

February 27, 2013

Nancy,

Accompanying this transmission, you will find one (1) copy each of the following:

- Audited Financial Statements of the City of Midwest City, Oklahoma, which also includes the following public trusts.
 - Midwest City Hospital Authority (pages 21 & 22)
 - Midwest City Municipal Authority (pages 26-28)
 - Urban Renewal Authority (pages 70 & 72)
 - Midwest City Utilities Authority (pages 73-75)
- Single Audit Reports
- 2012 Annual Survey of City and Town Finances (SA&I Form 2643).

Please let me know if you have any questions.

Sincerely,

Mike Gibson
For The Firm



**CITY OF
MIDWEST CITY, OKLAHOMA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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Independent Auditors' Report

Honorable Mayor and City Council
The City of Midwest City, Oklahoma
Midwest City, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Midwest City, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the City of Midwest City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City Midwest City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Midwest City, Oklahoma, as of June 30, 2012 and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report (under separate cover) dated January 31, 2013, on our consideration of the City of Midwest City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other post-employment benefits funding progress, and the general fund, police fund and fire fund budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Midwest City's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary schedules 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 combining and individual nonmajor fund financial statements and other supplementary schedules have 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 combining and individual nonmajor fund financial statements and other supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying Statistical section, as listed in the table of contents, has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Cole & Reed P.C.

Oklahoma City, Oklahoma
January 31, 2013

**CITY OF MIDWEST CITY, OKLAHOMA
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MANAGEMENT DISCUSSION AND ANALYSIS

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The City of Midwest City's Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements beginning on page 18.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended June 30, 2012, by \$533,124,160 (net assets). Of this amount, unrestricted net assets of the government activities were (\$2,887,587) with the business type activities of \$22,434,027. As noted, the governmental unrestricted net assets are negative and increased 0.6% or \$15,824 from last year. The business type unrestricted net assets declined 8.11% or \$1,980,556 from last year. The unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- The business type unrestricted net assets have several commitments as it relates to future capital needs of the City. Contracts related to capital projects are disclosed on page 55 of the report. The Sewer Fund is recording \$16,144,240 of the unrestricted funds. However, engineering is currently being performed for a composting facility which could cost \$9,200,000. The construction is needed in order to meet the ever changing needs of the City and to comply with EPA mandates.
- The Primary Governments total net assets decreased by \$2,904,518 or 0.5% from the prior year. This was a result of a decrease of \$6,391,166 in the governmental activities while the business-type activities had an increase of \$3,486,648. Both revenues and expenses increased over the prior year. The detailed changes made from the Governmental Fund Statements to the Statement of Net Assets can be found on page 23.
- The City's total debt increased by \$48,910,314 or 68%. New debt in the amount of \$46,550,000 was issued for the construction of a sewer plant. The OPEB (the commitment by the City that retirees can continue on group health insurance at a subsidized rate) liability continues to increase annually by \$1,431,444.
- Sales tax is the major source of revenue for governmental activities. Sales and Use tax collections for FY 2012 totaled \$29,892,778 compared to \$27,152,264 in FY 2011. The total increase in Sales and Use Tax collection was \$2,740,514 of which \$2,297,984 was from the new .55 tax rate effective January 1, 2012. This created an increase over prior year of \$442,530 or 1.63%. A historical review of governmental activity revenues can be found on page 82 of the report.
- At the end of the fiscal year 2012, the unassigned fund balance of the General Fund was \$4,392,386 or 16.5% of General Fund revenues.
- Health Insurance premiums increased \$993,564 over last year or 23.18%. This was done through premium increases, restructuring of the groups and increased City contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Midwest City's basic financial statements. The City's basic financial statements comprise of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to the private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as a useful indicator on whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and fines and earned but not used vacation and sick leave as stated in City policy and union contracts). Both the Statement of Net Assets and the Statement of Activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis used for Fund Financial Statements of the governmental funds.

In its Statement of Net Assets and the Statement of Activities, the City is divided between two types of activities:

- **Governmental activities.** Most of the City's basic services are reported here, including general government, public safety, streets, culture and recreation, health and welfare and economic development. Sales taxes and franchise taxes finance most of these activities as reflected on page 19.
- **Business-type activities.** The City charges a fee to customers to cover the cost of services it provides. The City's utility system (water, sewer, sanitation, and drainage), conference center/hotel, golf, trailer park and industrial park activities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, but not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and internal service funds.

- **Governmental funds.** The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund

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information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements on page 23 and 24 of this report.

The City of Midwest City maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Police, Fire, Hospital Authority, and the Tax Increment Financing funds. Data from the debt service fund, 13 special revenue funds, and 7 capital project funds, all of which are considered to be governmental, are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements starting on page 69 of this report.

- **Proprietary funds and internal service funds.** The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are similar to the business-type activities that are reported in the Government-wide statements but provide more detail and additional information, such as cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the risk management functions, health self-insurance fund, fleet services, surplus property activities and public works function. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of Midwest City maintains five major enterprise funds. The City uses these funds to account for its water, sewer, sanitation, conference center/hotel and drainage operations. The funds provide the same type of information as the government-wide financial statements, only in more detail and include some of the internal service fund-type activity. The City considers these enterprise fund activities to be major funds. Data from 6 non-major enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements starting on page 73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of June 30, 2012, the City's combined net assets are \$533,124,160, of which \$428,556,795 can be attributed to governmental activities and \$104,567,365 attributed to business-type activities. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net assets, 80.4%, reflects its investment in capital assets (e.g., land, water rights, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these

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liabilities. The net change in capital assets can be reviewed in Table 1 with key element changes shown in Table 3.

Table 1
Net Assets
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2012	2011 Restated		2012	2011		2012	2011	
Current and other assets	\$ 120,592	\$ 118,995	1%	\$ 80,111	\$ 29,292	173%	\$ 200,703	\$ 148,287	35%
Capital assets	356,467	365,761	-3%	111,505	103,740	7%	467,972	469,501	0%
Total assets	477,059	484,756	-2%	191,616	133,032	44%	668,675	617,788	8%
Long-term debt outstanding	42,080	42,307	-1%	78,762	29,623	166%	120,842	71,930	68%
Other liabilities	6,423	7,501	-14%	8,287	2,329	256%	14,710	9,830	50%
Total liabilities	48,503	49,808	-3%	87,049	31,952	172%	135,552	81,760	66%
Net assets:									
Invested in capital assets, net of debt	348,167	356,051	-2%	80,332	76,262	5%	428,499	432,313	-1%
Restricted	83,278	81,759	2%	1,801	1,255	44%	85,079	83,014	2%
Unrestricted	(2,888)	(2,872)	1%	22,434	23,563	-5%	19,546	20,691	-6%
Total net assets	\$ 428,557	\$ 434,938	-1%	\$104,567	\$101,080	3%	\$533,124	536,018	-1%

Governmental activities decreased the City's net assets by (\$6,391,166) or 1.5%. The business type activities increased the City's net assets by \$3,486,648 or 3.45% for a net effect decrease of (\$2,904,518), or 0.5%. The key elements of these changes are contained in Table 2.

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Table 2
Changes In Net Assets
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues:									
Program revenues:									
Charges for services	\$ 5,191	\$ 5,200	0%	\$ 26,036	\$ 24,205	8%	\$ 31,227	\$ 29,405	6%
Operating grants and contributions	4,784	4,669	2%	-	-	-	4,784	4,669	2%
Capital grants and contributions	384	1,392	-72%	-	-	-	384	1,392	-72%
General revenues:									
Sales and use taxes	29,893	27,152	10%	-	-	-	29,893	27,152	10%
Other taxes	7,167	6,869	4%	-	-	-	7,167	6,869	4%
Other general revenue	2,747	14,723	-81%	930	681	37%	3,677	15,404	-76%
Total revenues	<u>50,166</u>	<u>60,005</u>	-16%	<u>26,966</u>	<u>24,886</u>	8%	<u>77,132</u>	<u>84,891</u>	-9%
Program expenses:									
General government	4,876	6,129	-20%	-	-	-	4,876	6,129	-20%
Public safety	27,607	25,917	7%	-	-	-	27,607	25,917	7%
Streets	14,961	15,003	0%	-	-	-	14,961	15,003	0%
Cultural, parks and recreation	1,596	1,377	16%	-	-	-	1,596	1,377	16%
Health and Welfare	1,418	212	569%	-	-	-	1,418	212	569%
Economic Development	4,984	4,494	11%	-	-	-	4,984	4,494	11%
Water	-	-	-	5,018	4,674	7%	5,018	4,674	7%
Sewer	-	-	-	7,466	6,244	20%	7,466	6,244	20%
Sanitation	-	-	-	3,576	3,635	-2%	3,576	3,635	-2%
Drainage	-	-	-	633	668	-5%	633	668	-5%
Conference Center	-	-	-	6,795	7,003	-3%	6,795	7,003	-3%
Other activities	-	-	-	1,106	1,102	0%	1,106	1,102	0%
Total expenses	<u>55,442</u>	<u>53,132</u>	4%	<u>24,594</u>	<u>23,326</u>	5%	<u>80,036</u>	<u>76,458</u>	5%
Excess (deficiency) before transfers	(5,276)	6,873	177%	2,372	1,560	52%	(2,904)	8,433	-134%
Transfers	(1,115)	113	1087%	1,115	(113)	-1087%	-	-	-
Increase (decrease) in net assets	<u>(\$ 6,391)</u>	<u>\$ 6,986</u>	191%	<u>\$ 3,487</u>	<u>\$ 1,447</u>	141%	<u>\$ (2,904)</u>	<u>\$ 8,433</u>	-134%

Governmental Activities. The revenues reflect a decrease over last year of \$9,839,287. This significant decrease is the result of unrealized gains and losses reported on investment income. The Hospital Authority had a difference of \$11,842,474 in investment income over last year. The Hospital Authority is the only fund authorized to invest in the stock market which can result in large fluctuations based on the market performance. All other fund investments are FDIC insured, collateralized or direct obligations of the United State Government.

Sales tax increased due to the authorization by citizens for a new tax rate of 3.85 from 3.30. The sales tax which is the governmental activities main source of revenue is allocated as follows:

General	24.86%
Police	29.77%
Fire	24.81%
911	1.05%
Capital Improvement	6.49%
Park and Rec	1.30%
Debt Svc./Sewer Plant	10.43%

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Streets 1.29%

The most significant governmental activities expenditure was in providing public safety with a cost of \$27,606,910. These expenditures were funded by revenue collected from a variety of sources, the largest being a transfer from General Fund in the amount of \$16,835,109 and dedicated sales tax of \$5,048,451 for the fiscal year ended June 30, 2012. The most significant portion of public safety expense is the cost of personnel. Salaries and benefits totaled \$23,473,771. Other significant governmental expenditures are for the streets in the amount of \$14,960,991 of which \$11,819,481 is depreciation expense.

Business-type Activities. Business-type revenue increased by \$2,079,344, or an 8% increase over prior year. The sewer revenue increased from \$5,754,756 in previous year to \$6,819,951 in this year as a result of utility rate increase that came effective January 1, 2012. The new increase is .90 cents per thousand to assist in paying for the new debt obligation created by the construction of the new sewer plant. Additional funding for the new sewer revenue bond debt comes from part of the new sales tax voted on by the citizens, effective January 1, 2012. The sales tax has to be recorded in a governmental fund and transferred over to the debt service fund. This is the reason for the increased transfers in the business-type activities. The investment income increased from \$664,010 to \$883,577, due to increase in cash and investment account balances.

Budgetary Highlights. For fiscal year 2011-2012, General Fund revenue (including transfers) budget was amended by (\$9,156) or .03% of the original budget of \$27,982,041. The reduction of approx \$9,000 was due to the closing of offsite betting from Remington Park. The actual revenues (including transfers) exceeded the final budget projections by \$206,626. General Fund actual expenditures (including transfers) on a budgetary basis were \$27,501,174 compared to the final budget of \$28,045,570. See page 60 of the report for more detail.

The Police Fund revenue (including transfers) budget was increased by \$157,636, or 1.2%, of the original budget of \$12,995,896. This was due to a new sales tax projection of \$36,424 per ordinance 3145 which earmarked 0.012375 of one percent of the additional sales tax for police department capital outlay needs. There were budget supplements for police equipment grant of \$50,025 and additional funding for special investigation unit building of \$68,376. The actual revenues (including transfers) exceeded the final budget projections by \$87,085 or 0.7%. The actual expenditures (including transfers) on a budgetary basis were \$13,850,305 compared to the final budget of \$14,910,818. Actual expenditures (including transfers) were \$1,060,513 or 7.1% below budget projections. Some positions were budgeted but not staffed due to vacancy; actual separation pay was less than expected; \$243,203 capital outlay encumbered but not spent due to building remodel and equipment purchase not able to be completed or acquired during the fiscal year.

The Fire Fund revenues (including transfers) budget was amended by \$193,362. This was due to increased sales tax projection of \$109,271 per ordinance 3145 which earmarked 0.037125 of one percent of the additional sales tax for fire department capital outlay needs. There was budget supplement for UASI grant of \$80,160. The actual revenues (including transfers) were less than the final budget projections by \$411. The actual expenditures (including transfers) on a budgetary basis was \$10,594,337 compared to the final budget of \$10,652,155. Actual expenditures (including transfers) were \$57,818 or 0.5% below projections.

The budget to actual comparisons for these funds can be found on pages 60-64 of the report.

Capital Asset At the end of fiscal year 2012, the City had \$467,972,639 invested in a broad range of capital assets, including police and fire equipment, buildings, conference center and hotel, park

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facilities, roads, bridges, water and sewer facilities and distribution systems. This amount represents a net decrease (including additions and deductions) of \$9,293,417 for the governmental activities. Although the City had equipment additions of \$966,373, construction in progress additions of \$1,545,950 and infrastructure additions of \$874,858; the depreciation expense of \$13,777,125 caused the current year reduction, with street depreciation for the year in the amount of \$11,819,481.

The business activities had an increase of \$7,765,364 due to the addition of construction in progress of the Sewer Facility for approximately \$9,510,865. Table 3 reflects the net key elements that make up the capital assets by type and source.

TABLE 3
Capital Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Restated,		2012	2011	2012	2011
	2012	2011				
Land	\$ 30,681	\$ 30,325	\$ 7,550	\$ 7,550	\$ 38,231	\$ 37,875
Water rights	-	-	4,673	4,673	4,673	4,673
Construction in progress	4,589	3,694	13,226	9,292	17,815	12,986
Buildings	26,645	26,217	30,392	28,813	57,037	55,030
Machinery and equipment	16,288	15,879	11,546	11,022	27,834	26,901
Vehicles	7,748	7,122	6,546	5,662	14,294	12,784
Infrastructure	428,358	427,483	105,397	100,969	533,755	528,452
	514,309	510,720	179,330	167,981	693,639	678,701
Less: Depreciation	(157,842)	(144,961)	(67,824)	(64,241)	(225,666)	(209,202)
Totals	\$ 356,467	\$ 365,759	\$ 111,506	\$ 103,740	\$ 467,973	\$ 469,499

Additional information on the City's capital assets can be found on pages 37-39 of this report.

Debt Administration. At year end, the City had \$115,425,372 in long term debt outstanding as compared to \$67,946,503 at the end of the prior fiscal year, an increase of 69.9% as shown in Table 4. See pages 42-45 for a more in depth review of long-term debt.

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**TABLE 4
Long-Term Debt
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 8,300	\$ 9,700	\$ -	\$ -	\$ 8,300	\$ 9,700
Notes payable	24,236	24,723	1,030	1,219	25,266	25,942
Accrued compensated absences	4,071	3,827	896	781	4,967	4,608
Revenue bonds	-	-	73,180	26,740	73,180	26,740
Revenue bonds premium	-	-	3,416	354	3,416	354
Revenue bonds deferred refunding	-	-	(1,144)	(835)	(1,144)	(835)
Refundable deposits	57	72	1,383	1,365	1,440	1,437
Totals	<u>\$ 36,664</u>	<u>\$ 38,322</u>	<u>\$ 78,761</u>	<u>\$ 29,624</u>	<u>\$ 115,425</u>	<u>\$ 67,946</u>

Economic Factors and Next Year's Budgets and Rates. With the fiscal instability in Washington between the president and Congress, the economic outlook is difficult to predict. While fiscal circumstances have not been optimal, the City of Midwest City has been fortunate not to have experienced the severity of economic conditions that have affected many cities across the country.

The governmental activities major funding source is sales and use tax. With such a volatile political environment, which can lead to an economic down turn, the sales and use tax projections for FY 13 were estimated flat at \$31,881,062. This projection gives consideration to the collection of a full year on the new tax that went into effect January 1, 2012.

The revenues for the original adopted FY 2013, excluding transfers in are \$92,238,468 compared to the originally adopted FY 2012 in the amount of \$82,530,338, which did not reflect the increase from the new tax approved. The major increase in revenue projections comes from the new sales tax that took effect January 1, 2012 which account for \$4,554,439 of the increased revenue. The qualified electors of the City, voting at an election held on August 9, 2011, approved Ordinance No. 3145 of the City levying an additional sales tax of fifty-five hundredths of one percent (0.55%).

Charge for services increased \$3,149,911. There is a sewer rate adjustment per Ordinance 3158. A \$0.90 fee is added per one thousand (1,000) gallons billed to each customer to help fund the debt service requirements of the new waste water treatment plant. This accounts for \$1,421,934 of the increase in charges for services. The new sewer rate was effective January 1, 2012. Stormwater has budgeted a small increase due to a Federal government unfunded mandate. The golf course will raise rates by \$1.00 on the green fees which will become effective January 1, 2013. The internal service funds had a significant increase due to fuel prices, workers comp and liability lawsuits premiums.

Loan proceeds increased \$3,955,618 due to refinancing of the old fire loan with additional funds for equipment which totaled \$1,950,000. This loan will provide for a ladder truck, brush pumper, two rescue engines and two fire prevention staff vehicles. There is budgeted a \$2,000,000 loan for a new bath house at the swimming pool.

The expenditures/expenses for FY 2013, excluding transfers out are \$108,609,636 compared to \$110,401,188 in FY 2012. Wastewater Treatment Plant budgeted \$5,916,921 compared to \$17,360,618 in FY 2012. Debt service increased \$4,223,401 due to Capital Improvement Revenue Bonds, Series

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2011A was issued in December 2011. The expenditure budget has several large capital projects proposed such as sidewalks and trail improvements, Automated Meter Reading System, Soldier Creek Industrial Park, Eastside Water Tower, Happy Trails Dog Park and SE 15th Street Widening.

The City also engaged a consultant to review all non-represented employees' job descriptions with the intent of making the positions more equitable to the market. A new pay plan was put into place July 1, 2012 which extended the pay steps and took the annual merit from 5% to 2.9%. This change allowed numerous employees that were topped out to be placed on the pay scale for additional step increases and provided equitable wages for all employees.

The emergency reserves once again are contained in the operational fund budgets of the City. The General fund is required to maintain a 10% reserve while all others are required to maintain a 5% reserve. The reserves are equal to the annual operating budget less, transfer outs and capital outlay. The reserves are only accessible if a significant event should occur such as a downturn in the economy greatly affecting the funding of the City's operations; uses for natural disasters or one-time non-recurring emergency that disrupts the cash receipts of the City. With this resolution in place for maintaining a reserve, this allows the City to become more financially stable and better equipped to handle any unforeseen emergencies or major loss of revenues.

Request for Information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Midwest City Finance Department, 100 N. Midwest Boulevard, Midwest City, Oklahoma 73110.

