

THE OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

A Blended Component Unit of
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Year Ended June 30, 2014

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

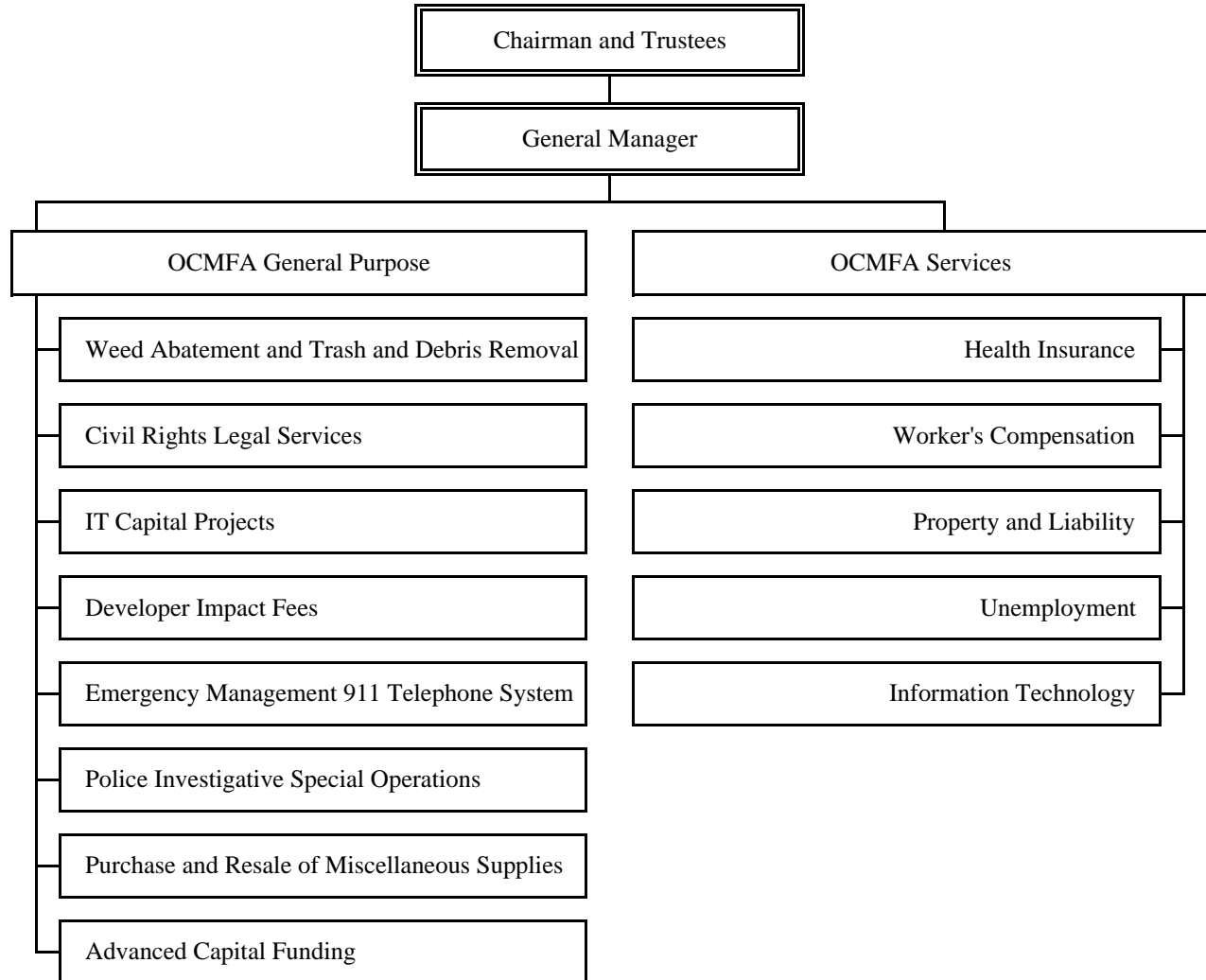
OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

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Oklahoma City Municipal Facilities Authority Organization Chart



Introductory Section



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 11, 2014

The Board of Trustees
Oklahoma City Municipal Facilities Authority

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

The Authority's annual report includes the reports of independent auditors, management's discussion and analysis (MD&A), Authority-wide, fund and combining financial statements and related notes. Management's narrative on the financial activities of the Authority for the fiscal year ended June 30, 2014, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Authority's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Authority. The Authority is a blended component unit of the City of Oklahoma City (City) and, as such, is included within the funds of the City's Comprehensive Annual Financial Report (CAFR).

