | (19,177) | 8,432,459 | 2,181,318 | 10,613,777 | |
| Total net position, ending----- | \$7,511,248 | \$ - | \$ - | \$1,930 | \$7,513,178 | \$1,148,093 | \$8,661,271 | |

**COMBINING STATEMENT OF CASH FLOWS
OCMFA SERVICES FUND
For the Year Ended June 30, 2015**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

| | Risk Management | | | | | | Total |
|--|--------------------|--------------------------|------------------------------|---------------------------|-----------------------------|---------------------------|--------------------|
| | Health Care | Worker's Compensation | Property and Liability | Unemployment Insurance | Total Risk Management | Information Technology | |
| | <u>Insurance</u> | <u>Compensation</u> | <u>Liability</u> | <u>Insurance</u> | <u>Management</u> | <u>Technology</u> | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | | | | |
| Cash received from customers----- | \$42,106,944 | \$ - | \$ - | \$ - | \$42,106,944 | \$16,718 | \$42,123,662 |
| Cash payments to suppliers for goods and services----- | (43,913,987) | (8,570,103) | (6,784,888) | (161,654) | (59,430,632) | (3,820,237) | (63,250,869) |
| Cash payments for internal services----- | (3,605) | - | - | - | (3,605) | - | (3,605) |
| Operating payments from the City of Oklahoma City----- | - | 70,880 | - | 161,389 | 232,269 | - | 232,269 |
| Cost reimbursements from (to) other funds----- | - | 12,497,996 | 2,692,647 | - | 15,190,643 | 3,440,141 | 18,630,784 |
| Other cash receipts----- | 37,735 | - | 3,250,000 | - | 3,287,735 | - | 3,287,735 |
| Net cash provided (used) by operating activities----- | (1,772,913) | 3,998,773 | (842,241) | (265) | \$1,383,354 | (363,378) | 1,019,976 |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u> | | | | | | | |
| Non-capital payments from City of Oklahoma City----- | - | - | - | - | - | 314,046 | 314,046 |
| Non-capital payments to City of Oklahoma City----- | - | (1,088,943) | - | - | (1,088,943) | - | (1,088,943) |
| Net cash provided (used) by non-capital financing activities----- | - | (1,088,943) | - | - | (1,088,943) | 314,046 | (774,897) |
| <u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u> | | | | | | | |
| Payments for acquisition and construction of capital assets----- | - | (3,966) | - | - | (3,966) | (314,046) | (318,012) |
| Net cash provided (used) by capital and related financing activities----- | - | (3,966) | - | - | (3,966) | (314,046) | (318,012) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | | | | | |
| Changes in pooled investments----- | 2,660,037 | 477,475 | 1,255,018 | 422 | 4,392,952 | 444,269 | 4,837,221 |
| Investment income received----- | 60,898 | 122,266 | 33,756 | 46 | 216,966 | 11,126 | 228,092 |
| Purchased interest----- | (1,356) | (5,958) | (638) | - | (7,952) | (111) | (8,063) |
| Net cash provided by investing activities----- | 2,719,579 | 593,783 | 1,288,136 | 468 | 4,601,966 | 455,284 | 5,057,250 |
| Net increase in cash----- | 946,666 | 3,499,647 | 445,895 | 203 | 4,892,411 | 91,906 | 4,984,317 |
| Cash, beginning----- | 1,242,805 | 2,634,987 | 585,665 | 234 | 4,463,691 | 159,030 | 4,622,721 |
| Cash, ending----- | \$2,189,471 | \$6,134,634 | \$1,031,560 | \$437 | \$9,356,102 | \$250,936 | \$9,607,038 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u> | | | | | | | |
| Operating income (loss)----- | (\$918,826) | (\$117,285) | \$ - | (\$162,825) | (\$1,198,936) | (\$1,347,271) | (\$2,546,207) |
| <u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u> | | | | | | | |
| Depreciation----- | - | 117,285 | - | - | 117,285 | 1,347,271 | 1,464,556 |
| Other revenue (expense)----- | 37,735 | (54,490) | (30,511) | 161,389 | 114,123 | (9,890) | 104,233 |
| Changes in assets and liabilities: | | | | | | | |
| (Increase) decrease in accounts receivable----- | 15,270 | - | 1,271,541 | - | 1,286,811 | - | 1,286,811 |
| (Increase) decrease in receivable from the City of Oklahoma City | 161 | 3,233,239 | 174,409 | - | 3,407,809 | (28,613) | 3,379,196 |
| (Increase) decrease in receivable from component units----- | - | - | 7,963 | - | 7,963 | (1,761) | 6,202 |
| (Increase) decrease in prepaid assets----- | 1,568 | 21,753 | (35,899) | - | (12,578) | (8,490) | (21,068) |
| (Increase) decrease in other assets----- | - | 954,000 | - | - | 954,000 | - | 954,000 |
| Increase (decrease) in accounts payable and accrued expenses---- | (1,121,704) | (60,536) | 396,384 | 1,437 | (784,419) | (259,639) | (1,044,058) |
| Increase (decrease) in payable to the City of Oklahoma City----- | (55,963) | (83,193) | (224,946) | (266) | (364,368) | (54,985) | (419,353) |
| Increase (decrease) in payable to component unit----- | - | - | (1,229,954) | - | (1,229,954) | - | (1,229,954) |
| Increase (decrease) in long-term liabilities----- | - | (12,000) | (1,171,228) | - | (1,183,228) | - | (1,183,228) |
| Increase (decrease) in notes, lease and estimated claims payable-- | 268,846 | - | - | - | 268,846 | - | 268,846 |
| Total adjustments----- | (854,087) | 4,116,058 | (842,241) | 162,560 | 2,582,290 | 983,893 | 3,566,183 |
| Net cash provided (used) by operating activities----- | (1,772,913) | \$3,998,773 | (842,241) | (265) | \$1,383,354 | (363,378) | \$1,019,976 |

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the governmental activities, the business-type activities and each major fund of the Oklahoma City Municipal Facilities Authority (the Authority), a blended component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2015.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Oklahoma City Municipal Facilities Authority

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*.

The Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* of the City should be read in conjunction with this report.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 4, 2015