**CITY OF MIDWEST CITY, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Net Assets– June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 8,229,154	\$ 54,430,240	\$ 62,659,394
Investments	84,477,511	18,066,740	102,544,251
Accounts receivable, net	3,291,926	3,313,764	6,605,690
Interest receivable	47,403	46,545	93,948
Other receivable	50,556	124,622	175,178
Inventory	97,522	207,800	305,322
Internal balances	(2,879,424)	2,879,424	-
Prepaid expenses	1,884	-	1,884
Due from other governments	4,653,915	-	4,653,915
Lease receivable	21,934,768	-	21,934,768
Deposits held by others	687,300	-	687,300
Capital assets:			
Land, water rights, and construction in progress	35,269,968	25,448,366	60,718,334
Other capital assets, net of depreciation	321,196,903	86,057,402	407,254,305
Unamortized bond issuance costs	-	1,041,472	1,041,472
 Total assets	 <u>477,059,386</u>	 <u>191,616,375</u>	 <u>668,675,761</u>
LIABILITIES:			
Accounts payable and accrued liabilities	1,198,144	6,669,846	7,867,990
Wages payable	983,519	345,390	1,328,909
Claims payable	4,065,217	-	4,065,217
Due to other governments	11,525	-	11,525
Accrued interest payable	164,083	1,272,502	1,436,585
Long-term liabilities:			
Due within one year	3,331,975	4,126,740	7,458,715
Due in more than one year	38,748,128	74,634,532	113,382,660
 Total liabilities	 <u>48,502,591</u>	 <u>87,049,010</u>	 <u>135,551,601</u>
NET ASSETS:			
Invested in capital assets, net of related debt	348,166,871	80,332,351	428,499,222
Restricted by:			
Enabling legislation	63,905,579	1,485,452	65,391,031
Statutory requirements	1,211,565	-	1,211,565
External contracts	18,160,367	315,535	18,475,902
Unrestricted	(2,887,587)	22,434,027	19,546,440
 Total net assets	 <u>\$ 428,556,795</u>	 <u>\$ 104,567,365</u>	 <u>\$ 533,124,160</u>

See accompanying notes to the basic financial statements.

CITY OF MIDWEST CITY, OKLAHOMA
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Statement of Activities –Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 4,875,644	\$ 810,760	\$ 145,211	\$ -	\$ (3,919,673)	\$ -	\$ (3,919,673)
Public safety	27,606,910	2,415,612	3,405,387	298,198	(21,487,713)	-	(\$21,487,713)
Streets	14,960,991	-	475,416	85,450	(14,400,125)	-	(\$14,400,125)
Culture and recreation	1,596,272	450,670	156,448	-	(989,154)	-	(\$989,154)
Health and welfare	1,418,497	-	73,644	-	(1,344,853)	-	(\$1,344,853)
Economic development	4,983,867	1,514,335	527,584	-	(2,941,948)	-	(\$2,941,948)
Total governmental activities	55,442,181	5,191,377	4,783,690	383,648	(45,083,466)	-	(45,083,466)
Business-type activities:							
Water	5,018,162	7,530,940	-	-	-	2,512,778	2,512,778
Wastewater	7,466,040	7,217,060	-	-	-	(248,980)	(248,980)
Sanitation	3,575,542	4,712,376	-	-	-	1,136,834	1,136,834
Drainage	632,686	397,000	-	-	-	(235,686)	(235,686)
Conference Center	6,794,549	5,075,280	-	-	-	(1,719,269)	(1,719,269)
Golf	1,047,913	1,087,244	-	-	-	39,331	39,331
Trailer park	58,674	16,328	-	-	-	(42,346)	(42,346)
Industrial park	200	-	-	-	-	(200)	(200)
Total business-type activities	24,593,766	26,036,228	-	-	-	1,442,462	1,442,462
Total primary government	\$ 80,035,947	\$ 31,227,605	\$ 4,783,690	\$ 383,648	(45,083,466)	1,442,462	(43,641,004)
General revenues:							
Taxes:							
Sales and use taxes					\$ 29,892,778	\$ -	\$ 29,892,778
Property tax					3,557,133	-	3,557,133
Franchise and public service taxes					2,543,409	-	2,543,409
Hotel/motel taxes					582,828	-	582,828
Intergovernmental revenue not restricted to specific programs					484,212	-	484,212
Investment income					2,436,675	883,577	3,320,252
Miscellaneous					310,132	45,742	355,874
Transfers - Internal activity					(1,114,867)	1,114,867	-
Total general revenues and transfers					38,692,300	2,044,186	40,736,486
Change in net assets					(6,391,166)	3,486,648	(2,904,518)
Net assets - beginning, restated					434,947,961	101,080,717	536,028,678
Net assets - ending					\$ 428,556,795	\$ 104,567,365	\$ 533,124,160

See accompanying notes to the basic financial statements.

**CITY OF MIDWEST CITY, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Governmental Funds Balance Sheet - June 30, 2012

	<u>General Fund</u>	<u>Police Fund</u>	<u>Fire Fund</u>	<u>Midwest City Hospital Authority</u>	<u>Tax Increment Financing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:							
Cash and cash equivalents	\$ 1,311,535	\$ 489,147	\$ 208,512	\$ 941,182	\$ -	\$ 4,145,042	\$ 7,095,418
Investments	4,032,764	1,514,343	611,487	63,385,570	-	11,298,950	80,843,114
Receivables:							
Accounts receivable	1,503,252	53,659	-	1,839	-	1,707,103	3,265,853
Accrued interest receivable	10,610	2,827	-	1,073	-	23,255	37,765
Due from other funds	353,208	1,097,416	889,048	576,664	-	446,274	3,362,610
Deposits held by others	-	-	-	-	-	687,300	687,300
Prepaid expenses	1,884	-	-	-	-	-	1,884
Other receivable	21,272	17,235	12,049	-	-	-	50,556
Due from other governments	2,838,667	353,863	316,277	-	-	1,145,108	4,653,915
Inventory	-	-	-	-	-	60,000	60,000
Total assets	<u>\$ 10,073,192</u>	<u>\$ 3,528,490</u>	<u>\$ 2,037,373</u>	<u>\$ 64,906,328</u>	<u>\$ -</u>	<u>\$ 19,513,032</u>	<u>\$ 100,058,415</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable and accrued liabilities	\$ 178,855	\$ 100,601	\$ 6,918	\$ 134,416	\$ -	\$ 404,877	\$ 825,667
Accrued interest payable	-	-	-	-	-	115,536	115,536
Wages payable	282,943	365,702	288,416	1,314	-	45,144	983,519
Deferred revenue	1,182,832	34,535	-	335,450	-	260,655	1,813,472
Refundable deposits (court)	57,096	-	-	-	-	-	57,096
Due to other funds	2,284,715	-	1,031,110	-	3,941,808	381,232	7,638,865
Due to other governments	11,525	-	-	-	-	-	11,525
Total liabilities	<u>3,997,966</u>	<u>500,838</u>	<u>1,326,444</u>	<u>471,180</u>	<u>3,941,808</u>	<u>1,207,444</u>	<u>11,445,680</u>
Fund Balances:							
Nonspendable	1,884	-	-	-	-	747,300	749,184
Restricted	124,771	3,027,652	710,929	64,435,148	-	16,934,007	85,232,507
Assigned	1,556,185	-	-	-	-	624,281	2,180,466
Unassigned	4,392,386	-	-	-	(3,941,808)	-	450,578
Total fund balances	<u>6,075,226</u>	<u>3,027,652</u>	<u>710,929</u>	<u>64,435,148</u>	<u>(3,941,808)</u>	<u>18,305,588</u>	<u>88,612,735</u>
Total liabilities and fund balances	<u>\$ 10,073,192</u>	<u>\$ 3,528,490</u>	<u>\$ 2,037,373</u>	<u>\$ 64,906,328</u>	<u>\$ -</u>	<u>\$ 19,513,032</u>	<u>\$ 100,058,415</u>

See accompanying notes to the basic financial statements.

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2012

	General Fund	Police Fund	Fire Fund	Midwest City Hospital Authority	Tax Increment Financing Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 22,449,288	\$ 2,723,383	\$ 2,325,068	\$ 697,152	\$ 999,703	\$ 7,391,551	\$ 36,586,145
Intergovernmental	653,218	696,618	1,958,339	-	-	2,154,793	5,462,968
Charges for services	774,813	47,864	10,835	-	-	1,802,575	2,636,087
Fines and forfeitures	1,801,419	149,544	-	-	-	219,078	2,170,041
Licenses and permits	243,369	-	9,220	-	-	77,964	330,553
Investment income	190,597	41,302	24,649	2,108,852	370	355,706	2,721,476
Miscellaneous	473,671	33,935	12,016	61,145	-	189,952	770,719
Total revenues	<u>26,586,375</u>	<u>3,692,646</u>	<u>4,340,127</u>	<u>2,867,149</u>	<u>1,000,073</u>	<u>12,191,619</u>	<u>50,677,989</u>
Expenditures:							
Current:							
General government	3,341,239	-	-	633,300	-	303,431	4,277,970
Public safety	759,729	12,160,680	11,486,729	-	-	1,200,579	25,607,717
Streets	2,676,838	-	-	-	-	60,896	2,737,734
Culture and recreation	975,872	-	-	-	-	344,822	1,320,694
Health and welfare	629	-	-	-	-	-	629
Economic development	3,130,331	-	-	-	-	1,170,284	4,300,615
Capital outlay	420,024	1,100,245	252,762	307,475	-	2,866,942	4,947,448
Debt service:							
Principal retirement	-	-	-	486,425	-	1,400,000	1,886,425
Interest and fiscal charges	-	-	54,057	1,473,904	200,261	437,342	2,165,564
Total expenditures	<u>11,304,662</u>	<u>13,260,925</u>	<u>11,793,548</u>	<u>2,901,104</u>	<u>200,261</u>	<u>7,784,296</u>	<u>47,244,796</u>
Excess (deficiency) of revenues over expenditures	15,281,713	(9,568,279)	(7,453,421)	(33,955)	799,812	4,407,323	3,433,193
Other financing sources (uses):							
Transfers in	2,492,401	9,375,526	7,517,844	250,000	-	1,514,388	21,150,159
Transfers out	(17,423,053)	-	(166,000)	(438,527)	-	(4,370,953)	(22,398,533)
Total other financing sources (uses)	<u>(14,930,652)</u>	<u>9,375,526</u>	<u>7,351,844</u>	<u>(188,527)</u>	<u>-</u>	<u>(2,856,565)</u>	<u>(1,248,374)</u>
Net change in fund balances	351,061	(192,753)	(101,577)	(222,482)	799,812	1,550,758	2,184,819
Fund balances - beginning	5,724,165	3,220,405	812,506	64,657,630	(4,741,620)	16,754,830	86,427,916
Fund balances - ending	<u>\$ 6,075,226</u>	<u>\$ 3,027,652</u>	<u>\$ 710,929</u>	<u>\$ 64,435,148</u>	<u>\$ (3,941,808)</u>	<u>\$ 18,305,588</u>	<u>\$ 88,612,735</u>

See accompanying notes to the basic financial statements.

**CITY OF MIDWEST CITY, OKLAHOMA
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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Fund balances of governmental funds	\$ 88,612,735
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$157,052,871.	<u>355,608,954</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds or not reported in the funds:	
Due from other governments	100,372
Other receivable, net of allowance	1,713,100
HMA Hospital Receivable	<u>21,934,768</u>
	<u>23,748,240</u>
Internal service funds are used by management to charge the costs of certain activities to individual funds. An allocation of the the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(2,920,801)</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
General obligation bonds payable	(8,300,000)
Notes payable	(24,236,474)
Accrued compensated absences	(3,936,603)
Accrued interest payable	<u>(19,256)</u>
	<u>(36,492,333)</u>
 Net assets of governmental activities	 <u><u>\$ 428,556,795</u></u>

See accompanying notes to the basic financial statements.

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds	\$ 2,184,819
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets	
Capital asset purchases capitalized	4,513,253
Loss on disposal of capital asset	(38,184)
Depreciation expense	(13,728,807)
	(9,253,738)
 Repayment of debt principal is an expenditure and repayment of leasehold receivable is a revenue in the governmental funds. However, the repayments reduce long-term liabilities or the long-term assets in the Statement of Net Assets.	
Leasehold receivable receipts	(359,919)
Note payable principal payments	486,425
General obligation bond principal payments	1,400,000
	1,526,506
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	(114,004)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued interest payable	2,140
Change in accrued compensated absences	(240,726)
	(238,586)
 Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities	
Total change in net assets for internal service funds	(496,163)
	(496,163)
 Change in net assets of governmental activities	 \$ (6,391,166)

See accompanying notes to the basic financial statements.

**CITY OF MIDWEST CITY, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Funds Statement of Net Assets - June 30, 2012

	Midwest City Municipal Authority				Drainage Fund	Debt Service Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
	Water Fund	Sewer Fund	Sanitation Fund	Conference Center/Hotel Fund					
ASSETS:									
Current assets:									
Cash and cash equivalents	\$ 938,430	\$ 2,747,153	\$ 63,316	\$ 603,683	\$ 357,850	\$ -	\$ 926,177	\$ 5,636,609	\$ 1,250,124
Cash and cash equivalents, restricted	-	-	-	-	-	48,391,865	285,378	48,677,243	-
Investments	3,035,528	8,573,743	185,770	1,194,024	1,156,089	-	2,884,064	17,029,218	3,634,397
Accounts receivable, net	1,194,865	1,123,406	640,907	235,278	56,968	-	62,340	3,313,764	26,073
Other receivable	389	16,580	1,260	104,165	75	-	2,153	124,622	-
Accrued interest receivable	7,968	21,207	-	3,500	2,997	382	10,491	46,545	9,638
Inventory	116,881	90,919	-	-	-	-	-	207,800	37,522
Due from other funds	1,203	6,510,711	54,564	-	-	-	-	6,566,478	-
Total current assets	5,295,264	19,083,719	945,817	2,140,650	1,573,979	48,392,247	4,170,603	81,602,279	4,957,754
Noncurrent assets:									
Investments, restricted	-	-	-	-	-	-	1,037,522	1,037,522	-
Due from other funds	-	2,941,008	1,122,375	-	-	-	-	4,063,383	-
Unamortized bond and note issue costs	-	-	-	-	-	1,041,472	-	1,041,472	-
Land, construction in progress, and water rights	4,739,356	13,341,922	937,226	14,836	16,661	-	6,398,364	25,448,365	-
Other capital assets, net	18,848,324	22,061,074	3,228,199	24,672,159	13,623,322	-	3,369,937	85,803,015	1,112,305
Total noncurrent assets	23,587,680	38,344,004	5,287,800	24,686,995	13,639,983	1,041,472	10,805,823	117,393,757	1,112,305
Total assets	28,882,944	57,427,723	6,233,617	26,827,645	15,213,962	49,433,719	14,976,426	198,996,036	6,070,059
LIABILITIES:									
Current liabilities:									
Accounts payable and accrued liabilities	245,838	5,564,851	330,719	339,848	19	-	94,863	6,576,138	375,347
Claims liability	-	-	-	-	-	-	-	-	2,251,217
Wages payable	69,881	82,221	31,474	89,627	6,119	-	47,160	326,482	48,199
Due to other funds	-	-	-	120,000	-	5,509,911	47,918	5,677,829	-
Accrued interest payable	-	-	-	-	-	1,272,502	-	1,272,502	-
Deferred revenue	-	-	-	-	-	-	90,838	90,838	-
Accrued compensated absences	84,223	77,805	37,469	2,892	7,286	-	54,242	263,917	79,249
Refundable deposits	-	-	-	41,246	-	-	132,290	173,536	-
Notes payable	194,680	-	-	-	-	-	-	194,680	-
Revenue bonds payable	-	-	-	-	-	3,460,000	-	3,460,000	-
Total current liabilities	594,622	5,724,877	399,602	593,613	13,424	10,242,413	467,311	18,035,922	2,754,012
Noncurrent liabilities:									
Accrued compensated absences	168,447	155,610	74,938	5,783	14,572	-	108,484	527,834	158,499
Claims liability	-	-	-	-	-	-	-	-	1,814,000
Unfunded OPEB liability	-	-	-	-	-	-	-	-	5,416,003
Due to other funds	-	-	-	-	-	-	675,777	675,777	-
Refundable deposits	-	-	-	19,395	-	-	1,190,610	1,210,005	-
Notes payable	835,110	-	-	-	-	-	-	835,110	-
Revenue bonds payable, net	-	-	-	-	-	71,992,369	-	71,992,369	-
Total noncurrent liabilities	1,003,557	155,610	74,938	25,178	14,572	71,992,369	1,974,871	75,241,095	7,388,502
Total liabilities	1,598,179	5,880,487	474,600	618,791	27,996	82,234,782	2,442,182	93,277,017	10,142,514
NET ASSETS:									
Invested in capital assets, net of related debt	22,557,890	35,402,996	4,165,425	24,686,995	13,639,983	(29,166,746)	9,045,808	80,332,351	1,112,305
Restricted for debt service	-	-	-	-	-	1,485,452	-	1,485,452	-
Restricted for other purposes	-	-	-	-	-	-	315,535	315,535	-
Unrestricted	4,726,875	16,144,240	1,593,592	1,521,859	1,545,983	(5,119,769)	3,172,901	23,585,681	(5,184,760)
Total net assets	\$ 27,284,765	\$ 51,547,236	\$ 5,759,017	\$ 26,208,854	\$ 15,185,966	\$ (32,801,063)	\$ 12,534,244	105,719,019	\$ (4,072,455)
								(1,151,654)	
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund balances are included with business-type activities and reported as interfund balances									
Total net assets per Government-Wide financial statements								<u>\$ 104,567,365</u>	

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Changes in Net Assets - Year Ended June 30, 2012

	Midwest City Municipal Authority				Drainage Fund	Debt Service Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
	Water Fund	Sewer Fund	Sanitation Fund	Conference Center/ Hotel Fund					
Operating Revenues:									
Charges for services	\$ 7,067,916	\$ 6,819,951	\$ 4,428,238	\$ 5,075,280	\$ 396,200	\$ -	\$ 2,088,970	\$ 25,876,555	\$ 9,946,043
Fees, licenses and permits	9,525	9,120	-	-	-	-	-	18,645	-
Miscellaneous	73,248	21,079	45,901	-	800	-	-	141,028	169,189
Total operating revenues	<u>7,150,689</u>	<u>6,850,150</u>	<u>4,474,139</u>	<u>5,075,280</u>	<u>397,000</u>	<u>-</u>	<u>2,088,970</u>	<u>26,036,228</u>	<u>10,115,232</u>
Operating Expenses:									
Personal services	1,983,555	3,225,186	1,071,215	2,060,034	225,901	-	1,389,329	9,955,220	1,657,995
Materials and supplies	470,389	640,004	601,578	1,421,299	91,245	-	346,597	3,571,112	1,485,536
Other services and charges	1,459,443	891,082	1,325,241	1,327,280	53,518	-	222,824	5,279,388	1,333,100
Insurance claims and expense	-	-	-	-	-	-	-	-	6,459,650
Depreciation and amortization	618,927	1,315,491	317,210	997,386	257,706	67,964	138,420	3,713,104	70,404
Total operating expenses	<u>4,532,314</u>	<u>6,071,763</u>	<u>3,315,244</u>	<u>5,805,999</u>	<u>628,370</u>	<u>67,964</u>	<u>2,097,170</u>	<u>22,518,824</u>	<u>11,006,685</u>
Operating income (loss)	2,618,375	778,387	1,158,895	(730,719)	(231,370)	(67,964)	(8,200)	3,517,404	(891,453)
Non-Operating Revenues (Expenses):									
Investment income	127,421	489,347	34,996	45,215	41,326	2,165	143,107	883,577	130,644
Interest expense and fiscal charges	(33,425)	-	-	-	-	(1,862,282)	(48,096)	(1,943,803)	-
Other non-operating revenue	-	-	16,000	-	203	-	29,539	45,742	-
Total non-operating revenues (expenses)	<u>93,996</u>	<u>489,347</u>	<u>50,996</u>	<u>45,215</u>	<u>41,529</u>	<u>(1,860,117)</u>	<u>124,550</u>	<u>(1,014,484)</u>	<u>130,644</u>
Net income (loss) before transfers	2,712,371	1,267,734	1,209,891	(685,504)	(189,841)	(1,928,081)	116,350	2,502,920	(760,809)
Transfers in	56,551	9,192,786	-	-	-	3,539,909	885,348	13,674,594	133,507
Transfers out	(847,546)	(1,329,069)	(763,936)	(360,000)	-	(9,192,786)	(66,390)	(12,559,727)	-
Change in net assets	<u>1,921,376</u>	<u>9,131,451</u>	<u>445,955</u>	<u>(1,045,504)</u>	<u>(189,841)</u>	<u>(7,580,958)</u>	<u>935,308</u>	<u>3,617,787</u>	<u>(627,302)</u>
Total net assets - beginning	<u>25,363,389</u>	<u>42,415,785</u>	<u>5,313,062</u>	<u>27,254,358</u>	<u>15,375,807</u>	<u>(25,220,105)</u>	<u>11,598,936</u>	<u>102,101,232</u>	<u>(3,445,153)</u>
Total net assets - ending	<u>\$ 27,284,765</u>	<u>\$ 51,547,236</u>	<u>\$ 5,759,017</u>	<u>\$ 26,208,854</u>	<u>\$ 15,185,966</u>	<u>\$ (32,801,063)</u>	<u>\$ 12,534,244</u>	<u>\$ 105,719,019</u>	<u>\$ (4,072,455)</u>
Change in net assets per above								\$ 3,617,787	
Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal service funds is reported with business-type activities								(131,139)	
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements								\$ 3,486,648	