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

During 2014, the OCMFA Services Fund Property and Liability continued to pay expenses and reimburse departments for expenses paid related to the May 31, 2013 disaster and pay expenses for the flood of the 420 W. Main building. The General Purpose Fund prefunded bond projects mainly for streets, bridges and traffic improvement projects. This prefunding process continues to serve as an effective tool in shortening the length of construction time on voter approved general obligation bond projects.

The current economic environment and the economic outlook for Oklahoma City continue to remain very positive. The cost of living rating is consistently below the national average; and the City has a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location within the State of Oklahoma. Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States including Forbes 2014 ranking of Oklahoma City as the 7th Best Place for Business and Careers. This rating was based on a dozen factors related to jobs, costs of business and living, income growth, quality of life, and the education of the workforce. These factors promise an immediate and sustainable economic growth outlook for the next several years.

In a report prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, dated February 4, 2014 and entitled "Greater Oklahoma City Economic Forecast", the Institute reported that the U.S. economy will carry positive economic momentum in 2014 and in future years will support the continued economic growth in Oklahoma City. However, the Institute cites that cities who have had a low unemployment rate for an extended period of time, such as Oklahoma City, can face some unique challenges in the areas of talent recruitment and wages. Since November of 2013, Oklahoma City has experienced the lowest unemployment rate among cities with more than 1 million in population for 26 of the past 35 months. The unemployment rate is expected to trend down to 4.5% by the end of 2014 and 4.11% by the end of 2015. Additionally, for the 6th straight year, it has remained 2 percentage points below the nation's unemployment rate. The Institute reported that recent employment and earnings growth should result in positive sales tax momentum with a general projection of 4% to 6% annual growth in sales tax revenues for calendar years 2014 and 2015 depending on the national economy. Average weekly earnings, a key driver of sales tax growth, is expected to grow 5.1 percent in fiscal year 2015. Without any significant changes in the national economy, overall job growth is expected to be around 3.0 percent for fiscal year 2015.

Fiscal year 2014, in terms of sales tax revenue growth, substantiates this positive outlook for fiscal year 2015. The first three quarters of fiscal year 2014 saw growth of less than 1.0 percent. The final quarter of the year saw growth of 8.4%. For the year, sales tax revenue grew at 2.7%. This strong performance at the end of the year, coupled with better than expected performance in several other revenue categories allowed for increases in several programs for fiscal year 2015. Budgeted expenditures for fiscal year 2015 also were based on the positive projected economic growth.

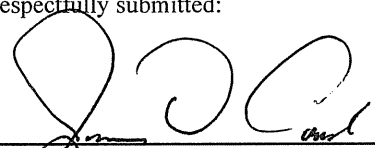
Any economic outlook is predicated on sustainable factors. The City Council has a continuing priority to its citizens to fulfill the promises made to them with regard to completing the projects established in voter initiatives to invest in the City. In addition, the City Council is focused on pursuing a financial model that provides adequate resources to meet the expectations for services as Oklahoma City grows and maintaining strong financial management that is evidenced by the highest possible rating of the City's general obligation bonds by both Moody's and Standard and Poor's.

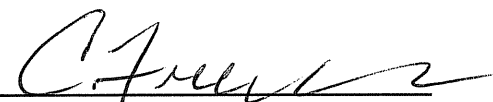
Services and activities of the Authority, provided on behalf of the City, include financing, partial operation, and capital purchases for administration of the City's risk management activities, information technology, capital leasing, and other general government activities. The City's Mayor and Council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

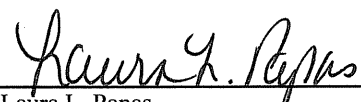
The Authority participates in the City's comprehensive accounting and budgetary system. Additionally, the Authority's management maintains budgetary controls to ensure effective financial oversight.

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

Respectfully submitted:


James D. Couch
General Manager


Craig Freeman
City of Oklahoma City Finance Director


Laura L. Papas
City of Oklahoma City Controller

Financial Section

Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Oklahoma City Municipal Facilities Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note IV* to the financial statements, the 2013 financial statements have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance; however, we noted that the 2013 balances in the management's discussion and analysis do not reflect the prior period adjustments disclosed in *Note IV*.

Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
December 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Municipal Facilities Authority (Authority) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Authority is a blended component unit of the City of Oklahoma City (City).

Financial Summary

- Authority assets exceeded liabilities by \$43,355,853 (net position) at June 30, 2014. This compares to the previous year when assets exceeded liabilities by \$44,015,634.
- Total assets for the Authority increased by \$1,907,423 (1.9%) to \$102,673,250 during the fiscal year.
- Total liabilities for the Authority increased by \$2,567,204 (4.5%) to \$59,317,397 during the fiscal year.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets for 2014 of \$15,139,637, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted net position for capital projects for 2014 of \$973,899 is constrained for capital projects.
 - (3) Restricted net position for public safety for 2014 of \$717,462 is constrained for federal and state asset forfeiture and purchase and maintenance of police and fire equipment.
 - (4) Unrestricted net position is \$26,524,855 at June 30, 2014.
- The Authority's governmental fund reported total ending fund balance of \$18,070,793 this year. This compares to the prior year ending fund balance of \$20,764,723, showing a decrease of \$2,693,930 during the current year.

Overview of the Financial Statements

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

Authority-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Fund

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

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

Proprietary Fund

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

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

Notes to the Financial Statements

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

Financial Analysis

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

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

The Authority's net position at fiscal year-end is \$43,355,853. This is a decrease of \$659,781 from last year's net position. Overall the Authority's financial position declined during fiscal year 2014.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total		Total % Change
	2014	2013	2014	2013	2014	2013	
Assets							
Current assets	\$19,660,052	\$24,197,152	\$51,294,725	\$40,313,797	\$70,954,777	\$64,510,949	10.0%
Capital assets, net	12,845,000	11,298,932	2,294,637	4,345,468	15,139,637	15,644,400	(3.2)
Other non-current assets	<u>1,032,939</u>	<u>852,171</u>	<u>15,545,897</u>	<u>19,758,307</u>	<u>16,578,836</u>	<u>20,610,478</u>	(19.6)
Total assets	<u>33,537,991</u>	<u>36,348,255</u>	<u>69,135,259</u>	<u>64,417,572</u>	<u>102,673,250</u>	<u>100,765,827</u>	1.9
Liabilities							
Current liabilities	795,915	4,268,471	24,211,000	20,015,511	25,006,915	24,283,982	3.0
Non-current liabilities	<u>-</u>	<u>-</u>	<u>34,310,482</u>	<u>32,466,211</u>	<u>34,310,482</u>	<u>32,466,211</u>	5.7
Total liabilities	<u>795,915</u>	<u>4,268,471</u>	<u>58,521,482</u>	<u>52,481,722</u>	<u>59,317,397</u>	<u>56,750,193</u>	4.5
Net position							
Net investment in capital assets	12,845,000	11,298,932	2,294,637	4,345,468	15,139,637	15,644,400	(3.2)
Restricted for:							
Capital projects	973,899	864,550	-	-	973,899	864,550	12.6
Public safety	717,462	852,560	-	-	717,462	852,560	(15.8)
Unrestricted	<u>18,205,715</u>	<u>19,063,742</u>	<u>8,319,140</u>	<u>7,590,382</u>	<u>26,524,855</u>	<u>26,654,124</u>	(0.5)
Total net position	<u>\$32,742,076</u>	<u>\$32,079,784</u>	<u>\$10,613,777</u>	<u>\$11,935,850</u>	<u>\$43,355,853</u>	<u>\$44,015,634</u>	(1.5)

Current assets decreased by \$4.54 million in governmental activities and increased by \$10.98 million in business-type activities. Cash and investments decreased \$4.78 million for governmental activities and increased \$7.13 million for business-type activities. Governmental activities accounts receivable increased \$2.13 million due mainly to the recognition of receivables for weed abatement, debris removal and abandoned and unsecured housing of \$1.99 million recorded through a prior period adjustment and an increase in oil and gas receivables of \$139 thousand. Business-type activities accounts receivable increased \$2.81 million for business-type activities related to insurance recoveries related to flood and water damage. Governmental activities receivable from the City decreased \$2.24 million primarily due to recognizing prefunded bond projects of \$2.67 million as uncollectible as the projects have been postponed or determined non-feasible by the City. In addition, the non-current portion of the year-end receivable balance of \$372 thousand was reclassified to non-current assets. Business-type activities accounts receivable from the City increased \$913 thousand primarily due to a receivable from the City Grants Management Fund related to reimbursements of expenses eligible under a Federal Emergency Management Agency grant. Prepaid assets for governmental activities increased \$250 thousand for software maintenance and licenses. Prepaid assets for business type activities increased \$197 thousand primarily related to increases in insurance premiums and software maintenance and licenses.

Capital assets increased \$1.55 million in governmental activities for capital additions of \$2.00 million and a prior period adjustment of \$398 thousand offset by normal depreciation of \$848 thousand. Capital assets decreased \$2.05 million in business-type activities related to retirements with a net book value of \$218 thousand and normal depreciation of \$1.83 million.

Other non-current assets for governmental activities increased \$181 thousand due to the reclass of the \$372 thousand receivable from the City General Obligation Bond Fund previously included in current assets and a decrease of \$191 thousand related to the normal amortization of long-term prepaid software licenses and support. Other non-current assets for business-type activities decreased \$4.21 million due to a decrease in unfunded liabilities from the City Risk Management Fund related to cost reimbursement advances in the amount of \$4.10 million and a decrease of \$113 thousand for loans to the Oklahoma City Public Property Authority for golf carts that were repaid in 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

Current liabilities for governmental activities decreased \$3.47 million related primarily to the payment of \$1.50 million due to the City Police Fund and \$1.50 million due to the City Fire Fund in the prior year related to radio system upgrades. Business-type activities current liabilities increased \$4.20 million primarily due to increases in due to component units and other funds of \$2.04 million related to disaster reimbursements, an increase in accounts payable of \$628 thousand related to the timing of vendor payments and changes in estimated claims payable of \$1.53 million due to increases in the property claim liability of \$2.51 million related to flood damage, offset by decreases in the actuarially determined liabilities for workers compensation of \$890 thousand and health care of \$90 thousand. Non-current liabilities for business-type activities increased \$1.84 million due to changes in in the actuarially determined liability for worker's compensation of \$741 thousand and an increase of \$1.10 million in the liability to the City Information Technology and Risk Management Funds for cost reimbursement advances.

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total % Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Revenues							
Charges for services	\$2,052,644	\$1,428,888	\$39,923,601	\$38,557,184	\$41,976,245	\$39,986,072	5.0%
Operating grants and contributions	2,609,133	2,389,662	664,206	241,724	3,273,339	2,631,386	24.4
Capital grants and contributions	15	240	-	-	15	240	(93.8)
General revenues	<u>1,306,636</u>	<u>928,507</u>	<u>48,622</u>	<u>30,208</u>	<u>1,355,258</u>	<u>958,715</u>	41.4
Total operating revenues	<u>5,968,428</u>	<u>4,747,297</u>	<u>40,636,429</u>	<u>38,829,116</u>	<u>46,604,857</u>	<u>43,576,413</u>	6.9
Program expenses							
General government	1,815,276	1,797,805	-	-	1,815,276	1,797,805	1.0
Public safety	1,130,265	978,779	-	-	1,130,265	978,779	15.5
Public services	1,463,812	1,771,193	-	-	1,463,812	1,771,193	(17.4)
Culture and recreation	433,001	578,257	-	-	433,001	578,257	(25.1)
Risk management	-	-	39,919,386	38,462,010	39,919,386	38,462,010	3.8
Information technology	<u>-</u>	<u>-</u>	<u>2,021,177</u>	<u>1,936,504</u>	<u>2,021,177</u>	<u>1,936,504</u>	4.4
Total expenses	<u>4,842,354</u>	<u>5,126,034</u>	<u>41,940,563</u>	<u>40,398,514</u>	<u>46,782,917</u>	<u>45,524,548</u>	2.8
Transfers	<u>17,939</u>	<u>-</u>	<u>(17,939)</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.0
Changes in net position (deficit)	1,144,013	(378,737)	(1,322,073)	(1,569,398)	(178,060)	(1,948,135)	90.9
Beginning net position							
As previously reported	32,079,784	32,458,521	11,935,850	13,505,248	44,015,634	45,963,769	(4.2)
Prior period restatement	<u>(481,721)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(481,721)</u>	<u>-</u>	100.0
Beginning net position	<u>31,598,063</u>	<u>32,458,521</u>	<u>11,935,850</u>	<u>13,505,248</u>	<u>43,533,913</u>	<u>45,963,769</u>	(5.3)
Ending net position	<u>\$32,742,076</u>	<u>\$32,079,784</u>	<u>\$10,613,777</u>	<u>\$11,935,850</u>	<u>\$43,355,853</u>	<u>\$44,015,634</u>	(1.5)