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2012

	Midwest City Municipal Authority					Debt Service Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
	Water Fund	Sewer Fund	Sanitation Fund	Conference Center/Hotel Fund	Drainage Fund				
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	\$ 7,169,641	\$ 6,551,433	\$ 4,474,056	\$ 5,034,242	\$ 395,360	\$ -	\$ 2,209,686	\$ 25,834,418	\$ 10,181,347
Payments to suppliers	(2,099,706)	3,899,822	(2,087,751)	(2,469,353)	(144,744)	-	(623,299)	(3,525,031)	(2,805,869)
Payments to employees	(2,010,819)	(3,279,016)	(1,084,211)	(2,047,703)	(232,199)	-	(1,397,939)	(10,051,887)	(269,200)
Receipts (payments) from interfund loan	1,115	(8,448,864)	136,596	120,000	-	5,509,911	(123,943)	(2,805,185)	14,551
Receipt of customer deposits	-	-	-	-	-	-	483,118	483,118	-
Return of customer deposits	-	-	-	-	-	-	(458,906)	(458,906)	-
Claims and benefits paid	-	-	-	-	-	-	-	-	(6,668,062)
Net Cash Provided (Used in) by Operating Activities	<u>3,060,231</u>	<u>(1,276,625)</u>	<u>1,438,690</u>	<u>637,186</u>	<u>18,417</u>	<u>5,509,911</u>	<u>88,717</u>	<u>9,476,527</u>	<u>452,767</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers from other funds	56,551	9,192,786	-	-	-	3,539,909	885,348	13,674,594	133,507
Transfers to other funds	(847,546)	(1,329,069)	(763,936)	(360,000)	-	(9,192,786)	(66,390)	(12,559,727)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(790,995)</u>	<u>7,863,717</u>	<u>(763,936)</u>	<u>(360,000)</u>	<u>-</u>	<u>(5,652,877)</u>	<u>818,958</u>	<u>1,114,867</u>	<u>133,507</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Capital assets purchased	(518,045)	(9,579,010)	(826,056)	(79,187)	(95,885)	-	(253,404)	(11,351,587)	(91,956)
Principal paid on capital debt	(189,214)	-	-	-	-	(655,000)	-	(844,214)	-
Interest and fiscal charges paid on capital debt	(33,425)	-	-	-	-	(1,147,274)	(48,096)	(1,228,795)	-
Revenue bond proceeds	-	-	-	-	-	73,180,000	-	73,180,000	-
Payment to escrow agent	-	-	-	-	-	(26,345,850)	-	(26,345,850)	-
Bond issue costs paid	-	-	-	-	-	(1,091,230)	-	(1,091,230)	-
Bond premium	-	-	-	-	-	3,573,123	-	3,573,123	-
Proceeds from sale of capital assets	-	-	-	-	-	-	2,315	2,315	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(740,684)</u>	<u>(9,579,010)</u>	<u>(826,056)</u>	<u>(79,187)</u>	<u>(95,885)</u>	<u>47,513,769</u>	<u>(299,185)</u>	<u>35,893,762</u>	<u>(91,956)</u>
CASH FLOWS FROM INVESTING ACTIVITIES									
Sale (purchase) of investments	(1,404,611)	2,441,628	71,258	(234,188)	(29,442)	-	(849,394)	(4,749)	(751,188)
Interest and dividends	123,447	485,000	34,996	44,260	40,902	1,791	151,226	881,622	134,954
Net Cash Provided by (Used in) Investing Activities	<u>(1,281,164)</u>	<u>2,926,628</u>	<u>106,254</u>	<u>(189,928)</u>	<u>11,460</u>	<u>1,791</u>	<u>(698,168)</u>	<u>876,873</u>	<u>(616,234)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	247,388	(65,290)	(45,048)	8,071	(66,008)	47,372,594	(89,678)	47,362,029	(121,916)
Balances - beginning of the year	691,042	2,812,443	108,364	595,612	423,858	1,019,271	1,301,233	6,951,823	1,372,040
Balances - end of the year	\$ 938,430	\$ 2,747,153	\$ 63,316	\$ 603,683	\$ 357,850	\$ 48,391,865	\$ 1,211,555	\$ 54,313,852	\$ 1,250,124
Reconciliation to Statement of Net Assets:									
Cash and cash equivalents	\$ 938,430	\$ 2,747,153	\$ 63,316	\$ 603,683	\$ 357,850	\$ -	\$ 926,177	\$ 5,636,609	\$ 1,250,124
Restricted cash and cash equivalents	-	-	-	-	-	48,391,865	285,378	48,677,243	-
Total cash and cash equivalents	<u>\$ 938,430</u>	<u>\$ 2,747,153</u>	<u>\$ 63,316</u>	<u>\$ 603,683</u>	<u>\$ 357,850</u>	<u>\$ 48,391,865</u>	<u>\$ 1,211,555</u>	<u>\$ 54,313,852</u>	<u>\$ 1,250,124</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:									
Operating income (loss)	\$ 2,618,375	\$ 778,387	\$ 1,158,895	\$ (730,719)	\$ (231,370)	\$ (67,964)	\$ (8,200)	\$ 3,517,404	\$ (891,453)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:									
Depreciation expense	618,927	1,315,491	317,210	997,386	257,706	-	138,420	3,645,140	70,404
Amortization expense	-	-	-	-	-	67,964	-	67,964	-
Other nonoperating revenue	-	-	16,000	-	203	-	29,539	45,742	-
Capital asset expense	-	-	-	-	-	-	-	-	-
Change in assets and liabilities:									
Receivables, net	19,341	(282,137)	(14,823)	6,224	(1,768)	-	339	(272,824)	66,115
Other receivable	(389)	(16,580)	(1,260)	(41,774)	(75)	-	-	(60,078)	-
Due from other funds	1,115	(8,448,864)	136,596	-	-	-	5,975	(8,305,178)	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Inventory	7,143	3,611	-	47,122	-	-	-	57,876	8,928
Accounts payables	(177,017)	5,427,297	(160,932)	232,104	19	-	(53,878)	5,267,593	(136,773)
Claims liability	-	-	-	-	-	-	-	-	(67,800)
Deferred revenue	-	-	-	-	-	-	90,838	90,838	-
Due to other funds	-	-	-	120,000	-	5,509,911	(129,918)	5,499,993	-
Due to employees	(66,710)	(77,941)	(23,850)	10,785	(6,991)	-	(42,810)	(207,517)	14,551
Refundable deposits	-	-	-	(5,488)	-	-	24,212	18,724	(49,039)
Unfunded OPEB liability	-	-	-	-	-	-	-	-	1,431,444
Accrued compensated absences	39,446	24,111	10,854	1,546	693	-	34,200	110,850	6,390
Net Cash Provided by Operating Activities	<u>\$ 3,060,231</u>	<u>\$ (1,276,625)</u>	<u>\$ 1,438,690</u>	<u>\$ 637,186</u>	<u>\$ 18,417</u>	<u>\$ 5,509,911</u>	<u>\$ 88,717</u>	<u>\$ 9,476,527</u>	<u>\$ 452,767</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

In determining the financial reporting entity, the City of Midwest City (the “City”) complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity” and includes all component units for which the City is financially accountable/fiscally responsible. The City’s financial reporting entity primary government presentation includes the City of Midwest City and certain component units as follows:

The City of Midwest City – operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities

The City of Midwest City is an incorporated municipality located in central Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government:

- Legislative – the governing body includes an elected seven-member City Council and Mayor
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judges are practicing attorneys appointed by the City Council

Blended Component Units (separate legal entities for which the City Council is fiscally responsible, and for which the City Council members serve as the trustees/governing body of the entity):

Midwest City Utilities Authority –created for industrial development.

Midwest City Municipal Authority – created to operate the water, wastewater, sanitation and conference center/hotel.

Midwest City Hospital Authority – created to operate the hospital, however, in 1996 the hospital was leased for a 30 year term. In March 2009, this lease was extended to May 2048. The Trustees manage activities related to the hospital lease.

Urban Renewal Authority – created for economic development.

Each of these component units listed above are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, the City Council must approve, by two-thirds vote, all debt obligations of these public trusts prior to incurring the obligation. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting

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principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

Government-Wide Financial Statements:

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets, parks and recreation. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Business-type activities – Services where the City charges a fee to customers to help cover all or most of the cost of the services it provides. The City's water, sewer, sanitation systems and the hotel/conference center activities are reported here.

The statements of net assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fund Financial Statements:

Governmental Funds:

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on the modified accrual basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City's governmental funds include:

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Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds. For reporting purposes the General Fund includes the activities of the Reimbursed Projects Fund, Employee Activity Fund, Activity Fund, Animals Best Friend Fund, and Disaster Relief Fund.
- Police Fund – is a special revenue fund that accounts for police services funded by a restricted sales tax, a transfer of 34.21% of General Fund revenues per ordinance legally restricted for police operations, and fines and fees restricted for traffic enforcement operations. For reporting purposes, the Police Fund includes the Jail Fund.
- Fire Fund — is a special revenue fund that accounts for fire protection services funded by sales tax legally restricted for fire and a transfer of 27.66% of General Fund revenues.
- Midwest City Hospital Authority – is a special revenue fund that manages activities related to the hospital lease, funded by interest income and in lieu of taxes.
- Tax Increment Financing Fund – is a special revenue fund that accounts for activity related to the 29th Street Downtown Redevelopment project funded by tax apportionment revenue.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds include Grants, Juvenile, Parks and Recreation, Emergency Operations, Technology, Welcome Center, Police Impound Fees, Street and Alley, Police Special Projects, Police Lab Fee, Convention/Visitors Bureau, Urban Renewal Authority Funds, and General Government Sales Tax.

Debt Service Fund – accounts for ad-valorem taxes levied by the City for use in retiring general obligation bonds, and their related interest expenses.

Capital Project Funds:

- Capital Improvement Fund – accounts for assessed fees that help fund capital projects for various functions of the City.
- Capital Outlay Fund – accounts for equipment, vehicles, computers and building repairs for governmental funds.
- Downtown Redevelopment Fund – accounts for the lease proceeds from the 29th street redevelopment. Proceeds are used to fund various needs of the city.
- 2002 Street Project Fund – accounts for the proceeds from the 2002 General Obligation Street Bonds which funds capital street projects.
- Street Project Fund – accounts for the sales tax restricted for street projects.
- Sales Tax Capital Improvement Fund – accounts for sales tax restricted by a vote of the citizens for debt retirement related to capital improvements.
- Capital Outlay Reserve Fund – accounts for funds set aside to fund the five year capital needs projects.

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally due and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided to other funds or departments of the City. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. For the enterprise funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The City's proprietary funds include the following:

Enterprise Fund

Major:

- Water Fund (includes the Water Operating Fund and the Water Capital Projects Fund) accounts for the activities providing water services to the public. *Included in Midwest City Municipal Authority*
- Sewer Fund (includes the Sewer Operating Fund and the Sewer Capital Projects Fund) accounts for the activities providing sewer services to the public. *Included in Midwest City Municipal Authority*
- Sanitation Fund (includes the Sanitation Operating Fund) accounts for the activities providing sanitation services to the public. *Included in Midwest City Municipal Authority*
- Conference Center/Hotel Fund (includes the Conference and Hotel Operating Fund) accounts for the activities related to the Conference Center and Hotel. *Included in Midwest City Municipal Authority*
- Drainage Fund (includes the Drainage Operating Fund and the Capital Projects Fund) accounts for the activities providing drainage services to the public.
- Debt Service Fund accounts for the debt activities related to the 2011 and 2011A Revenue Bonds.

Non-Major:

- Utilities Authority Fund –accounts for industrial development activities.
- Utility Services Fund – accounts for activities related to billing for water, sewer, sanitation, storm water, and drainage.
- Utilities Capital Fund – accounts for capital purchases for the water, sewer, and sanitation systems.
- Customer Deposit Fund –accounts for utility customer deposits.
- Golf Course Fund –accounts for activities of the John Conrad and the Hidden Creek golf courses.
- 29th and Douglas –accounts for activities of the trailer park at 29th and Douglas.

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Internal Service Funds (combined for reporting purposes)

- Risk Management Fund - accounts for the cost of providing various insurance services (i.e workers compensation, general liability, vehicle and property) to other funds and departments of the City
- Public Works Administration Fund - accounts for the cost of centralization of administrative resources to various departments of the City. This fund primarily serves the business-type activities.
- Fleet Services Fund - accounts for fuel, maintenance and repairs for the city's fleet.
- Surplus Property Fund - accounts for the disposal of surplus property on behalf of all departments.
- L&H Benefits Fund - accounts for health and life benefits to employees and retirees. Beginning in fiscal year 2009 accounts for the City's unfunded OPEB liability.

3. Cash and Cash Equivalents, Deposits and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less, and money market investments. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments, other than Hospital investments, consist of long-term certificates of deposit, U.S. Treasury bonds and notes, and U.S. agency securities. Certificates of deposit are reported at cost, while the U.S. Treasury and agency securities are reported at fair value.

Deposits and Investments Risks

The City of Midwest City primary government and blended component units are governed by the deposit and investment limitations of state law and trust indentures. The deposits and investments held at June 30, 2012 by these entities are as follows:

Schedule of Deposits and Investments by Type - June 30, 2012

Type	Fair Value	Maturities in Years				
		On Demand	Less Than One	1 - 5	6 - 10	More than 10
Demand deposits	\$ 61,566,937	\$ 61,566,937	\$ -	\$ -	\$ -	\$ -
Time deposits	11,797,876	-	9,000,000	2,797,876	-	-
Government Money Market Accounts	1,091,957	1,091,957	-	-	-	-
U.S. Agencies Obligations	30,159,181	-	-	-	2,296,607	27,862,575
Sub-Total	104,615,951	\$ 62,658,894	\$ 9,000,000	\$ 2,797,876	\$ 2,296,607	\$ 27,862,575
Hospital JP Morgan	59,312,115					
Other Investments	1,275,579					
Total Deposits and Investments	\$ 165,203,645					
Reconciliation to Financial Statements:	Per report					
Cash and cash equivalents	\$ 62,659,394					
Investments	102,544,251					
	\$ 165,203,645					

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to

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investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at a minimum level of 110% of the uninsured deposits and accrued interest thereon. The City's policy limits acceptable collateral to U.S. Treasury securities, federally insured obligations, or direct debt obligations of municipalities, counties, and school districts in Oklahoma. Also, as required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2012, the City had no exposure to custodial credit risk as defined above.

Investment Credit Risk – The City's investment policy limits investments, excluding Hospital Authority, to the following:

- a. Obligations of the U. S. Government, its agencies and instrumentalities;
- b. Collateralized or insured non-negotiable certificates of deposit or other evidences of deposit that are either insured or secured with acceptable collateral with an in-state financial institution, and fully insured deposits in out-of-state institutions;
- c. Insured or fully collateralized negotiable certificates of deposit;
- d. Repurchase agreements that have underlying collateral consisting of those items specified in paragraph a above; and
- e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph a.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy indicates that the investment portfolio, shall remain sufficiently liquid to enable the City to meet all operating requirements as anticipated. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments by date range.

As noted in the schedule of deposits and investments above, at June 30, 2012, the investments held by the City mature between 2012 through 2023.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

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Hospital Authority Investments:

The Authority policy provides that assets be invested to preserve its principal, produce a proscribed level of income, and provide for growth of principal with no outside additions to the fund being anticipated. Assets are to be invested in a diversified portfolio to achieve attractive real rates of return. The investment policy of the Hospital Authority allows for the investment of funds in domestic and international common stocks, government and corporate bonds, short-term fixed income securities maturing in one year or less (cash equivalents); by utilizing primarily index funds, mutual funds, or collective trust funds. In addition, the Authority may invest portions of the fund corpus, or income, in real estate. Such real estate investments would typically include developed or undeveloped real property located in Midwest City, Oklahoma or its environs, or commingled funds which invest in various kinds of property located throughout the United States. The overall rate of return objective of the portfolio is a highest possible rate of return consistent with the risk levels established by the Board.

The acceptable long-term rate of return is expected to provide equal or superior results, using a three to five year moving average, relative to the following benchmarks:

1. An absolute return objective of the Consumer Price Index plus 4% compounded annually.
2. An income return sufficient to meet any disbursement requirement as stipulated by the Board.
3. A return exceeding the 90 Day U.S. Treasury Bill rate (risk-free rate)/
4. Domestic equity fund returns which exceed the S&P 500 Stock index return by 1% (100 basis points), per year and fixed income return which exceed the Barclays Capital Aggregate Bond Index by ½% per year (50 basis points).
5. Stock and bond returns which fall into the top 25% of the Consultant's Universe (or other representative universe approved by The Board) of common stock and bond funds (referred to as equity and fixed income), with some consistency.
6. Passive domestic returns which replicate the return of the Standard and Poor's 500 Stock Index, passive fixed returns which replicate the return of the Barclays Capital Aggregate Bond Index, and passive international returns which replicate the return of the MSCI EAFE International Index.
7. Active international equity returns which exceeds the MSCI EAFE Index by 1% per year.

Asset allocation guidelines for the Plan are as follows:

Class	Target	Maximum	June 2012 Percent
Equities – Domestic	2.0%-60%	85%	61.3%
Equities – International	2.5%-10%	30%	8.9%
Fixed Income	2.5%-25%	80%	21.3%
Real Estate	0%	20%	0%
Cash Equivalents	0%	36%	0%
Emerging Markets	2.5%-5%	10%	8.5%

At June 30, 2012, the City had complied with the investment policies as defined above.

Restricted Cash and Investments

The amounts reported as restricted assets of the Enterprise Funds on the statement of net assets are comprised of amounts held by the Midwest City Proprietary Debt Service accounts of the trustee bank for

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revenue bond retirement, and the Customer Deposit Fund account for refundable deposits held by others. The restricted assets as of June 30, 2012 are as follows:

Cash and Cash Equivalents:	
Pooled Cash Restricted for Debt Service	\$ 4,757,572
Pooled Cash Restricted for Capital Projects	43,634,293
Pooled Cash Restricted for Refundable Deposits	<u>285,378</u>
	<u><u>\$ 48,677,243</u></u>
Investments:	
Pooled Investments Restricted for Refundable Deposits	1,037,522
	<u><u>\$ 1,037,522</u></u>

4. Capital Assets and Depreciation

Capital Assets:

For the primary government and component units, capital assets are reported at actual or estimated historical cost, net of accumulated depreciation where applicable. Donated capital assets are reported at their fair value at date of donation. Estimated historical cost was used to value the majority of the capital assets acquired prior to June 30, 1992. The capitalization threshold is capital assets with a cost of \$1,000 or more.

For the year ended June 30, 2012, capital assets balances changed as follows:

	Restated Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
PRIMARY GOVERNMENT:				
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 30,325,321	\$ 355,318	\$ -	\$ 30,680,639
Construction in progress	<u>3,694,059</u>	<u>1,545,950</u>	<u>650,680</u>	<u>4,589,329</u>
Total capital assets not being depreciated	<u>34,019,380</u>	<u>1,901,268</u>	<u>650,680</u>	<u>35,269,968</u>
Other capital assets:				
Buildings	26,217,351	649,727	222,110	26,644,968
Machinery and equipment	15,879,280	966,373	557,986	16,287,667
Vehicles	7,122,109	780,346	154,172	7,748,283
Infrastructure	<u>427,483,000</u>	<u>874,858</u>	<u>-</u>	<u>428,357,858</u>
Total other capital assets at historical cost	<u>476,701,740</u>	<u>3,271,304</u>	<u>934,268</u>	<u>479,038,776</u>
Less accumulated depreciation for:				
Buildings	8,799,505	585,905	190,953	9,194,457
Machinery and equipment	10,668,465	791,023	550,959	10,908,529
Vehicles	3,935,769	437,566	154,172	4,219,163
Infrastructure	<u>121,557,093</u>	<u>11,962,631</u>	<u>-</u>	<u>133,519,724</u>
Total accumulated depreciation	<u>144,960,832</u>	<u>13,777,125</u>	<u>896,084</u>	<u>157,841,873</u>
Other capital assets, net	<u>331,740,908</u>	<u>(10,505,821)</u>	<u>38,184</u>	<u>321,196,903</u>
Governmental activities capital assets, net	<u><u>\$ 365,760,288</u></u>	<u><u>\$ (8,604,553)</u></u>	<u><u>\$ 688,864</u></u>	<u><u>\$ 356,466,871</u></u>

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	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 7,549,649	\$ -	\$ -	\$ 7,549,649
Water rights	4,672,610	-	-	4,672,610
Construction in progress	9,293,173	10,112,142	6,179,208	13,226,107
Total capital assets not being depreciated	<u>21,515,432</u>	<u>10,112,142</u>	<u>6,179,208</u>	<u>25,448,366</u>
Other capital assets:				
Buildings	28,812,555	1,579,520	-	30,392,075
Machinery and equipment	11,022,027	543,240	19,594	11,545,673
Vehicles	5,662,202	950,674	66,615	6,546,261
Utility systems	100,968,875	4,428,539	-	105,397,414
Total other capital assets at historical cost	<u>146,465,659</u>	<u>7,501,973</u>	<u>86,209</u>	<u>153,881,423</u>
Less accumulated depreciation for:				
Buildings	6,389,697	693,532	-	7,083,229
Machinery and equipment	6,055,213	588,372	17,278	6,626,307
Vehicles	3,496,704	292,904	66,615	3,722,993
Utility systems	48,299,073	2,092,419	-	50,391,492
Total accumulated depreciation	<u>64,240,687</u>	<u>3,667,227</u>	<u>83,893</u>	<u>67,824,021</u>
Other capital assets, net	<u>82,224,972</u>	<u>3,834,746</u>	<u>2,316</u>	<u>86,057,402</u>
Business-type activities capital assets, net	<u>\$ 103,740,404</u>	<u>\$ 13,946,888</u>	<u>\$ 6,181,524</u>	<u>\$ 111,505,768</u>

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their useful lives. The range of estimated lives by type of assets is as follows:

- Buildings/improvements 25-60 years
- Utility systems 25-99 years
- Infrastructure 25-99 years
- Machinery and equipment 5-20 years
- Vehicles 5-25 years

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:

General government	\$ 330,719
Public safety	1,052,474
Streets	11,819,481
Culture and recreation	207,147
Health and welfare	42,782
Economic development	276,205
Sub-total governmental funds depreciation	<u>13,728,808</u>

Depreciation on capital assets held by the City's internal service funds is charged to the various functions based upon usage

48,317
<u>\$ 13,777,125</u>

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Business-Type Activities:	
Water	\$ 618,927
Sewer	1,315,491
Sanitation	317,210
Drainage	257,706
Conference Center/Hotel	997,386
Golf	91,128
Utilites capital	46,878
Utility services	414
Total Business Type Activities	3,645,140
Depreciation on capital assets held by the City's internal service funds is charged to the various functions based upon usage	22,087
Total	\$ 3,667,227

5. Internal and Interfund Balances and Transfers

Internal and Interfund Balances:

The City's policy is to eliminate interfund receivable and payables between funds in the statement of net assets to avoid the grossing up of balances. Only the residual balances due between governmental and business-type activities are reported as internal balances and then offset in the total column. Interfund receivables and payables at June 30, 2012 were as follows:

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Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance	
General	Comm Dev Block Grant	\$ 77,050	To cover negative balance in pooled cash	
General	Grant Fund/Housing	19,926	To cover negative balance in pooled cash	
General	Grant	256,232	To cover negative balance in pooled cash	
Police	General	1,097,416	Restricted sales tax payable	
Fire	General	887,299	Restricted sales tax payable	
Emergency Operating	Grant	3,750	To cover operational grant cost	
Downtown Redevelopment	Reimbursed Project	300,000	Long-term loan for capital improvements	
Hospital Authority	29th and Douglas	576,664	Long-term loan for purchase of land	
Fire Capitalization	Grant	1,749	To cover operational grant cost	
Capital Improvements	Grant	22,524	To cover operational grant cost	
Capital Improvements	Hotel & Conference Center	120,000	Capital outlay subsidy	
Sewer Construction	Tax Increment Financing	3,941,808	Long-term loan for economic improvements	
Sewer Construction	Capital Improvement Revenue Bond	5,509,911	To cover capital improvements	
Sanitation	Fire Capitalization	1,031,110	Long-term loan for capital improvements	
Sanitation	Golf	145,829	Long-term loan for capital improvements	
Water	Customer Deposits	1,203	Meter deposit liability	
		<u>\$ 13,992,471</u>		
		Due From	Due To	Net Internal
Reconciliation to Fund Financial Statements:		Other Funds	Other Funds	Balances
Governmental Funds		\$ 3,362,610	\$ 7,638,865	\$ (4,276,255)
Proprietary Funds		10,629,861	6,353,606	4,276,255
Total		<u>\$ 13,992,471</u>	<u>\$ 13,992,471</u>	<u>\$ -</u>
Reconciliation to Statement of Net Assets:				
Net Internal Balances		\$ 4,276,255		
Internal Service Fund Activity reported in Business-type Activities		(1,396,831)		
Net Internal Balance		<u>\$ 2,879,424</u>		

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Internal and Interfund Transfers:

The City's policy is to eliminate interfund transfers between funds in the statement of activities to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and then offset in the total column. Internal activities between funds and activities for the year ended June 30, 2012 were as follows:

Transfer In	Transfer Out	Amount	Nature of Inter Transfer
General	Fire	\$ 166,000	Code Enforcement Allocation
General	Storm Water Quality	41,907	Indirect Cost Allocation
General	Sanitation	763,936	Indirect Cost Allocation
General	Water	748,459	Indirect Cost Allocation
General	Sewer	772,099	Indirect Cost Allocation
Street and Alley	Water	9,087	Reimburse Repair Cost
Technology	Emergency Operations	42,498	Contract Cost Allocation
Hospital Authority	Downtown Redevelopment Authority	250,000	Return on owners investments
Police	General	9,352,765	Ordinance Obligation
Fire	General	7,482,344	Ordinance Obligation
Convention/Visitor Bureau	Welcome Center	10,000	Operating Subsidy
Convention/Visitor Bureau	Parks & Recreation	10,000	Operating Subsidy
Emergency Management	Grants	58,937	Grant Subsidy
Community Development Block Grant	General	99,295	City Match of CDBG Program
Grant	Police Impound Fees	5,183	Operating Subsidy
Grant	Emergency Operations	11,250	Operatiang Subsidy
Grant	Disater Relief	3,633	Operatiang Subsidy
Capital Outlay	General	12,777	Capital Outlay Subsidy
Capital Outlay	Capital Outlay Reserve	200,000	Capital Outlay Subsidy
Capital Outlay	Reimbursed Projects	420,000	Capital Outlay Subsidy
Capital Outlay	Emergency Operations	800	Capital Outlay Subsidy
Capital Outlay	G.O.Debt Services	31,559	Capital Outlay Subsidy
Capital Outlay	Grant	50,249	Capital Outlay Subsidy
Capital Outlay	Downtown Redevelopment Authority	135,000	Capital Outlay Subsidy
Police Capitalization	Capital Outlay	1,500	Capital Outlay Subsidy
Police Capitalization	Grant	21,261	Grant Subsidy
Fire Capitalization	Grant	35,500	Grant Subsidy
Capital Improvement	Grant	54,120	Capital Outlay Subsidy
Capital Improvement	Conference Center / Hotel	360,000	Capital Outlay Subsidy
Public Works Admin.	Technology	10,000	Operating Subsidy
Fleet	Capital Outlay Reserve	41,169	City match of ACOG Grant
Fleet	Capital Improvement	41,169	City match of ACOG Grant
Fleet	Sewer Construction	41,169	City match of ACOG Grant

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Transfer In	Transfer Out	Amount	Nature of Inter Transfer
Trailer Park	Downtown Redevelopment Authority	120,520	Debt Service Subsidy
Construction Loan Payment Revenue	Grant	31,330	Grant Subsidy
Sewer	Capital Improvement Revenue Bond	9,192,786	Capital Outlay Subsidy
Utility Authority	Capital Water Improvement	90,000	Capital Outlay Subsidy
Utility Authority	Capital Sewer	60,000	Capital Outlay Subsidy
Utility Authority	Downtown Redevelopment Authority	131,280	Capital Outlay Subsidy
Utility Authority	Hospital Authority	438,527	Capital Outlay Subsidy
Water	Customer Deposits	25,221	Interest Earnings
Golf	Reimbursed Projects	44,621	Grant Subsidy
Golf	Grant	400	Grant Subsidy
Capital Improvement Revenue Bond Fund	Revenue Bond Sinking	3,084,846	Debt Service Subsidy
Capital Improvement Revenue Bond Fund	Sewer Construction	455,063	Debt Service Subsidy
		<u>\$ 34,958,260</u>	

Reconciliation to Financial Statements:	Transfers to Other Funds	Transfers from Other Funds	Net Transfers
Governmental	\$ 22,398,533	\$ (21,150,159)	\$ 1,248,374
Enterprise	12,559,727	(13,674,594)	(1,114,867)
Internal Service	-	(133,507)	(133,507)
Totals	<u>\$ 34,958,260</u>	<u>\$ (34,958,260)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:	
Net Transfers	\$ 1,248,374
Internal Service Activity	(133,507)
Transfers - Internal Activity	<u>\$ 1,114,867</u>

6. Long-Term Debt

The City's long term debt consists of general obligation bonds, note payable, and accrued compensated absences. For the year ended June 30, 2012, the City's long-term debt balances changed as follows:

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Primary Government:

<u>Type of Debt</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 9,700,000	\$ -	\$ 1,400,000	\$ 8,300,000	\$ 1,400,000
Note Payable	24,722,899	-	486,425	24,236,474	518,036
Accrued Compensated Absences	<u>3,827,459</u>	<u>2,863,440</u>	<u>2,620,369</u>	<u>4,070,530</u>	<u>1,356,843</u>
Total Governmental Activities	<u>\$ 38,250,358</u>	<u>\$ 2,863,440</u>	<u>\$ 4,506,794</u>	36,607,004	3,274,879
Reconciliation to Statement of Net Assets:					
Plus: OPEB Obligation				5,416,003	-
Refundable Deposits				<u>57,096</u>	<u>57,096</u>
				<u>\$ 42,080,103</u>	<u>\$ 3,331,975</u>
Business-Type Activities:					
Notes Payable	\$ 1,219,004	\$ -	\$ 189,214	\$ 1,029,790	\$ 194,680
Revenue Bonds Payable	26,740,000	73,180,000	26,740,000	73,180,000	3,460,000
Revenue Bonds Premium	353,726	3,573,123	510,260	3,416,589	-
Revenue Bond Deferred Amount on Refunding	(834,512)	1,209,543	899,835	(1,144,220)	-
Refundable Deposits	1,364,817	483,118	464,395	1,383,540	173,536
Accrued Compensated Absences	<u>780,678</u>	<u>791,451</u>	<u>676,556</u>	<u>895,573</u>	<u>298,524</u>
Total Business-Type Activities	<u>\$ 29,623,713</u>	<u>\$ 79,237,235</u>	<u>\$ 29,480,260</u>	<u>\$ 78,761,272</u>	<u>\$ 4,126,740</u>

Accrued compensated absences liability of the governmental activities is liquidated by the General Fund, Police Fund, the Fire Fund, Juvenile Fund, Grant Fund, Welcome Center Fund, Convention and Visitors Bureau Fund, Technology Fund, Park and Recreation Fund, Downtown Redevelopment Fund, Hospital Authority, and the Emergency Operations Fund.

Governmental activities long-term debt payable from property tax levies or other governmental revenues includes the following:

General Obligation Bonds:

\$4,500,000 general obligation bonds dated May 1, 2006 for public safety, payable in annual installments of \$275,000 the first year and \$325,000, thereafter, with interest rates of 3.75% to 3.95%, repaid by property tax levies. Current portion \$325,000. \$2,925,000

\$15,000,000 general obligation bonds dated February 1, 2002 for street improvements, payable in annual installments of \$1,025,000 in the first year and \$1,075,000, thereafter, with interest rates of 5.00% to 5.25%, repaid by property tax levies. Current portion \$1,075,000. 5,375,000

Total general obligation bonds \$8,300,000

Current	\$1,400,000
Non-current	<u>6,900,000</u>
Total	<u>\$8,300,000</u>

Notes Payable:

\$25,000,000 construction loan for hospital addition, payable in monthly installments beginning December 2010 of \$154,710; final payment due November 2019 of \$19,773,124; interest rate equal to the variable rate equal to the "Prime Rate," as quoted in the Money Rates Section of TheWall Street Journal, adjusted daily, with a minimum interest rate of five And one-half percent (5.50%) per annum and a maximum interest rate of eleven percent

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(11%) per annum with payments adjusted annually; current rate is 5.5%; construction interest rate of 5.5%. Secured by a first mortgage lien on the property.	
Current portion \$518,036	<u>\$24,236,474</u>
Total notes payable	<u>\$24,236,474</u>
Current	\$518,036
Non-current	<u>23,718,438</u>
Total	<u>\$24,236,474</u>

Business-type activities long-term debt payable from net revenues generated and taxes pledged to the City's business-type activities include the following:

Revenue Bonds Payable:

\$26,630,000 Series 2011 Capital Improvement Revenue Bonds, due in annual principal installments of \$855,000 to \$1,740,000 through September 1, 2033; interest rate from 0.4% to 5.0%	\$26,630,000
Unamortized Revenue Bond Premium	121,099
Unamortized Gain (Loss) on Refunding	<u>(1,144,220)</u>
Total Revenue Bonds, Net	<u>\$25,606,879</u>
Current	\$855,000
Non-current	<u>25,775,000</u>
Total	<u>\$26,630,000</u>
\$46,550,000 Series 2011A Capital Improvement Revenue Bonds, due in annual principal installments of \$2,605,000 to \$4,530,000 through June 30, 2025; interest rate from 0.5% to 5.0%	\$46,550,000
Unamortized Revenue Bond Premium	<u>3,295,490</u>
Total Revenue Bonds, Net	<u>\$49,845,490</u>
Current	\$2,605,000
Non-current	<u>43,945,000</u>
Total	<u>\$46,550,000</u>

Notes Payable:

\$3,222,911 contract payable with the Central Oklahoma Master Conservancy District maturing October 1, 2016. The contract provides the City with a share of the District's water supply. The City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation. Debt principal payments are due annually, with interest at 2.742%.	
	<u>\$1,029,790</u>
Current	\$194,680
Non-current	<u>835,110</u>
Total	<u>\$1,029,790</u>

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Long-term debt service requirements to maturity are as follows:

Governmental-Type Activities				
Year Ending June 30,	G.O. Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2013	\$ 1,400,000	\$ 392,350	\$ 518,036	\$ 1,338,493
2014	1,400,000	325,763	547,673	1,308,856
2015	1,400,000	259,175	579,006	1,277,523
2016	1,400,000	189,900	608,693	1,247,835
2017	1,400,000	120,625	646,956	1,209,573
2018-2021	1,300,000	128,375	21,336,110	2,768,915
Total	<u>\$ 8,300,000</u>	<u>\$ 1,416,188</u>	<u>\$24,236,474</u>	<u>\$ 9,151,195</u>

Business-Type Activities				
Year Ending June 30,	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2013	\$ 194,680	\$ 28,237	\$ 3,460,000	\$ 3,053,660
2014	200,601	22,899	3,875,000	2,631,963
2015	206,380	17,398	3,930,000	2,575,637
2016	212,039	11,739	4,055,000	2,454,288
2017	216,090	5,925	4,185,000	2,318,762
2018-2022	-	-	23,590,000	8,902,625
2023-2027	-	-	19,275,000	3,787,275
2028-2032	-	-	7,405,000	1,485,566
2033-2034	-	-	3,405,000	142,003
Total	<u>\$ 1,029,790</u>	<u>\$ 86,198</u>	<u>\$ 73,180,000</u>	<u>\$ 27,351,779</u>

Advanced Refunding

On September 1, 2011 the City issued \$26,630,000 series 2011 Capital Improvement Refunding Revenue Bonds with interest rates from 0.4 percent to 5.0 percent to advance refund \$26,085,000 of outstanding 2003 Series Capital Improvement Revenue Bonds with interest rates from 2.95 percent to 5.375 percent. The net proceeds of \$26,345,937 (after payment of \$276,780 of issuance cost and \$133,150 underwriter's discount) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 Series bonds. As a result, the 2003 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,189,268. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2034 using the straight line method. The City completed the advance refunding to reduce its total debt service payments over the next twenty three years by \$4,163,961 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$2,826,717.

The defeased bonds were paid in full by June 30, 2012.

Pledge of Future Revenues

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Sales Tax Pledge - The City has pledged one-fourth of one percent (or .25%) of future sales tax revenues to repay the 2011 Revenue Bonds which are payable through 2033. Proceeds from the bond provided financing to advance refund the 2003 Revenue Bonds which were originally used for construction and equipping the Sheraton Hotel and the Reed Conference Center. The total principal and interest payable for the remainder of the life of the bond is \$39,308,279. Pledged sales taxes received in the current year was \$1,406,128. Debt service payments on the 2003 Revenue Bonds before refunding and the 2011 Revenue Bonds of \$1,355,039 for the current fiscal year were 96% of pledged sales tax. Other sources of revenues such as water and sewer are also pledged. Total net revenues including utilities and sales tax pledged was \$9,032,794.

Sales Tax Pledge - The City has pledged one-fourth of one percent (or .4015%) of future sales tax revenues to repay the 2011A Revenue Bonds which are payable through 2025. Proceeds from the bond provided financing for construction and improvements to the wastewater treatment plant. The total principal and interest payable for the remainder of the life of the bond is \$61,223,500. Pledged sales taxes received in the current year was \$1,678,718. Debt service payments on the bonds were zero for the current fiscal year. Total net revenues including utilities and sales tax pledged was \$9,032,794.

Utility Revenue Pledge - The City has pledged the revenues from the future sale of water to repay the Central Oklahoma Master Conservancy District note payable which is payable through 2016. Proceeds from the note provided funding for improvements and expansion of the water transportation and distribution system. The total principal and interest payable for the remainder of the life of the bond is \$1,115,988. Water revenues received in the current year was \$7,067,916. Debt service payments of \$222,639 for the current fiscal year were 3.1% of pledged water revenue.