Governmental activities charges for services increased \$624 thousand primarily due to recording of revenue for fines for weed abatement and debris removal of \$686 thousand offset by a decrease in impact fees of \$61 thousand. Operating grants and contributions increased \$219 thousand primarily due to payments from the City General Fund for advanced project funding of \$500 thousand and for vacant and abandoned housing of \$500 thousand, offset by prior year payments of \$575 thousand for system upgrades and maintenance and a decrease in payments from the City Asset Forfeiture Fund of \$200 thousand for undercover investigative expenses. Governmental general revenues increased \$378 thousand primarily due to recording of revenue for oil and gas revenues related to increased accounts receivable of \$164 thousand and secured and abandoned housing of \$189 thousand in 2014.

Business-type activities charges for services increased \$1.37 million primarily related to increased risk management premium revenues for life, dental and health insurance of \$1.40 million offset by a decrease in health flexible spending account forfeitures of \$32 thousand.

Governmental activities program expenses decreased \$284 thousand. Public safety expenses increased \$151 thousand due to additional software licensing costs of \$202 thousand, a decrease in telephone costs of \$33 thousand and a decrease in depreciation of \$16 thousand. Public services expenses decreased \$308 thousand related to prior year biennial inventory adjustments of \$392 thousand and an increase in legal expenses of \$67 thousand. Culture and recreation expenses decreased \$145 thousand related primarily to a decrease in salary subsidies funded by oil and gas royalties for City parks employees to a flat annual rate for 2014.

Business-type activities program expenses for risk management program expenses increased by \$1.46 million primarily related to increases in life, dental and health insurance costs of \$1.11 million and \$335 thousand of payments related to cost reimbursements. Business-type program expenses for information technology expenses increased by \$85 thousand primarily related to a loss on disposal of radios of \$218 thousand offset by a decrease in normal depreciation of \$163 thousand.

In 2014, prior period adjustments were recorded in governmental activities that reduced the previously reported net position by \$481 thousand. A prior period adjustment of \$2.67 million was recorded to recognize prefunded project costs included in accounts receivable from the City that should have been expensed in prior years. This was offset by a prior period adjustment of \$1.61 million to recognize receivables for nuisance abatement that were not recorded in prior years. In addition, prior period adjustments were recorded for software costs that were expensed in the prior year and should have been recorded as capital assets of \$398 thousand as well as for software maintenance that was accrued in error in the prior year of \$184 thousand.

Governmental Fund

As discussed, the Authority governmental fund is reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The Authority governmental fund reported an ending fund balance of \$18,070,793 of which \$2,965,470 is unassigned.

The total ending fund balance of the governmental fund shows a decrease of \$2,693,930 from the prior year. This decrease is primarily the result of the events and programs described within the analysis of the Authority's governmental activities.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, at fiscal year-end is \$15,139,637.

Capital Assets, Net of Accumulated Depreciation							
	Governmental Activities		Business-type Activities		Total		Total % Change
	2014	2013	2014	2013	2014	2013	
Non-Depreciable Assets							
Land	\$5,401,779	\$5,401,779	\$ -	\$ -	\$5,401,779	\$5,401,779	0.0%
Construction in progress	-	12,017	-	-	-	12,017	(100.0)
Total non-depreciable assets	5,401,779	5,413,796	-	-	5,401,779	5,413,796	(0.2)
Depreciable Assets							
Improvements other than buildings	3,932,841	4,376,667	-	-	3,932,841	4,376,667	(10.1)
Buildings	1,113,572	1,202,999	49,806	52,352	1,163,378	1,255,351	(7.3)
Furniture, machinery, and equipment	2,396,808	305,470	2,244,831	4,293,116	4,641,639	4,598,586	0.9
Total depreciable assets	7,443,221	5,885,136	2,294,637	4,345,468	9,737,858	10,230,604	(4.8)
	12,845,000	11,298,932	2,294,637	4,345,468	15,139,637	15,644,400	(3.2)

The Authority's net capital assets for governmental and business-type activities as of June 30, 2014 was \$12.85 million and \$2.29 million, respectively. The governmental activities increase of \$1.55 million is due to asset additions of \$2.00 million related to software development for upgrades completed to various City financial accounting software and a prior period adjustment of \$398 thousand for expenses that should have been capitalized in 2013 related to the software upgrades. These increases were offset by current year depreciation of \$848 thousand. The business-type activities decrease of \$2.05 million is due to current year depreciation of \$1.83 million and retirements with a net book value of \$218 thousand. In addition, a fingerprint identification system of \$458 thousand was traded in during an upgrade and was removed from the asset records. The system was fully depreciated. See Note II. D. for more information regarding capital assets.