7. Net Assets and Fund Balances

Government-Wide and Proprietary Fund Financial Statements:

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use unrestricted net assets prior to the use of restricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net asset are available.

The following table shows the net assets restricted for other purposes shown on the Statement of Net Assets:

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Fund	Restricted By	Amount
Hospital Authority	Enabling legislation	\$ 62,468,892
Technology Fund	Enabling legislation	482,557
Police Impound Fund	Enabling legislation	54,399
Urban Renewal Authority	Enabling legislation	15,337
Capital Outlay Reserve Fund	Enabling legislation	829,479
General Fund	Enabling legislation	54,915
		<u>\$ 63,905,579</u>
Street and Alley Fund	Statutory requirements	\$ 890,091
Juvenile Fund	Statutory requirements	162,365
Police Special Projects	Statutory requirements	133,833
Police Lab Fee	Statutory requirements	25,276
		<u>\$ 1,211,565</u>
Grant Fund	External contracts	\$ 263,322
Police Fund	External contracts	3,027,652
Fire Fund	External contracts	710,929
Park and Recreation Fund	External contracts	394,973
Emergency Operation Fund	External contracts	788,147
Welcome Center	External contracts	293,260
Convention and Visitors Bureau	External contracts	90,425
GO Debt Service Fund	External contracts	1,632,681
Capital Outlay Fund	External contracts	1,186,375
2002 GO Street Bond	External contracts	3,667,298
Downtown Redevelopment	External contracts	1,848,809
Street Tax Fund	External contracts	226,832
Sales Tax Capital Improvements	External contracts	1,164,263
Capital Improvement Fund	External contracts	2,657,768
General Government Sales Tax Fund	External contracts	207,633
		<u>\$ 18,160,367</u>

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for revenues in other governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the City’s policy to first use unrestricted fund balance prior to the use of the restricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are

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available. The City's policy for the use of fund balance amounts require that unassigned amounts would be reduced first followed by assigned amounts and then committed amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	Major Special Revenue Fund					Other Governmental Fund	Total
	General Fund	Police Fund	Fire Fund	Hospital Authority	Tax Increment Financing		
Fund Balance:							
Nonspendable:							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000
Deposits held by others	-	-	-	-	-	687,300	687,300
Prepaid expenses	1,884	-	-	-	-	-	1,884
	1,884	-	-	-	-	747,300	749,184
Restricted For:							
Public safety	67,559	3,027,652	710,929	-	-	375,873	4,182,013
Hospital	-	-	-	64,435,148	-	-	64,435,148
General obligation debt service	-	-	-	-	-	1,551,565	1,551,565
Capital improvements	-	-	-	-	-	6,045,518	6,045,518
Street improvements	-	-	-	-	-	3,894,130	3,894,130
Street operations	-	-	-	-	-	890,091	890,091
Technology improvements	-	-	-	-	-	482,557	482,557
Culture and rec programs	56,554	-	-	-	-	394,973	451,527
Economic development	-	-	-	-	-	662,344	662,344
Health and welfare programs	658	-	-	-	-	-	658
Emergency operations	-	-	-	-	-	788,147	788,147
Downtown redevelopment	-	-	-	-	-	1,848,809	1,848,809
Sub-total restricted	124,771	3,027,652	710,929	64,435,148	-	16,934,007	85,232,507
Assigned in:							
Capital improvements	-	-	-	-	-	19,954	19,954
Culture and rec programs	274,701	-	-	-	-	-	274,701
Downtown redevelopment	-	-	-	-	-	604,327	604,327
Disaster relief	1,083,328	-	-	-	-	-	1,083,328
Animal shelter	53,672	-	-	-	-	-	53,672
General government - encumbrances	21,740	-	-	-	-	-	21,740
Public safety - encumbrances	1,222	-	-	-	-	-	1,222
Public Works - encumbrances	64,411	-	-	-	-	-	64,411
Culture and rec - encumbrances	2,150	-	-	-	-	-	2,150
Economic development - encumbrances	54,961	-	-	-	-	-	54,961
Sub-total assigned	1,556,185	-	-	-	-	624,281	2,180,466
Unassigned:	4,392,386	-	-	-	(3,941,808)	-	450,578
TOTAL FUND BALANCE	\$ 6,075,226	\$ 3,027,652	\$ 710,929	\$ 64,435,148	\$ (3,941,808)	\$ 18,305,588	\$ 88,612,735

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The following amounts of encumbrances are included in the previous page numbers at June 30, 2012:

Fund	Balance
Major Funds:	
General Fund	\$ 196,985
Police Fund	208,332
Fire Fund	19,277
Hospital Authority	10,606
	\$ 435,200
Non Major Fund:	
Capital Outlay Fund	\$ 98,590
Technology Fund	27,591
Juvenile Fund	567
Police Lab Fund	100
Police Impound Fund	1,060
Welcome Center Fund	3,277
Convention and Visitor Bureau	12,146
Emergency Operations Fund	33,318
Park and Recreation Fund	135,844
Grant Fund	68,429
Capital Improvement Fund	51,893
Downtown Redevelopment Fund	519,533
2002 GO Street Bond Fund	260,189
	\$ 1,212,537

Per resolution, the City Council has established a minimum fund balance policy for the General Fund equal to ten percent (10%) of the fund's budgetary operating expenditures each fiscal year. In addition, a reserve equal to five percent (5%) of the budgetary operating expenditures for each fund has been established for the following fund: Police Fund, Fire Fund, Welcome Center Fund, Convention and Visitors Bureau Fund and the Juvenile Fund. The reserves are to ensure the fiscal solvency of the City as a safeguard and all or a portion of the reserves may be appropriated by the city council as necessary in the event of a natural disaster or other catastrophic circumstances, or in the event of significant accounting errors.

Restatement of Beginning Net Assets

The City restated the beginning balance of the governmental activities net assets, as follows:

	Governmental Activities
Beginning net assets, as previously reported	\$ 433,411,261
Understatement of capital assets - Library	1,536,700
Beginning net assets, restated	\$ 434,947,961

8. Revenues

Program Revenues:

Program revenues within the statement of activities that are derived directly from each activity or from parties outside of the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

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- Public Safety – Fire, Police, 911 –fines and forfeitures, restricted operating grants, 911 revenue, and restricted capital grants, property seizure, donations, state on-behalf pension contributions
- Streets – commercial vehicle and gasoline excise tax shared by the State.
- Culture and recreation – pool fees, rental of community center and senior center, programming fees, park fees, softball fees, operating and capital grants
- Health and Welfare – FEMA grants
- Economic Development – rental income and operating grants
- General Government – license and permits, technology and false alarm fees, impact fees, and operating grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Sales Tax Revenue:

Sales tax revenue represents a 3.85 cents tax on each dollar of taxable sales of which is collected by the Oklahoma Tax Commission and remitted to the City as follows:

The General Fund records 2.3805 cents. The General Government Sales Tax Fund records 0.0495 cents. The Police and Fire Funds record .3319 and .2966, respectively. The Emergency 911 fund records .0405, the Capital Improvement Fund 0.6515, the Street Tax Fund 0.0495, and the Park and Recreation Fund .05.

Property Tax Revenue:

In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City. Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2012, the City's net assessed valuation of taxable property was \$285,884,862. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2012 was \$6.09.

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability – Covered through self-insurance
- Physical Property – Covered through purchased insurance with a \$25,000 deductible, per occurrence.

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- Workers' Compensation – Workers' compensation is covered through self-insurance with the City administering the claims process. The City does not carry stop loss insurance.
- Employee's Group Medical –Covered through self-insurance using a third party administrator to process medical claims. The City uses the third party processor's estimates to record group insurance claims payable. The City also has a stop-loss policy which covers individual claims in excess of \$150,000 during any year.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Claims Liability Analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For the internal service self-insurance funds, changes in the claims liability for the City from July 1, 2009, to June 30, 2012, are as follows:

	<u>Risk Fund</u>	<u>Health Care</u>	<u>Total</u>
Claim liability, June 30, 2009	\$ 3,261,000	\$ 645,550	\$ 3,906,550
Claims and changes in estimates	2,493,468	5,734,064	8,227,532
Claims payments	<u>(1,972,468)</u>	<u>(5,910,317)</u>	<u>(7,882,785)</u>
Claim liability, June 30, 2010	3,782,000	469,297	4,251,297
Claims and changes in estimates	925,173	6,156,838	7,082,011
Claims payments	<u>(901,173)</u>	<u>(6,277,993)</u>	<u>(7,179,166)</u>
Claim liability, June 30, 2011	3,806,000	348,142	4,154,142
Claims and changes in estimates	833,575	6,752,725	7,586,300
Claims payments	<u>(1,024,575)</u>	<u>(6,650,650)</u>	<u>(7,675,225)</u>
Claim liability, June 30, 2012	<u>\$ 3,615,000</u>	<u>\$ 450,217</u>	<u>\$ 4,065,217</u>

10. Retirement Plan Participation

The City of Midwest City participates in three pension or retirement plans:

1. Oklahoma Police Pension and Retirement System (OPPRS) - a statewide cost-sharing plan
2. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement Fund (OMRF-DCP) – an agent multiple-employer defined contribution plan

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Oklahoma Firefighter's and Police Pension and Retirement Systems

The City of Midwest City, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the firefighters and police officers. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335	Oklahoma Firefighter's Pension and Retirement System 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality, not less than 18 years of age or more than 45 years of age.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered payroll)	8% (a)	8% (b)
City's contribution rate (percent of covered payroll)	13% (c)	13% (d)
State obligation	State appropriation to fund the unfunded actuarial accrued liability.	State appropriation to fund the unfunded actuarial accrued liability.
Period required to vest	10 years	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with additional option to participate in Louisiana Plan with continued service for a maximum of 5 years.	Yes, 20 years credited service with continued service for a maximum of 30 years.
Provisions for: Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

(a): 8% of base, college incentive, shift differential & longevity, however the City's contract with the union provides that member contributions will be 3%.

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- (b): 8% of base, college incentive, longevity, various committee pays, overtime, sick leave, vacation leave and paid day off buy backs, sick leave incentive, EMT, hazmat, inspector, instructor and suppression pays. However the City's contract with the union provides that member contribution will be 4%.
- (c): 13% of eligible salary as stated above. However, the City contract with the union provides that the employer contribution will be 18%.
- (d): 13% of eligible salary as stated above. However, the City contract with the union provides that the employer contribution will be 17%.

Retirement Plan Contributions – OFPRS and OPPRS Cost-Sharing Plans

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2010	\$746,218	100%	2010	\$885,569	100%
2011	760,087	100%	2011	885,986	100%
2012	830,841	100%	2012	957,108	100%

The state made on-behalf payments for the police pension system for \$696,618 and for the fire pension system of \$1,958,339. These on-behalf payments were recognized as revenue and expenditures in the current fiscal year.

OMRF Defined Contribution Plan:

The City has also provided a defined contribution plan and trust known as the City of Midwest City Plan and Trust (the "Plan") in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OMRF operations are supervised by a nine-member Council of Trustees elected by the participating municipalities. The Plan is administered by JPMorgan Chase of Oklahoma City. The defined contribution plan is available to all full-time employees on a voluntary basis who are not already participating in another plan. According to City Ordinance, the employee and employer are required to contribute amounts equal to 0.0% and 13.0%, respectively, of the employee's salary each month. The employer's contributions for each employee are 50% vested after five years, with 10% vesting for each subsequent year thereafter. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited are allocated to the remaining fund participants based on percentage of contribution. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2012, the City contributed \$1,855,472 to the plan, while the employee contributions totaled \$0.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway, Oklahoma City, Oklahoma, 73102.

11. Postemployment Healthcare Plan

Plan Description. The City sponsors Medical, Rx, and Dental insurance to qualifying retirees and their dependents. Coverage is provided through self-insurance that collectively operates as a substantive single-employer defined benefit plan. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the City of Midwest City Retirement Plan. Retirees may continue coverage with the City by paying the determined rate. Coverage is available for each of the lifetimes of retirees and their spouses. Authority to establish and amend benefit provisions rest

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with the City Council. Retirees may continue coverage with the City by paying the premium rate. Benefits are paid from general operating assets of the City as assessed by the self-insurance fund.

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the actuarially expected City contribution in the form of net age adjustment was \$842,224 to the Plan. Plan members receiving benefits contributed \$712,383 of the total premiums, through their payment of the full determined premium in FY 2012.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2012:

Amortization of Actuarial Accrued Liability (AAL)	\$	2,037,793
Normal Cost		842,224
Interest on Net OPEB Obligations		121,273
Amortization of Net OPEB Obligation		<u>(241,834)</u>
Annual OPEB cost (expense)		2,759,456
Expected net benefits during the year		<u>(1,328,012)</u>
Increase in net OPEB obligation		1,431,444
Net OPEB obligation - beginning of year		<u>3,984,559</u>
Net OPEB obligation - end of year	\$	<u><u>5,416,003</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$2,448,884	47%	\$1,286,676
6/30/10	\$2,510,001	50%	\$2,553,115
6/30/11	\$2,759,456	48%	\$3,984,559
6/30/12	\$2,759,456	48%	\$5,416,003

Fiscal year 2009 was the first year the City was required to have an actuary performed and report any liability.

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$29,797,397, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,797,397. The covered payroll (annual payroll of active employees covered by the plan) was \$25.0

million, and the ratio of the UAAL to the covered payroll was 119 percent. Because the plan is a substantive plan there are no plan assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2010, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2015. The UAAL is being amortized over 30 years based on a level dollar basis. The remaining amortization period at July 1, 2011, was twenty seven years. As of the date of this valuation, there are no plan assets.

12. Stewardship, Compliance, and Accountability

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2012, the city reported a deficit fund balance of \$3,941,808 in the Tax Increment Financing Fund. This deficit is due to capital assets not being reported on the governmental fund financial statements.

13. Commitments and Contingencies

Construction Contracts Outstanding

The following construction contracts were outstanding at June 30, 2012:

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PH 2 SKATE PARK	\$	47,200
BATH HOUSE DESIGN SERVICES		42,203
WATERPROOF CMTY CENTER		25,000
KIWANIS TRAIL PARK		45,916
RESIDENTIAL ST REPAIR		6,227
EECBG - HVAC CMTY CTR		4,540
RADIO FREQUENCY SITE SURVEYS		49,477
CLOCK TOWER		32,328
ANIMAL SHELTER ROOFTOP UNITS		13,900
LIONS SPRAY PAD		5,202
EASTSIDE DISTRIBUTION PH 1		17,000
RESIDENTIAL SEWER LINE		3,500
ENGINEERING SEWER PLANT		1,409,859
SEWER PLANT UPGRADE		41,589,698
REPLACE GOLF COURSE FENCE		13,542
REMODEL/REFURBISH SR CENTER		1,919
SIDEWALKS 2		40,655
GOLF COURSE FENCING MATCH		38,591
DEVELOP SIU BUILDING		175,627
W RIDGEWOOD DRAINAGE		18,665
POST RD WIDEN		18,154
15TH ST WIDEN - FRY TO ANDERSON		216,175
POST RD - RENO TO 15TH		25,860
MAINT BARN/UMPIRE OFFICE		41,589
SOLDIER CREEK INDUST PARK		21,301
DEMOLISH ORIGINAL CITY HALL		37,896
AIR DEPOT UTILITY LINE		510,761
GUY DR/RIDGEWOOD CHANNEL IMPR		15,000
TRAFFIC SIGNAL - HARMONY & 15TH		12,000
	\$	44,479,785

Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Grant Programs

The City of Midwest City participates in various federal or state grant/loan programs from year to year. In 2012, the City's involvement in federal and state award programs was not material due to no major disasters. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

14. Future Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. Management is still evaluating the effect this Statement will have on the City's financial statements. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The City does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The City does not believe that the adoption GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the City to make changes in its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The City has not quantified the effects of adoption of GASB No. 65 on its net position. The Statement is effective for fiscal years ended June 30, 2014.

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent

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employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

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Budgetary Comparison Schedules – Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 1,053,785	\$ 1,053,785	\$ 3,424,603	\$ 2,370,818.00
Resources (Inflows):				
Taxes	22,167,685	22,167,685	22,365,226	197,541
Charges for services	438,489	438,489	446,270	7,781
Fines and forfeitures	1,812,239	1,812,239	1,778,360	(33,879)
Licenses and permits	296,134	296,134	243,369	(52,765)
Investment income	65,850	65,850	90,271	24,421
Intergovernmental	466,998	466,998	486,364	19,366
Miscellaneous	240,677	231,271	275,506	44,235
Total Resources (Inflows)	<u>25,488,072</u>	<u>25,478,666</u>	<u>25,685,366</u>	<u>206,700</u>
Amounts available for appropriation	<u>26,541,857</u>	<u>26,532,451</u>	<u>29,109,969</u>	<u>2,577,518</u>
Charges to Appropriations (Outflows):				
City Manager	507,557	512,730	498,777	13,953
City Clerk	571,822	573,662	545,935	27,727
Personnel	363,599	364,253	358,892	5,361
City Attorney	125,621	125,696	122,563	3,133
Community Development	1,761,024	1,766,199	1,651,703	114,496
Park & Recreation	519,014	531,433	500,627	30,806
Finance	611,745	615,958	600,816	15,142
Streets	2,841,911	2,861,708	2,714,001	147,707
General Government	926,050	917,466	873,416	44,050
Neighborhood Services	1,525,536	1,531,957	1,466,229	65,728
Information Technology	397,479	400,246	333,186	67,060
Emergency Response	786,873	788,250	782,526	5,724
Swimming Pools	236,407	279,681	277,172	2,509
Total Charges to Appropriations	<u>11,174,638</u>	<u>11,269,239</u>	<u>10,725,843</u>	<u>543,396</u>
Other financing sources (uses)				
Transfers from other funds	2,493,969	2,494,219	2,494,145	(74)
Transfers to other funds	(16,743,724)	(16,875,331)	(16,875,330)	1
Total other financing sources (uses)	<u>(14,249,755)</u>	<u>(14,381,112)</u>	<u>(14,381,185)</u>	<u>(73)</u>
Ending Budgetary Fund Balance	<u>\$ 1,117,464</u>	<u>\$ 882,100</u>	<u>\$ 4,002,941</u>	<u>\$ 3,120,841</u>

See accompanying notes to this schedule.

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	POLICE FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 613,832	\$ 613,832	\$ 2,222,784	\$ 1,608,952
Resources (Inflows):				
Taxes	2,645,715	2,683,449	2,697,325	13,876
Charges for services	-	-	(11,300)	(11,300)
Investment income	35,571	35,572	41,372	5,800
Fines and forfeitures	66,266	66,266	82,241	15,975
Miscellaneous	7,840	7,840	33,936	26,096
Total Resources (Inflows)	<u>2,755,392</u>	<u>2,793,127</u>	<u>2,843,574</u>	<u>50,447</u>
Amounts available for appropriation	<u>3,369,224</u>	<u>3,406,959</u>	<u>5,066,358</u>	<u>1,659,399</u>
Charges to Appropriations (Outflows):				
Public Safety	13,394,149	13,846,254	12,785,741	1,060,513
Total Charges to Appropriations	<u>13,394,149</u>	<u>13,846,254</u>	<u>12,785,741</u>	<u>1,060,513</u>
Other financing sources (uses)				
Transfers from other funds	10,240,504	10,360,405	10,397,043	36,638
Transfers to other funds	(996,188)	(1,064,564)	(1,064,564)	-
Total other financing sources (uses)	<u>9,244,316</u>	<u>9,295,841</u>	<u>9,332,479</u>	<u>36,638</u>
Ending Budgetary Fund Balance	<u>\$ (780,609)</u>	<u>\$ (1,143,454)</u>	<u>\$ 1,613,096</u>	<u>\$ 2,756,550</u>

See accompanying notes to this schedule.