Economic Factors

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

Contacting the Authority's Financial Management

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

Basic Financial Statements

Authority-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

Proprietary Fund Financial Statements

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

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

STATEMENT OF NET POSITION
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Pooled cash-----	\$1,381,195	\$4,622,721	\$6,003,916
Non-pooled cash-----	27,301	-	27,301
Investments-----	11,281,321	37,641,961	48,923,282
Accounts receivable, net-----	2,152,313	6,785,317	8,937,630
Interest, dividends and royalties receivable-----	39,500	132,143	171,643
Due within the Authority-----	170,484	(170,484)	-
Receivable from the City of Oklahoma City-----	4,058,147	1,125,993	5,184,140
Receivable from component units-----	-	7,963	7,963
Intergovernmental receivables-----	-	156,250	156,250
Prepays-----	549,791	992,861	1,542,652
Total current assets-----	19,660,052	51,294,725	70,954,777
<u>NON-CURRENT ASSETS</u>			
Receivable from the City of Oklahoma City-----	371,618	15,545,897	15,917,515
Non-current prepaids-----	661,321	-	661,321
Capital assets:			
Land and construction in progress-----	5,401,779	-	5,401,779
Other capital assets, net of accumulated depreciation-----	7,443,221	2,294,637	9,737,858
Capital assets, net-----	12,845,000	2,294,637	15,139,637
Total non-current assets-----	13,877,939	17,840,534	31,718,473
Total assets-----	33,537,991	69,135,259	102,673,250
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable and accrued expenses-----	757,359	2,701,653	3,459,012
Payable to the City of Oklahoma City-----	36,272	282,132	318,404
Payable to component units-----	-	1,773,098	1,773,098
Estimated claims payable-----	-	19,454,117	19,454,117
Unearned revenue-----	2,284	-	2,284
Total current liabilities-----	795,915	24,211,000	25,006,915
<u>NON-CURRENT LIABILITIES</u>			
Estimated claims payable-----	-	28,563,000	28,563,000
Payable to the City of Oklahoma City-----	-	5,747,482	5,747,482
Total non-current liabilities-----	-	34,310,482	34,310,482
Total liabilities-----	795,915	58,521,482	59,317,397
<u>NET POSITION</u>			
Net investment in capital assets-----	12,845,000	2,294,637	15,139,637
Restricted for:			
Capital projects-----	973,899	-	973,899
Public safety-----	717,462	-	717,462
Unrestricted-----	18,205,715	8,319,140	26,524,855
Total net position-----	\$32,742,076	\$10,613,777	\$43,355,853

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Program Revenues			Governmental Activities	Business Type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<u>GOVERNMENTAL ACTIVITIES</u>							
General government	\$1,815,276	\$331,697	\$2,599,606	\$15	\$1,116,042	\$ -	\$1,116,042
Public safety:							
Police-----	1,887	-	-	-	(1,887)	-	(1,887)
Other-----	1,128,378	-	5,604	-	(1,122,774)	-	(1,122,774)
Public services-----	1,463,812	1,720,947	3,923	-	261,058	-	261,058
Culture and recreation-----	433,001	-	-	-	(433,001)	-	(433,001)
Total governmental activities----	4,842,354	2,052,644	2,609,133	15	(180,562)	-	(180,562)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Risk management-----	39,919,386	39,923,601	664,206	-	-	668,421	668,421
Information technology-----	2,021,177	-	-	-	-	(2,021,177)	(2,021,177)
Total business-type activities----	41,940,563	39,923,601	664,206	-	-	(1,352,756)	(1,352,756)
Total-----	<u>\$46,782,917</u>	<u>\$41,976,245</u>	<u>\$3,273,339</u>	<u>\$15</u>	<u>(180,562)</u>	<u>(1,352,756)</u>	<u>(1,533,318)</u>
<u>GENERAL REVENUES</u>							
Oil and gas royalties-----					872,829	-	872,829
Unrestricted investment income-----					47,144	48,622	95,766
Miscellaneous-----					386,663	-	386,663
Total general revenues-----					<u>1,306,636</u>	<u>48,622</u>	<u>1,355,258</u>
Transfers within the Authority-----					17,939	(17,939)	-
Changes in net position-----					<u>1,144,013</u>	<u>(1,322,073)</u>	<u>(178,060)</u>
Net position-beginning							
As previously reported-----					32,079,784	11,935,850	44,015,634
Prior period adjustment-----					(481,721)	-	(481,721)
As restated-----					31,598,063	11,935,850	43,533,913
Net position-ending-----					<u>\$32,742,076</u>	<u>\$10,613,777</u>	<u>\$43,355,853</u>