	FIRE FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 823,261	\$ 823,261	\$ 1,392,527	\$ 569,266
Resources (Inflows):				
Taxes	2,148,866	2,262,068	2,275,037	12,969
Charges for services	4,529	4,529	10,835	6,306
Investment income	14,380	14,380	24,650	10,270
Licenses and permits	8,974	8,974	9,220	246
Miscellaneous	1,860	1,860	12,014	10,154
Total Resources (Inflows)	<u>2,178,609</u>	<u>2,291,811</u>	<u>2,331,756</u>	<u>39,945</u>
Amounts available for appropriation	<u>3,001,870</u>	<u>3,115,072</u>	<u>3,724,283</u>	<u>609,211</u>
Charges to Appropriations (Outflows):				
Public Safety	9,911,443	10,265,315	10,207,524	57,791
Total Charges to Appropriations	<u>9,911,443</u>	<u>10,265,315</u>	<u>10,207,524</u>	<u>57,791</u>
Other financing sources (uses)				
Transfers from other funds	7,662,300	7,742,460	7,702,104	(40,356)
Transfers to other funds	(433,641)	(386,840)	(386,813)	27
Total other financing sources (uses)	<u>7,228,659</u>	<u>7,355,620</u>	<u>7,315,291</u>	<u>(40,329)</u>
Ending Budgetary Fund Balance	<u>\$ 319,086</u>	<u>\$ 205,377</u>	<u>\$ 832,050</u>	<u>\$ 626,673</u>

See accompanying notes to this schedule.

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	TIF FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ (4,741,620)	\$ (4,741,620)
Resources (Inflows):				
Taxes	1,000,000	1,000,000	999,703	(297)
Charges for services	-	-	-	-
Investment income	3,000	3,000	-	(3,000)
Licenses and permits	-	-	370	370
Miscellaneous	-	-	-	-
Total Resources (Inflows)	<u>1,003,000</u>	<u>1,003,000</u>	<u>1,000,073</u>	<u>(2,927)</u>
Amounts available for appropriation	<u>1,003,000</u>	<u>1,003,000</u>	<u>(3,741,547)</u>	<u>(4,744,547)</u>
Charges to Appropriations (Outflows):				
General Government	1,240,403	1,240,403	200,261	1,040,142
Total Charges to Appropriations	<u>1,240,403</u>	<u>1,240,403</u>	<u>200,261</u>	<u>1,040,142</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ (237,403)</u>	<u>\$ (237,403)</u>	<u>\$ (3,941,808)</u>	<u>\$ (3,704,405)</u>

See accompanying notes to this schedule.

Footnotes to Budgetary Comparison Schedule:

1. The budgetary comparison schedules and budgetary fund balance amounts are reported on the modified cash basis of accounting. In addition, obligations that are required to be funded from ending budgetary fund balances are subtracted from total ending budgetary fund balances to arrive at the unreserved budgetary fund balance. This presentation of unreserved fund balances on a budgetary basis is used to demonstrate compliance with Article 10, § 26 of the Oklahoma State Constitution.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation between departments and object categories require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector

3. The budgetary basis differs from the modified accrual (GAAP) basis as shown in the schedules below:

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GENERAL FUND	Fund Balance June 30, 2011	Net Change in Fund Balance	Fund Balance June 30, 2012
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	\$ 5,724,165	\$ 351,061	\$ 6,075,226
Increases (Decreases):			
Revenues:			
Receivable	(4,510,411)	(218,482)	(4,728,893)
Expenditures:			
Payables	4,371,890	(192,291)	4,179,599
Encumbrances	(247,091)	102,610	(144,481)
Impact of combining funds:			
Reimbursed Projects Fund	(470,117)	573,164	103,047
Employee Activity Fund	(8,541)	(2,146)	(10,687)
Activity Fund	(472,366)	151,798	(320,568)
Animals Best Friend Fund	(32,780)	(21,550)	(54,330)
Disaster Relief Fund	(930,146)	(165,826)	(1,095,972)
Fund Balance - Budgetary Basis	<u>\$ 3,424,603</u>	<u>\$ 578,338</u>	<u>\$ 4,002,941</u>

POLICE FUND	Fund Balance June 30, 2011	Net Change in Fund Balance	Fund Balance June 30, 2012
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	\$ 3,220,405	\$ (192,753)	\$ 3,027,652
Increases (Decreases):			
Revenues:			
Receivable	(1,444,318)	(80,682)	(1,525,000)
Expenditures:			
Payables	<u>446,697</u>	<u>(336,253)</u>	<u>110,444</u>
Fund Balance - Budgetary Basis	<u>\$ 2,222,784</u>	<u>\$ (609,688)</u>	<u>\$ 1,613,096</u>

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FIRE FUND	Fund Balance June 30, 2011	Net Change in Fund Balance	Fund Balance June 30, 2012
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	\$ 812,506	\$ (101,577)	\$ 710,929
Increases (Decreases):			
Revenues:			
Receivable	(1,118,920)	(98,454)	(1,217,374)
Expenditures:			
Payables	<u>1,698,941</u>	<u>(360,446)</u>	<u>1,338,495</u>
Fund Balance - Budgetary Basis	<u>\$ 1,392,527</u>	<u>\$ (560,477)</u>	<u>\$ 832,050</u>

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Required Supplementary Information – OPEB

The funded status and funding progress of the City’s defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	July 1, 2008	July 1, 2010
Actuarial accrued liability - AAL (a)	\$ 27,262,090	\$29,797,397
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$ 27,362,090	\$29,797,397
Funded ratio (b)/(a)	0%	0%
Covered payroll (c)	\$ 19,891,000	\$ 25,016,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	138%	119%

Three year trend information is not available.

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund – June 30, 2012

	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	REIMBURSED PROJECTS FUND	EMPLOYEE ACTIVITY FUND	ACTIVITY FUND	ANIMALS BEST FRIEND FUND	DISASTER RELIEF FUND	
ASSETS							
Cash and cash equivalents	\$ 867,050	\$ 50,672	\$ 5,511	\$ 90,686	\$ 54,330	\$ 243,286	\$ 1,311,535
Investments	2,822,767	148,673	-	264,828	-	796,496	4,032,764
Accounts receivable	1,195,053	-	-	-	6,782	301,417	1,503,252
Accrued interest receivable	8,275	-	-	-	-	2,335	10,610
Deposits held by others	-	-	-	-	-	-	-
Other receivable	15,106	-	5,176	-	-	-	21,272
Due from other governments	2,825,586	-	-	990	-	13,081	2,838,667
Due from other funds	353,208	-	-	-	-	-	353,208
Prepaid items	1,884	-	-	-	-	-	1,884
Total Assets	\$ 8,088,929	\$ 199,345	\$ 10,687	\$ 356,504	\$ 61,112	\$ 1,356,615	\$ 10,073,192
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 140,405	\$ 1,167	\$ -	\$ 34,764	\$ -	\$ 2,519	\$ 178,855
Wages payable	280,546	1,225	-	1,172	-	-	282,943
Due to other governments	11,525	-	-	-	-	-	11,525
Refundable deposits	57,096	-	-	-	-	-	57,096
Due to other funds	1,984,715	300,000	-	-	-	-	2,284,715
Deferred revenue	917,926	-	-	-	6,782	258,124	1,182,832
Total Liabilities	3,392,213	302,392	-	35,936	6,782	260,643	3,997,966
Fund balance:							
Nonspendable	1,884	-	-	-	-	-	1,884
Restricted	54,915	-	-	56,554	658	12,644	124,771
Assigned	144,484	-	10,687	264,014	53,672	1,083,328	1,556,185
Unassigned	4,495,433	(103,047)	-	-	-	-	4,392,386
Total Fund Balance	4,696,716	(103,047)	10,687	320,568	54,330	1,095,972	6,075,226
Total Liabilities and Fund Balances	\$ 8,088,929	\$ 199,345	\$ 10,687	\$ 356,504	\$ 61,112	\$ 1,356,615	\$ 10,073,192

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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Year Ended June 30, 2012

	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	REIMBURSED PROJECTS FUND	EMPLOYEE ACTIVITY FUND	ACTIVITY FUND	ANIMALS BEST FRIEND FUND	DISASTER RELIEF FUND	
Revenues:							
Taxes	\$ 22,449,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,449,288
Intergovernmental	484,212	156,362	-	-	-	12,644	653,218
Charges for services	453,758	82,157	-	110,252	-	128,646	774,813
Investment income	129,365	6,590	84	7,723	814	46,021	190,597
Fines & forfeitures	1,780,712	-	-	-	20,707	-	1,801,419
Licenses & permits	243,369	-	-	-	-	-	243,369
Miscellaneous	276,473	26,782	6,986	96,621	658	66,151	473,671
Total Revenues	25,817,177	271,891	7,070	214,596	22,179	253,462	26,586,375
Expenditures:							
Current:							
General government	3,256,006	8,847	-	-	-	76,386	3,341,239
Public safety	759,729	-	-	-	-	-	759,729
Streets	2,676,838	-	-	-	-	-	2,676,838
Culture and recreation	731,567	468	7,924	235,913	-	-	975,872
Health and welfare	-	-	-	-	629	-	629
Economic development	3,045,755	84,576	-	-	-	-	3,130,331
Capital outlay	-	286,543	-	133,481	-	-	420,024
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total Expenditures	10,469,895	380,434	7,924	369,394	629	76,386	11,304,662
Revenues over (under) expenditures	15,347,282	(108,543)	(854)	(154,798)	21,550	177,076	15,281,713
Other financing sources (uses):							
Transfers in	2,492,401	-	-	-	-	-	2,492,401
Transfers out	(16,947,182)	(464,621)	-	-	-	(11,250)	(17,423,053)
Transfers in - interaccount	-	-	3,000	3,000	-	-	6,000
Transfers out - interaccount	(6,000)	-	-	-	-	-	(6,000)
Total other financing sources (uses)	(14,460,781)	(464,621)	3,000	3,000	-	(11,250)	(14,930,652)
Net change in fund balances	886,501	(573,164)	2,146	(151,798)	21,550	165,826	351,061
Fund Balance - beginning of year	3,810,215	470,117	8,541	472,366	32,780	930,146	5,724,165
Fund Balance - end of year	\$ 4,696,716	\$ (103,047)	\$ 10,687	\$ 320,568	\$ 54,330	\$ 1,095,972	\$ 6,075,226

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2012

	SPECIAL REVENUE FUNDS										
	GRANT FUND	JUVENILE FUND	PARK & RECREATION FUND	EMERGENCY OPERATIONS FUND	TECHNOLOGY FUND	WELCOME CENTER FUND	POLICE IMPOUND FEES	STREET & ALLEY FUND	POLICE SPECIAL PROJECTS FUND	POLICE LAB FEE FUND	CONVENTION/ VISITORS BUREAU
ASSETS											
Cash and cash equivalents	\$ 282,164	\$ 38,211	\$ 107,300	\$ 190,429	\$ 111,390	\$ 71,716	\$ 53,696	\$ 214,334	\$ 124,851	\$ 24,276	\$ 74,380
Investments	-	112,112	314,821	558,725	326,821	210,417	-	628,863	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-
Deposits held by others	-	-	-	-	-	-	-	-	-	-	-
Other receivable	305,199	59,828	53,313	45,454	159,313	-	900	-	8,982	9,876	-
Due from other governments	236,498	-	8,609	-	-	18,449	-	46,894	-	-	34,437
Due from other funds	-	-	-	3,750	-	-	-	-	-	-	-
Inventory	60,000	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 883,861	\$ 210,151	\$ 484,043	\$ 798,358	\$ 597,524	\$ 300,582	\$ 54,596	\$ 890,091	\$ 133,833	\$ 34,152	\$ 108,817
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable and accrued liabilities	\$ 167,395	\$ -	\$ 82,329	\$ -	\$ 3,991	\$ 3,133	\$ -	\$ -	\$ -	\$ 354	\$ 15,022
Accrued interest payable	-	-	-	-	-	-	197	-	-	-	-
Wages payable	11,912	4,436	6,741	10,211	2,565	4,189	-	-	-	-	3,370
Due to other funds	381,232	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	43,350	-	-	108,411	-	-	-	-	8,522	-
Total Liabilities	560,539	47,786	89,070	10,211	114,967	7,322	197	-	-	8,876	18,392
Fund balance:											
Nonspendable	60,000	-	-	-	-	-	-	-	-	-	-
Restricted	263,322	162,365	394,973	788,147	482,557	293,260	54,399	890,091	133,833	25,276	90,425
Assigned	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balance	323,322	162,365	394,973	788,147	482,557	293,260	54,399	890,091	133,833	25,276	90,425
Total Liabilities and Fund Balances	\$ 883,861	\$ 210,151	\$ 484,043	\$ 798,358	\$ 597,524	\$ 300,582	\$ 54,596	\$ 890,091	\$ 133,833	\$ 34,152	\$ 108,817

(Continued)

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2012

	SPECIAL REVENUE FUND		CAPITAL PROJECT FUNDS						DEBT SERVICE FUND	TOTALS	
	URBAN RENEWAL AUTHORITY	GENERAL GOVERNMENT SALES TAX	CAPITAL OUTLAY FUND	DOWNTOWN DEVELOPMENT AUTHORITY	2002 STREET PROJECT FUND	STREET PROJECTS FUND	SALES TAX CAPITAL IMP. FUND	CAPITAL IMPROVEMENT FUND	CAPITAL OUTLAY RESERVE FUND		G.O. DEBT SERVICES FUND
ASSETS											
Cash and cash equivalents	\$ 15,337	\$ 39,363	\$ 280,486	\$ 292,471	\$ 861,683	\$ 44,550	\$ 119,369	\$ 603,212	\$ 210,847	\$ 384,977	\$ 4,145,042
Investments	-	115,491	918,286	957,524	2,821,073	130,710	350,231	1,974,862	618,632	1,260,382	11,298,950
Accrued interest receivable	-	-	2,692	2,807	8,271	-	-	5,790	-	3,695	23,255
Deposits held by others	-	-	-	687,300	-	-	-	-	-	-	687,300
Accounts receivable	-	-	-	946,016	-	-	-	-	-	118,222	1,707,103
Due from other governments	-	52,779	-	-	-	52,779	694,663	-	-	-	1,145,108
Due from other funds	-	-	-	300,000	-	-	-	142,524	-	-	446,274
Inventory	-	-	-	-	-	-	-	-	-	-	60,000
Total Assets	\$ 15,337	\$ 207,633	\$ 1,201,464	\$ 3,186,118	\$ 3,691,027	\$ 228,039	\$ 1,164,263	\$ 2,726,388	\$ 829,479	\$ 1,767,276	\$ 19,513,032
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 15,089	\$ 43,962	\$ 4,982	\$ -	\$ -	\$ 68,620	\$ -	\$ -	\$ 404,877
Accrued interest payable	-	-	-	-	-	-	-	-	-	115,339	115,536
Wages payable	-	-	-	1,720	-	-	-	-	-	-	45,144
Due to other funds	-	-	-	-	-	-	-	-	-	-	381,232
Deferred revenue	-	-	-	-	-	-	-	-	-	100,372	260,655
Total Liabilities	-	-	15,089	45,682	4,982	-	-	68,620	-	215,711	1,207,444
Fund balance:											
Nonspendable	-	-	-	687,300	-	-	-	-	-	-	747,300
Restricted	15,337	207,633	1,186,375	1,848,809	3,667,298	226,832	1,164,263	2,657,768	829,479	1,551,565	16,934,007
Assigned	-	-	-	604,327	18,747	1,207	-	-	-	-	624,281
Total Fund Balance	15,337	207,633	1,186,375	3,140,436	3,686,045	228,039	1,164,263	2,657,768	829,479	1,551,565	18,305,588
Total Liabilities and Fund Balances	\$ 15,337	\$ 207,633	\$ 1,201,464	\$ 3,186,118	\$ 3,691,027	\$ 228,039	\$ 1,164,263	\$ 2,726,388	\$ 829,479	\$ 1,767,276	\$ 19,513,032

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds – Year Ended June 30, 2012

	SPECIAL REVENUE FUNDS										
	GRANT FUND	JUVENILE FUND	PARK & RECREATION FUND	EMERGENCY OPERATIONS FUND	TECHNOLOGY FUND	WELCOME CENTER FUND	POLICE IMPOUND FEES	STREET & ALLEY FUND	POLICE SPECIAL PROJECTS FUND	POLICE LAB FEE FUND	CONVENTION/ VISITORS BUREAU
Revenues:											
Taxes	\$ -	\$ -	\$ 499,699	\$ 338,663	\$ -	\$ 174,848	\$ -	\$ -	\$ -	\$ -	\$ 326,384
Intergovernmental	1,679,777	-	-	-	-	-	-	475,016	-	-	-
Charges for services	-	-	4,700	-	236,612	-	60,300	-	-	-	-
Investment income	457	2,930	8,886	14,778	8,392	5,267	1,499	-	2,079	556	1,581
Fines & forfeitures	-	133,828	-	27,250	42,901	-	-	-	471	14,628	-
Licenses & permits	-	-	-	-	13,400	-	-	-	-	-	-
Miscellaneous	66,009	-	69,000	911	-	6,574	-	-	7,066	-	14,579
Total Revenues	<u>1,746,243</u>	<u>136,758</u>	<u>582,285</u>	<u>381,602</u>	<u>301,305</u>	<u>186,689</u>	<u>61,799</u>	<u>475,016</u>	<u>9,616</u>	<u>15,184</u>	<u>342,544</u>
Expenditures:											
Current:											
General government	-	-	-	-	303,431	-	-	-	-	-	-
Public safety	685,595	139,508	-	317,473	-	-	21,134	-	14,708	22,161	-
Streets	-	-	-	-	-	-	-	50,141	-	-	-
Culture and recreation	-	-	200,613	-	-	144,209	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-
Economic development	693,958	-	-	-	-	-	-	-	-	-	351,777
Capital outlay	287,584	-	470,583	45,007	8,496	1,471	54,854	581,484	17,236	-	955
Debt service:											
Principal retirement	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,667,137</u>	<u>139,508</u>	<u>671,196</u>	<u>362,480</u>	<u>311,927</u>	<u>145,680</u>	<u>75,988</u>	<u>631,625</u>	<u>31,944</u>	<u>22,161</u>	<u>352,732</u>
Revenues over (under) expenditures	79,106	(2,750)	(88,911)	19,122	(10,622)	41,009	(14,189)	(156,609)	(22,328)	(6,977)	(10,188)
Other financing sources (uses):											
Transfers in	119,361	-	-	58,937	42,498	-	-	9,087	-	-	20,000
Transfers out	(251,796)	-	(10,000)	(46,931)	(10,000)	(10,000)	(5,183)	-	-	-	-
Total other financing sources (uses)	<u>(132,435)</u>	<u>-</u>	<u>(10,000)</u>	<u>12,006</u>	<u>32,498</u>	<u>(10,000)</u>	<u>(5,183)</u>	<u>9,087</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Net change in fund balances	(53,329)	(2,750)	(98,911)	31,128	21,876	31,009	(19,372)	(147,522)	(22,328)	(6,977)	9,812
Fund Balance - beginning of year	376,651	165,115	493,884	757,019	460,681	262,251	73,771	1,037,613	156,161	32,253	80,613
Fund Balance - end of year	<u>\$ 323,322</u>	<u>\$ 162,365</u>	<u>\$ 394,973</u>	<u>\$ 788,147</u>	<u>\$ 482,557</u>	<u>\$ 293,260</u>	<u>\$ 54,399</u>	<u>\$ 890,091</u>	<u>\$ 133,833</u>	<u>\$ 25,276</u>	<u>\$ 90,425</u>

(Continued)

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds – Year Ended June 30, 2012

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS						DEBT SERVICE FUND	TOTALS	
	URBAN RENEWAL AUTHORITY	GENERAL GOVERNMENT SALES TAX	CAPITAL OUTLAY FUND	DOWNTOWN DEVELOPMENT AUTHORITY	2002 STREET PROJECT FUND	STREET PROJECTS FUND	SALES TAX CAPITAL IMP. FUND	CAPITAL IMPROVEMENT FUND	CAPITAL OUTLAY RESERVE FUND		G.O. DEBT SERVICES FUND
Revenues:											
Taxes	\$ -	\$ 206,819	\$ -	\$ -	\$ -	\$ 206,819	\$ 3,768,043	\$ -	\$ -	\$ 1,870,276	\$ 7,391,551
Intergovernmental	-	-	-	-	-	-	-	-	-	-	2,154,793
Charges for services	-	-	-	1,499,756	-	1,207	-	-	-	-	1,802,575
Investment income	302	814	31,856	49,228	101,270	-	9,934	72,941	(2,797)	45,733	355,706
Fines & forfeitures	-	-	-	-	-	-	-	-	-	-	219,078
Licenses & permits	-	-	-	-	-	-	-	64,564	-	-	77,964
Miscellaneous	-	-	18,635	7,178	-	-	-	-	-	-	189,952
Total Revenues	302	207,633	50,491	1,556,162	101,270	208,026	3,777,977	137,505	(2,797)	1,916,009	12,191,619
Expenditures:											
Current:											
General government	-	-	-	-	-	-	-	-	-	-	303,431
Public safety	-	-	-	-	-	-	-	-	-	-	1,200,579
Streets	-	-	2	-	-	-	-	10,753	-	-	60,896
Culture and recreation	-	-	-	-	-	-	-	-	-	-	344,822
Health and welfare	-	-	-	-	-	-	-	-	-	-	-
Economic development	463	-	-	124,086	-	-	-	-	-	-	1,170,284
Capital outlay	-	-	996,341	188,449	82,523	-	-	131,959	-	-	2,866,942
Debt service:											
Principal retirement	-	-	-	-	-	-	-	-	-	1,400,000	1,400,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	437,342	437,342
Total Expenditures	463	-	996,343	312,535	82,523	-	-	142,712	-	1,837,342	7,784,296
Revenues over (under) expenditures	(161)	207,633	(945,852)	1,243,627	18,747	208,026	3,777,977	(5,207)	(2,797)	78,667	4,407,323
Other financing sources (uses):											
Transfers in	-	-	850,385	-	-	-	-	414,120	-	-	1,514,388
Transfers out	-	-	(1,500)	(636,800)	-	-	(3,084,846)	(41,169)	(241,169)	(31,559)	(4,370,953)
Total other financing sources (uses)	-	-	848,885	(636,800)	-	-	(3,084,846)	372,951	(241,169)	(31,559)	(2,856,565)
Net change in fund balances	(161)	207,633	(96,967)	606,827	18,747	208,026	693,131	367,744	(243,966)	47,108	1,550,758
Fund Balance - beginning of year	15,498	-	1,283,342	2,533,609	3,667,298	20,013	471,132	2,290,024	1,073,445	1,504,457	16,754,830
Fund Balance - end of year	\$ 15,337	\$ 207,633	\$ 1,186,375	\$ 3,140,436	\$ 3,686,045	\$ 228,039	\$ 1,164,263	\$ 2,657,768	\$ 829,479	\$ 1,551,565	\$ 18,305,588

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Net Assets - Nonmajor Enterprise Funds – June 30, 2012

	<u>UTILITIES AUTHORITY</u>	<u>UTILITY SERVICES</u>	<u>UTILITIES CAPITAL FUND</u>	<u>CUSTOMER DEPOSIT FUND</u>	<u>GOLF COURSES FUNDS</u>	<u>29TH & DOUGLAS FUND</u>	<u>TOTALS</u>
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 258,551	\$ 69,112	\$ 517,565	\$ 31,528	\$ 49,421	\$ -	\$ 926,177
Cash and cash equivalents, restricted	-	-	-	285,378	-	-	285,378
Investments	846,474	202,777	1,694,462	-	140,351	-	2,884,064
Receivables:							
Other receivable	-	-	-	-	2,153	-	2,153
Interest	2,482	-	4,968	3,041	-	-	10,491
Accounts receivable, net	-	59,765	-	2,575	-	-	62,340
Total current assets	<u>1,107,507</u>	<u>331,654</u>	<u>2,216,995</u>	<u>322,522</u>	<u>191,925</u>	<u>-</u>	<u>4,170,603</u>
Noncurrent assets:							
Investments, restricted	-	-	-	1,037,522	-	-	1,037,522
Land, construction in progress, and water rights	624,812	-	-	-	273,552	5,500,000	6,398,364
Other capital assets, net	-	2,369	2,114,470	-	1,253,098	-	3,369,937
Total noncurrent assets	<u>624,812</u>	<u>2,369</u>	<u>2,114,470</u>	<u>1,037,522</u>	<u>1,526,650</u>	<u>5,500,000</u>	<u>10,805,823</u>
Total assets	<u>1,732,319</u>	<u>334,023</u>	<u>4,331,465</u>	<u>1,360,044</u>	<u>1,718,575</u>	<u>5,500,000</u>	<u>14,976,426</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	23,279	3,316	59,874	-	8,394	-	94,863
Wages payable	-	24,656	-	-	22,504	-	47,160
Deferred revenue	-	78,245	-	-	12,593	-	90,838
Due to other funds	-	-	-	1,202	46,716	-	47,918
Accrued compensated absences	-	19,761	-	-	34,481	-	54,242
Refundable deposits	-	-	-	132,290	-	-	132,290
Total current liabilities	<u>23,279</u>	<u>125,978</u>	<u>59,874</u>	<u>133,492</u>	<u>124,688</u>	<u>-</u>	<u>467,311</u>
Noncurrent liabilities:							
Accrued compensated absences	-	39,522	-	-	68,962	-	108,484
Refundable deposits	-	-	-	1,190,610	-	-	1,190,610
Due to other funds	-	-	-	-	99,113	576,664	675,777
Total noncurrent liabilities	<u>-</u>	<u>39,522</u>	<u>-</u>	<u>1,190,610</u>	<u>168,075</u>	<u>576,664</u>	<u>1,974,871</u>
Total liabilities	<u>23,279</u>	<u>165,500</u>	<u>59,874</u>	<u>1,324,102</u>	<u>292,763</u>	<u>576,664</u>	<u>2,442,182</u>
NET ASSETS							
Investment in capital assets, net of related debt	624,812	2,369	2,114,470	-	1,380,821	4,923,336	9,045,808
Restricted for other purposes	216,134	49,403	-	-	49,998	-	315,535
Unrestricted	868,094	116,751	2,157,121	35,942	(5,007)	-	3,172,901
Total net assets	<u>\$ 1,709,040</u>	<u>\$ 168,523</u>	<u>\$ 4,271,591</u>	<u>\$ 35,942</u>	<u>\$ 1,425,812</u>	<u>\$ 4,923,336</u>	<u>\$ 12,534,244</u>

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

**Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Enterprise Funds –
Year Ended June 30, 2012**

	UTILITIES AUTHORITY	UTILITY SERVICES	UTILITIES CAPITAL FUND	CUSTOMER DEPOSIT FUND	GOLF COURSES FUNDS	29TH & DOUGLAS FUND	TOTALS
Operating Revenues:							
Charges for services	\$ -	\$ 985,398	\$ -	\$ -	\$ 1,087,244	\$ 16,328	\$ 2,088,970
Total operating revenues	-	985,398	-	-	1,087,244	16,328	2,088,970
Operating Expenses:							
Personal services	-	738,786	-	-	650,543	-	1,389,329
Materials and supplies	-	169,097	-	-	177,500	-	346,597
Other services and charges	200	47,410	43,500	-	113,506	18,208	222,824
Depreciation and amortization	-	414	46,878	-	91,128	-	138,420
Total operating expenses	200	955,707	90,378	-	1,032,677	18,208	2,097,170
Operating income (loss)	(200)	29,691	(90,378)	-	54,567	(1,880)	(8,200)
Non-Operating Revenues (Expenses):							
Investment income	39,689	3,895	59,925	37,178	2,420	-	143,107
Other non-operating revenue	1,500	3,040	7,870	-	16,929	200	29,539
Interest expense and fiscal charges	-	-	-	-	(7,630)	(40,466)	(48,096)
Total non-operating revenues (expenses)	41,189	6,935	67,795	37,178	11,719	(40,266)	124,550
Net income (loss) before transfers	40,989	36,626	(22,583)	37,178	66,286	(42,146)	116,350
Transfers in	719,807	-	-	-	45,021	120,520	885,348
Transfers out	-	-	(41,169)	(25,221)	-	-	(66,390)
Change in net assets	760,796	36,626	(63,752)	11,957	111,307	78,374	935,308
Total net assets - beginning	948,244	131,897	4,335,343	23,985	1,314,505	4,844,962	11,598,936
Total net assets - ending	\$ 1,709,040	\$ 168,523	\$ 4,271,591	\$ 35,942	\$ 1,425,812	\$ 4,923,336	\$ 12,534,244

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Cash Flows - Nonmajor Enterprise Funds – June 30, 2012

	UTILITIES AUTHORITY	UTILITY SERVICES	UTILITIES CAPITAL FUND	CUSTOMER DEPOSIT FUND	GOLF COURSE FUND	29TH AND DOUGLAS FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 1,500	\$ 1,060,663	\$ 7,870	\$ 665	\$ 1,116,636	\$ 22,352	\$ 2,209,686
Payments to suppliers	556	(215,650)	(97,466)	-	(292,216)	(18,523)	(623,299)
Payments to employees	-	(747,317)	-	-	(650,622)	-	(1,397,939)
Payments of interfund loan	-	-	-	(1,116)	(38,944)	(83,883)	(123,943)
Receipt of customer deposits	-	-	-	483,118	-	-	483,118
Return of customer deposits	-	-	-	(458,906)	-	-	(458,906)
Net Cash Provided by Operating Activities	<u>2,056</u>	<u>97,696</u>	<u>(89,596)</u>	<u>23,761</u>	<u>134,854</u>	<u>(80,054)</u>	<u>88,717</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from other funds	719,807	-	-	-	45,021	120,520	885,348
Transfers to other funds	-	-	(41,169)	(25,221)	-	-	(66,390)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>719,807</u>	<u>-</u>	<u>(41,169)</u>	<u>(25,221)</u>	<u>45,021</u>	<u>120,520</u>	<u>818,958</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital assets purchased	(106,235)	(1,708)	(17,785)	-	(127,676)	-	(253,404)
Interest and fiscal charges paid on capital debt	-	-	-	-	(7,630)	(40,466)	(48,096)
Proceeds from sale of capital assets	-	-	-	-	2,315	-	2,315
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(106,235)</u>	<u>(1,708)</u>	<u>(17,785)</u>	<u>-</u>	<u>(132,991)</u>	<u>(40,466)</u>	<u>(299,185)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Sale of investments	(528,390)	(81,783)	(21,197)	(77,673)	(140,351)	-	(849,394)
Interest and dividends	37,207	3,895	67,174	40,530	2,420	-	151,226
Net Cash Provided by (Used in) Investing Activities	<u>(491,183)</u>	<u>(77,888)</u>	<u>45,977</u>	<u>(37,143)</u>	<u>(137,931)</u>	<u>-</u>	<u>(698,168)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	124,445	18,100	(102,573)	(38,603)	(91,047)	-	(89,678)
Balances - beginning of the year	134,106	51,012	620,138	355,509	140,468	-	1,301,233
Balances - end of the year	\$ 258,551	\$ 69,112	\$ 517,565	\$ 316,906	\$ 49,421	\$ -	\$ 1,211,555
Reconciliation to Statement of Net Assets:							
Cash and cash equivalents	\$ 258,551	\$ 69,112	\$ 517,565	\$ 31,528	\$ 49,421	\$ -	\$ 926,177
Restricted cash and cash equivalents	-	-	-	285,378	-	-	285,378
Total cash and cash equivalents	<u>\$ 258,551</u>	<u>\$ 69,112</u>	<u>\$ 517,565</u>	<u>\$ 316,906</u>	<u>\$ 49,421</u>	<u>\$ -</u>	<u>\$ 1,211,555</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ (200)	\$ 29,691	\$ (90,378)	\$ -	\$ 54,567	\$ (1,880)	\$ (8,200)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	-	414	46,878	-	91,128	-	138,420
Other non-operating income	1,500	3,040	7,870	-	16,929	200	29,539
Change in assets and liabilities:							
Receivables, net	-	(6,020)	-	665	(130)	5,824	339
Due from other funds	-	-	-	-	5,975	-	5,975
Accounts payables	756	857	(53,966)	-	(1,210)	(315)	(53,878)
Due to other funds	-	-	-	(1,116)	(44,919)	(83,883)	(129,918)
Due to employees	-	(19,487)	-	-	(23,323)	-	(42,810)
Deferred revenue	-	78,245	-	-	12,593	-	90,838
Refundable deposits	-	-	-	24,212	-	-	24,212
Accrued compensated absences	-	10,956	-	-	23,244	-	34,200
Net Cash Provided by Operating Activities	<u>\$ 2,056</u>	<u>\$ 97,696</u>	<u>\$ (89,596)</u>	<u>\$ 23,761</u>	<u>\$ 134,854</u>	<u>\$ (80,054)</u>	<u>\$ 88,717</u>

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Net Assets – Internal Service Funds – June 30, 2012

	PUBLIC WORKS ADMINISTRATION	FLEET SERVICES FUND	SURPLUS PROPERTY FUND	RISK MANAGEMENT	L&H BENEFITS FUND	TOTALS
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 116,388	\$ 61,850	\$ 60,591	\$ 598,405	\$ 412,890	\$ 1,250,124
Investments	-	181,469	165,212	1,959,123	1,328,593	3,634,397
Receivables:						
Accounts receivable	-	-	3,915	9,442	12,716	26,073
Accrued interest receivable	-	-	-	5,743	3,895	9,638
Inventory	-	37,522	-	-	-	37,522
Total current assets	116,388	280,841	229,718	2,572,713	1,758,094	4,957,754
Noncurrent assets:						
Capital Assets:						
Depreciable, net of accumulated depreciation	254,388	756,118	101,799	-	-	1,112,305
Total noncurrent assets	254,388	756,118	101,799	-	-	1,112,305
Total assets	370,776	1,036,959	331,517	2,572,713	1,758,094	6,070,059
LIABILITIES:						
Current liabilities:						
Accounts payable and accrued liabilities	2,870	46,271	194,701	26,024	105,481	375,347
Claims liability	-	-	-	1,801,000	450,217	2,251,217
Wages payable	18,908	21,364	500	6,284	1,143	48,199
Accrued compensated absences	34,607	32,392	322	11,518	410	79,249
Total current liabilities	56,385	100,027	195,523	1,844,826	557,251	2,754,012
Noncurrent liabilities:						
Accrued compensated absences	69,214	64,785	643	23,036	821	158,499
Unfunded OPEB liability	-	-	-	-	5,416,003	5,416,003
Claims liability	-	-	-	1,814,000	-	1,814,000
Total noncurrent liabilities	69,214	64,785	643	1,837,036	5,416,824	7,388,502
Total Liabilities	125,599	164,812	196,166	3,681,862	5,974,075	10,142,514
NET ASSETS:						
Investment in capital assets, net of related debt	254,388	756,118	101,799	-	-	1,112,305
Unrestricted	(9,211)	116,029	33,552	(1,109,149)	(4,215,981)	(5,184,760)
Total net assets	\$ 245,177	\$ 872,147	\$ 135,351	\$ (1,109,149)	\$ (4,215,981)	\$ (4,072,455)

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

**Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds –
Year Ended June 30, 2012**

	PUBLIC WORKS ADMINISTRATION	FLEET SERVICES FUND	SURPLUS PROPERTY FUND	RISK MANAGEMENT	L&H BENEFITS FUND	TOTALS
Operating Revenues:						
Charges for services	\$ 790,479	\$ 2,274,733	\$ 43,470	\$ 1,558,168	\$ 5,279,193	\$ 9,946,043
Miscellaneous	-	1,767	322	43,242	123,858	169,189
Total operating revenues	790,479	2,276,500	43,792	1,601,410	5,403,051	10,115,232
Operating Expenses:						
Personal services	656,945	695,970	22,912	259,971	22,197	1,657,995
Materials and supplies	5,549	1,415,868	5,619	58,500	-	1,485,536
Other services and charges	37,064	81,769	8,905	1,186,683	18,679	1,333,100
Insurance claims and expenses	-	-	-	(191,000)	6,650,650	6,459,650
Depreciation and amortization	22,087	44,841	3,476	-	-	70,404
Total operating expenses	721,645	2,238,448	40,912	1,314,154	6,691,526	11,006,685
Operating income (loss)	68,834	38,052	2,880	287,256	(1,288,475)	(891,453)
Non-Operating Revenues:						
Investment income	2,406	2,328	3,819	69,409	52,682	130,644
Total non-operating revenues	2,406	2,328	3,819	69,409	52,682	130,644
Net income (loss) before transfers	71,240	40,380	6,699	356,665	(1,235,793)	(760,809)
Transfers in	10,000	123,507	-	-	-	133,507
Transfers out	-	-	-	-	-	-
Change in net assets	81,240	163,887	6,699	356,665	(1,235,793)	(627,302)
Total net assets - beginning	163,937	708,260	128,652	(1,465,814)	(2,980,188)	(3,445,153)
Total net assets - ending	\$ 245,177	\$ 872,147	\$ 135,351	\$ (1,109,149)	\$ (4,215,981)	\$ (4,072,455)

CITY OF MIDWEST CITY, OKLAHOMA
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As of and for the Year Ended June 30, 2012

Combining Statement of Cash Flows – Internal Service Funds – Year Ended June 30, 2012

	PUBLIC WORKS ADMINISTRATION	FLEET SERVICES FUND	SURPLUS PROPERTY FUND	RISK MANAGEMENT	L&H BENEFITS FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 790,479	\$ 2,276,500	\$ 47,891	\$ 1,592,090	\$ 5,474,387	\$ 10,181,347
Payments to suppliers	(40,692)	(1,516,089)	14,774	(1,245,183)	(18,679)	(2,805,869)
Payments to employees	(670,232)	(720,416)	(22,964)	(262,857)	1,407,269	(269,200)
Payments of interfund loan	-	14,551	-	-	-	14,551
Claims and benefits paid	-	-	-	(22,570)	(6,645,492)	(6,668,062)
Net Cash Provided by Operating Activities	<u>79,555</u>	<u>54,546</u>	<u>39,701</u>	<u>61,480</u>	<u>217,485</u>	<u>452,767</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	10,000	123,507	-	-	-	133,507
Net Cash Provided by Non-Capital Financing Activities	<u>10,000</u>	<u>123,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,507</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(83,318)	-	(8,638)	-	-	(91,956)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(83,318)</u>	<u>-</u>	<u>(8,638)</u>	<u>-</u>	<u>-</u>	<u>(91,956)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	(181,469)	(44,865)	(192,281)	(332,573)	(751,188)
Interest and dividends	2,406	2,328	3,819	74,973	51,428	134,954
Net Cash Provided by (Used in) Investing Activities	<u>2,406</u>	<u>(179,141)</u>	<u>(41,046)</u>	<u>(117,308)</u>	<u>(281,145)</u>	<u>(616,234)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,643	(1,088)	(9,983)	(55,828)	(63,660)	(121,916)
Balances - beginning of the year	107,745	62,938	70,574	654,233	476,550	1,372,040
Balances - end of the year	\$ 116,388	\$ 61,850	\$ 60,591	\$ 598,405	\$ 412,890	\$ 1,250,124
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 116,388	\$ 61,850	\$ 60,591	\$ 598,405	\$ 412,890	\$ 1,250,124
Total cash and cash equivalents	<u>\$ 116,388</u>	<u>\$ 61,850</u>	<u>\$ 60,591</u>	<u>\$ 598,405</u>	<u>\$ 412,890</u>	<u>\$ 1,250,124</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 68,834	\$ 38,052	\$ 2,880	\$ 287,256	\$ (1,288,475)	\$ (891,453)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	22,087	44,841	3,476	-	-	70,404
Change in assets and liabilities:						
Receivables, net	-	-	4,099	(9,320)	71,336	66,115
Inventories	-	8,928	-	-	-	8,928
Accounts payables	1,921	(27,380)	29,298	(22,570)	(118,042)	(136,773)
Claims liability	-	-	-	(191,000)	123,200	(67,800)
Due from other funds	-	14,551	-	-	-	14,551
Due to employees	(17,331)	(23,130)	(565)	(7,565)	(448)	(49,039)
Unfunded OPEB liability	-	-	-	-	1,431,444	1,431,444
Accrued compensated absences	4,044	(1,316)	513	4,679	(1,530)	6,390
Net Cash Provided by Operating Activities	<u>\$ 79,555</u>	<u>\$ 54,546</u>	<u>\$ 39,701</u>	<u>\$ 61,480</u>	<u>\$ 217,485</u>	<u>\$ 452,767</u>

CITY OF MIDWEST CITY, OKLAHOMA
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Debt Service Coverage Schedule - Year Ended June 30, 2012

	2011 and 2011A Revenue Bonds
GROSS REVENUE AVAILABLE:	
Water revenue	\$ 7,150,689
Wastewater revenue	6,850,150
Pledged Sales Tax	3,084,846
Investment income	616,768
Total Gross Revenue Available	17,702,453
OPERATING EXPENSES:	
Total Operating Expenses	8,669,659
Net Revenue Available for Debt Service	\$ 9,032,794
Average Annual Debt Service	
2011 Revenue Bonds	\$ 1,808,379
2011A Revenue Bonds	4,709,500
	\$ 6,517,879
Computed Coverage	139%
Coverage Requirement	125%

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

STATISTICAL INFORMATION

**CITY OF MIDWEST CITY, OKLAHOMA
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As of and for the Year Ended June 30, 2012**

**General Government Expenditures by Function
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets</u>	<u>Health and Welfare</u>	<u>Culture & Recreation</u>	<u>Economic Development</u>	<u>Debt Services</u>	<u>Total</u>
2002-03	\$3,892,384	\$16,329,159	\$7,673,533	\$297,756	\$2,645,644	\$2,625,182	\$265,875	\$33,729,533
2003-04	3,710,400	16,761,918	5,461,272	319,567	2,496,180	6,505,395	2,797,526	38,052,258
2004-05	4,048,014	17,875,391	6,333,521	311,796	2,384,770	31,607,784 (1)	2,035,085	64,596,361
2005-06	4,823,711	19,324,367	3,072,745	297,426	2,790,104	4,756,832	2,216,881	37,282,066
2006-07	4,638,916	19,653,099	2,860,439	1,060,332	1,269,324	4,286,769	1,874,210	35,643,089
2007-08	4,433,847	22,751,353	4,704,754	9,065,571	1,833,511	4,151,318	3,096,734	50,037,088
2008-09	4,731,952	28,025,096	5,832,627	23,077,926	1,720,807	4,523,604	2,241,289	70,153,301
2009-10	4,341,709	25,474,931	14,974,806	1,491,596	1,657,029	4,648,669	2,811,624	55,400,364
2010-11	6,459,976	25,157,469	6,006,443	160,983	1,120,863	4,915,834	3,679,296	47,500,864
2011-12	5,423,037	27,570,275	3,702,871	629	1,989,113	4,813,173	3,745,698	47,244,796

(1) Includes purchase of downtown redevelopment property from Midwest City Hospital Authority.

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Governmental Revenues By Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Intergov- ernmental</u>	<u>Licenses & Permits</u>	<u>Charges for Services</u>	<u>Fines & Forfeitures</u>	<u>Investment Income</u>	<u>Misc Revenues</u>	<u>Total</u>
2002-03	\$ 23,022,229	\$ 1,183,059	\$ 380,425	\$ 1,885,413	\$ 1,098,749	\$ 1,251,173	\$ 1,613,759	\$ 30,434,807
2003-04	23,632,779	1,557,842	286,406	1,289,359	1,180,610	7,203,875	758,812	35,909,683
2004-05	25,114,085	2,849,637	294,562	1,540,414	1,179,584	5,014,453	4,012,368	40,005,103
2005-06	27,656,355	2,308,525	306,977	2,170,231	1,619,238	6,308,052	6,128,707	46,498,085
2006-07	28,111,696	1,173,791	566,845	1,851,771	1,458,500	11,216,338	612,269	44,991,210
2007-08	31,705,767	8,261,565	413,183	1,766,807	1,916,846	(3,275,268)	1,162,943	41,951,843
2008-09	32,399,044	4,903,868	420,663	2,127,414	2,104,237	(9,252,051)	775,469	33,478,644
2009-10	33,166,047	4,906,373	385,949	2,066,991	1,878,424	6,582,036	2,445,317	51,431,137
2010-11	33,566,216	6,440,504	395,511	2,193,602	2,001,322	14,546,261	552,201	59,695,617
2011-12	36,586,145 *	5,462,968	330,553	2,636,087	2,170,041	2,749,217	742,978	50,677,989

* A new sales/use Tax became effective January 1, 2012 changing the rate from 3.3 to 3.85

**CITY OF MIDWEST CITY, OKLAHOMA
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**Assessed Value of Taxable Property
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Property</u>	<u>Veteran and Homestead Exemption</u>	<u>Total Actual</u>		<u>Ratio of Total Assessed Value to Total Estimated Actual Value</u>
					<u>Assessed Value</u>	<u>Estimated Actual Value</u>	
2003	\$ 162,503,893	\$ 22,940,909	\$ 11,773,297	\$ 11,093,564	\$ 186,124,535	\$ 1,692,041,227	11%
2004	173,101,148	23,175,077	11,938,564	10,958,198	197,256,591	1,793,241,736	11%
2005	187,753,614	25,809,437	12,908,515	10,986,804	215,484,762	1,958,952,382	11%
2006	201,408,334	26,324,714	13,201,094	10,757,246	230,176,896	2,092,517,236	11%
2007	216,308,965	27,831,980	12,095,233	10,654,076	245,582,102	2,232,564,564	11%
2008	233,726,705	27,869,971	12,100,868	14,043,632	259,653,912 (1)	2,360,490,127	11%
2009	244,609,641	29,359,839	12,004,561	14,504,429	271,469,612 (1)	2,467,905,563	11%
2010	252,013,094	27,856,671	13,374,321	10,453,302	278,216,075 (1)	2,529,237,045	11%
2011	258,517,927	27,728,562	13,697,571	10,398,494	284,605,074 (1)	2,587,318,855	11%
2012	259,775,001	27,954,136	13,431,063	10,164,671	285,884,862 (1)	2,598,953,291	11%

(1) New established exemption for veterans

CITY OF MIDWEST CITY, OKLAHOMA
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Property Tax Rates – All Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	City Sinking Fund	MWC Schools	Rose State College	Oklahoma County	Total Midwest City Resident	Choctaw Schools	Total Midwest City Resident	OKC Schools	Total Midwest City Resident
2003	11.45	61.83	16.62	23.15	113.05	63.85	115.07	54.44	105.66
2004	9.82	61.11	16.50	22.99	110.42	61.33	110.64	57.84	107.15
2005	8.79	59.96	16.35	22.90	108.00	62.33	110.37	58.02	106.06
2006	9.25	62.79	18.29	22.81	113.14	62.60	112.95	57.07	107.42
2007	8.32	64.31	17.67	22.29	112.59	63.11	111.39	56.73	105.01
2008	7.29	65.05	17.30	23.18	112.82	66.66	114.43	52.48	100.25
2009	7.24	65.83	17.40	24.79	115.26	68.50	117.93	58.43	107.86
2010	6.81	65.60	17.32	24.27	114.00	69.41	117.81	58.70	107.10
2011	6.62	64.64	17.18	24.06	112.50	70.22	118.08	62.09	109.95
2012	6.09	66.55	17.10	23.97	113.71	72.49	119.65	59.29	106.45

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Computation of Legal Debt Margin
June 30, 2012

Net assessed valuation	\$285,884,862
Debt limit (a)	\$28,588,486
Applicable bonds outstanding	\$8,300,000
Legal debt margin	\$20,288,486

(a) Article 10, section 26 of the Constitution of the State of Oklahoma limits municipal debt to 10% of net assessed valuation for certain types of general obligation bonds.

CITY OF MIDWEST CITY, OKLAHOMA
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Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
To Total General Governmental Expenditures
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt Service to Government Expenditures</u>
2002-03	225,000	40,875	265,875	33,729,533	0.79%
2003-04	1,250,000	1,547,526	2,797,526	38,052,258	7.35%
2004-05	1,300,000	663,185	1,963,185	64,596,361	3.04%
2005-06	1,300,000	916,881	2,216,881	37,282,066	5.95%
2006-07	1,075,000	599,313	1,674,313	35,643,089	4.70%
2007-08	1,350,000	1,102,596	2,452,596	50,037,088	4.90%
2008-09	1,400,000	635,560	2,035,560	70,153,301	2.90%
2009-10	1,400,000	569,623	1,969,623	55,400,364	3.56%
2010-11	1,400,000	503,685	1,903,685	47,500,864	4.01%
2011-12	1,400,000	437,342	1,903,685	47,244,796	4.03%

(1) Excludes bond issuance and other costs

(2) Totals from General Governmental Expenditures by Function table

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Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
To Assessed Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Money Available (3)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2002-03	54,088	186,124,535	15,675,000	2,292,868	13,382,132	7.19%	247
2003-04	54,088	197,256,591	14,525,000	1,635,499	12,889,501	6.53%	238
2004-05	54,088	215,484,762	13,125,000	1,760,224	11,364,776	5.27%	210
2005-06	54,088	230,176,896	16,325,000	1,480,497	14,844,503	6.45%	274
2006-07	54,088	245,582,102	15,250,000	1,961,500	13,288,500	5.41%	246
2007-08	54,088	259,653,914	13,900,000	1,683,112	12,216,888	4.71%	226
2008-09	54,088	271,469,612	12,500,000	1,513,528	10,986,472	4.05%	203
2009-10	54,088	278,216,075	11,100,000	1,500,619	9,599,381	3.45%	177
2010-11	54,371	284,605,074	9,700,000	1,504,457	8,195,543	2.88%	151
2011-12	54,371	285,884,862	8,300,000	1,551,565	6,748,435	2.36%	124

(1) From table Demographics

(2) From table Assessed Value of Property

(3) Ending fund balances

CITY OF MIDWEST CITY, OKLAHOMA
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Revenue Bond and Note Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Direct Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Maximum Annual Debt Service</u>	<u>Debt Service Coverage</u>
2002-03	14,763,741	9,238,913	5,524,828 (1)	1,304,906	4.23
2003-04	15,967,210	9,797,926	6,169,284 (1)	1,967,389	3.14
2004-05	14,814,730	8,982,892	5,831,838 (1)	2,000,344	2.92
2005-06	15,148,626	8,765,616	6,383,010 (1)	2,000,344	3.19
2006-07	11,389,730	7,378,584	4,011,146 (1)	2,000,344	2.01
2007-08	14,201,820	7,372,367	6,829,453 (1)	2,000,344	3.41
2008-09	14,535,584	8,191,452	6,344,132 (1)	2,000,344	3.17
2009-10	14,822,864	7,867,225	6,955,639 (1)	2,000,344	3.48
2010-11	15,207,582	8,004,126	7,203,456 (1)	2,000,344	3.60
2011-12	17,702,453	8,669,659	9,032,794 (1)	6,517,879 (2)	1.39

(1) Includes designated sales tax revenue

(2) The 2011 and 2011A Revenue Bond indentures call for calculation based upon average annual debt service.

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Demographic Statistics

<u>Year</u>	<u>Population</u>	<u>Population Percent Change</u>
1950	10,166	0.00%
1960	36,058	254.69%
1970	48,212	33.71%
1980	49,559	2.79%
1990	52,267	5.46%
2000	54,088	3.48%
2010	54,371	0.50%

Population is taken from US Census conducted every 10 years.

**CITY OF MIDWEST CITY, OKLAHOMA
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New Construction
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Total Construction</u>
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	
2002-03	214	\$ 8,483,577	680	\$ 26,304,941	\$ 34,788,518
2003-04	190	12,846,011	754	44,735,484	57,581,495
2004-05	232	22,444,891	801	34,627,558	57,072,449
2005-06	247	27,599,268	767	51,587,219	79,186,487
2006-07	245	49,578,946	618	33,434,637	83,013,583
2007-08	251	44,469,520	537	29,373,333	73,842,853
2008-09	264	28,032,074	504	29,169,569	57,201,643
2009-10	184	11,614,006	457	18,846,251	30,460,257
2010-11	98	14,052,174	203	23,937,338	37,989,512
2011-12	28 *	97,003,650	237	20,332,200	117,335,850

* FY 2011-2012 had a large increase in commercial construction costs due to the following governmental projects:

City:

Sewer plant	\$ 4,500,000
Clock Tower	400,000.00
Water Plant Building	230,000.00

Mid-Del Schools:

Solider Creek	\$ 19,400,000
East Side	19,000,000.00
Elm	550,000.00

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Miscellaneous Statistics
June 30, 2012

Date of Incorporation	1943
Form of government	Council-manager
Square miles in city limits	28
Miles of streets	564 Lane miles
Education	
Number of primary schools	11
Number of secondary schools	3
Number of High schools	2
Number of colleges	1
Police Protection	
Number of officers	95
Fire Protection	
Number of stations	6
Number of headquarters	1
Number of personnel per shift	27
Public Works	
Water storage capacity (millions of gallons)	9.7
Miles of water lines	284.9
Miles of sanitary sewer lines	279.14

Information obtained from various departments of the City of Midwest City.

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Miscellaneous Statistics, Continued
June 30, 2012

City Employees

<u>Fiscal Year</u>	<u>Full Time Government</u>	<u>Full Time Hotel/Conference Center</u>
2002-03	476	-
2003-04	476	-
2004-05	476	-
2005-06	496	-
2006-07	503	-
2007-08	499	-
2008-09	499	-
2009-10	502	60
2010-11	494	62
2011-12	493	62

CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Miscellaneous Statistics, Continued
June 30, 2012

City Water Usage (Gallons)

<u>Fiscal Year</u>	<u>Annual Usage</u>	<u>Average Daily Usage</u>
2002-03	1,758,223,000	4,817,049
2003-04	1,869,864,000	5,122,915
2004-05	1,768,672,000	4,845,676
2005-06	2,174,375,000	5,957,192
2006-07	2,021,890,000	5,539,425
2007-08	1,863,117,000	5,104,430
2008-09	1,931,741,887	5,292,444
2009-10	1,910,755,000	5,235,000
2010-11	1,953,204,878	5,351,246
2011-12	2,025,176,197	5,548,428

**CITY OF MIDWEST CITY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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Single Audit Reports

**THE CITY OF
MIDWEST CITY,
OKLAHOMA**

June 30, 2012

Single Audit Reports

THE CITY OF MIDWEST CITY, OKLAHOMA

June 30, 2012

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 1

REPORTS REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards..... 3

Schedule of Expenditures of Federal Awards..... 6

Notes to Schedule of Expenditures of Federal Awards..... 7

Schedule of Findings and Questioned Costs..... 8

Summary Schedule of Prior Audit Findings..... 10

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

Honorable Mayor and Members of City Council
The City of Midwest City, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Midwest City, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Midwest City's basic financial statements and have issued our report thereon dated January 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Midwest City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Midwest City'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*.

This report is intended solely for the information and use of the City Council and management of the City of Midwest City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
January 31, 2013

Independent Auditors' Report on Compliance with
Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

Honorable Mayor and Members of City Council
The City of Midwest City, Oklahoma

Compliance

We have audited the compliance of the City of Midwest City, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Midwest City's major federal programs for the year ended June 30, 2012. The City of Midwest City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City of Midwest City's management. Our responsibility is to express an opinion on the City of Midwest City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Midwest City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Midwest City's compliance with those requirements.

In our opinion, the City of Midwest City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the City of Midwest City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Midwest City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Midwest City's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Midwest City as of and for the year ended June 30, 2012, and have issued our report thereon dated January 31, 2013, which contained our unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Midwest City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the City Council and management of the City of Midwest City and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
January 31, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE CITY OF MIDWEST CITY, OKLAHOMA

For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	CDFA Number	Pass-Through Grantor Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 21,261
Passed through OK Dept. of Mental Health & Substance Abuse:			
Edward Byrne Memorial Justice Assistance Grant	16.738	OCSO 2M2L 2010-0002	9,650
			30,911
<u>Federal Emergency Management Agency</u>			
Passed through Oklahoma Department of Civil Emergency Management:			
Emergency Performance Grant 11	97.042		7,906
EOC updates Tone-Out Warning System	97.042		15,000
Emergency Performance Grant 12	97.042		5,000
Warning Devices Grant	97.039	FEMA-1678-DR-OK	23,400
Fixed Weather Stations Grant	97.039	FEMA-1712-DR-OK	537
Weather Radio Grant	97.039	FEMA-1735-DR-OK	15,000
Hazard Mitigation Grant Program	97.039	FEMA-1803-DR-OK	195,892
Hazard Mitigation Grant Program	97.039	FEMA-1917-DR-OK	406,100
Passed through Oklahoma Office of Homeland Security:			
2009 OKC UASI Grant	97.008	150.032	235,433
2009 OKC UASI Grant	97.008	150.009	35,500
			939,768
<u>U.S. Dept. of Housing and Urban Development</u>			
Community Dev Block Grant	14.218	B-05-MC-40-0005	2,067
Community Dev Block Grant	14.218	B-06-MC-40-0005	24,216
Community Dev Block Grant	14.218	B-07-MC-40-0005	990
Community Dev Block Grant	14.218	B-09-MC-40-0005	75,100
Community Dev Block Grant	14.218	B-10-MC-40-0005	72,081
Community Dev Block Grant	14.218	B-11-MC-40-0005	364,074
Home Investment Partnerships Program	14.239	1374 HOME 11	75,000
			613,528
Passed through the Oklahoma Department of Commerce			
Neighborhood Stabilization Program	14.228	13593 NSP 08	872
			614,400
<u>U.S. Environmental Protection Agency</u>			
Midwest City Water Treatment Plant Upgrade	66.202	N/A	31,330
<u>U.S. Department of Energy</u>			
Energy Efficiency and Conservation Block Grant	81.128	N/A	49,849
<u>U.S. Department of Transportation</u>			
Passed through Oklahoma Highway Safety Office:			
Oklahoma Highway Safety Office	20.600	OP11-03-08-08	25,587
		K8-12-03-26-09, T-12-03-33-09,	
Oklahoma Highway Safety Office	20.600	CE-12-03-18-09	40,014
			65,601
Passed through Oklahoma Dept. of Transportation:			
Pedestrian Walkways Grant	20.205	HPP-155E (590) HP	54,120
			119,721
TOTAL EXPENDITURE OF FEDERAL AWARDS			\$ 1,785,979

See Notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE CITY OF MIDWEST CITY, OKLAHOMA

Year Ended June 30, 2012

NOTE A--BASIS OF ACCOUNTING

The schedule of expenditures of federal awards includes the federal awards activity of the City of Midwest City, Oklahoma (the "City"), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--SUBRECIPIENTS

The City provided no federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE CITY OF MIDWEST CITY, OKLAHOMA

Year Ended June 30, 2012

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Community Development Block Grant	14.218
Hazard Mitigation Grant	97.039

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE CITY OF MIDWEST CITY, OKLAHOMA

Year Ended June 30, 2012

Section II--Findings required to be reported in Accordance with *Government Auditing Standards*:

There are none to report for the June 30, 2012 period.

Section III--Finding required to be reported in Accordance with OMB Circular A-133:

There are none to report for the June 30, 2012 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THE CITY OF MIDWEST CITY, OKLAHOMA

Year Ended June 30, 2012

Finding 2011 - 01: This finding was fully corrected in the current year.

Finding 2011 - 02: This finding was fully corrected in the current year.