See accompanying notes to financial statements.

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	General Purpose Fund
<u>ASSETS</u>	
Pooled cash-----	\$1,381,195
Non-pooled cash-----	27,301
Investments-----	11,281,321
Accounts receivable, net-----	2,152,313
Interest, dividends, and royalties receivable-----	39,500
Due within the Authority-----	170,484
Receivable from the City of Oklahoma City-----	4,058,148
Prepays-----	1,211,112
Non-current receivable from the City of Oklahoma City-----	371,618
Total assets-----	<u>\$20,692,992</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts payable and accrued expenses-----	\$757,360
Payable to the City of Oklahoma City-----	36,272
Unearned revenue-----	2,284
Total liabilities-----	<u>795,916</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>1,826,283</u>
<u>FUND BALANCES</u>	
Non-spendable-----	1,582,730
Restricted-----	1,281,167
Committed-----	186,434
Assigned-----	12,054,992
Unassigned-----	2,965,470
Total fund balance-----	<u>18,070,793</u>
Total liabilities, deferred inflows of resources, and fund balances-----	<u>\$20,692,992</u>
<u>RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION, GOVERNMENTAL ACTIVITIES</u>	
Total fund balance-----	\$18,070,793
Capital assets, net of accumulated depreciation-----	12,845,000
Revenue earned but unavailable-----	1,826,283
Net position-governmental activities-----	<u>\$32,742,076</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2014**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	General Purpose Fund
<u>REVENUES</u>	
Licenses and permits-----	\$105,284
Oil and gas royalties-----	842,330
Fines and forfeitures-----	1,787,729
Investment income-----	52,210
Rental income-----	2,284
Payments from the City of Oklahoma City-----	2,599,606
Other-----	245,630
Total revenues-----	<u>5,635,073</u>
<u>EXPENDITURES</u>	
<u>CURRENT</u>	
Payments to the City of Oklahoma City-----	500,000
General government-----	1,009,345
Public safety other-----	1,007,421
Public services-----	1,193,259
Culture and recreation-----	272,000
Capital outlay-----	2,008,275
Total expenditures-----	<u>5,990,300</u>
Deficiency of revenues under expenditures-----	(355,227)
<u>OTHER FINANCING SOURCES</u>	
Transfers within the Authority-----	17,939
Sale of assets-----	15
Net other financing sources-----	<u>17,954</u>
Net change in fund balances-----	(337,273)
<u>FUND BALANCE, BEGINNING</u>	
As previously reported-----	20,764,723
Prior period adjustments-----	(2,356,657)
Fund balance, beginning, as restated-----	18,408,066
Fund balances, ending-----	<u>\$18,070,793</u>
<u>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES, GOVERNMENTAL ACTIVITIES</u>	
Net change in fund balance-----	(\$337,273)
Recognition of earned but unavailable revenue-----	333,337
Depreciation expense-----	(848,310)
Capital outlay-----	2,008,275
Loss on disposal of assets-----	(12,016)
Change in net assets-governmental activities-----	<u>\$1,144,013</u>

See accompanying notes to financial statements.

**STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	OCMFA Services
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Pooled cash-----	\$4,622,721
Investments-----	37,641,961
Accounts receivable, net-----	6,785,317
Interest, dividends, and royalties receivable-----	132,143
Due within the Authority-----	(170,484)
Receivable from the City of Oklahoma City-----	1,125,993
Receivable from component units-----	7,963
Intergovernmental receivables-----	156,250
Prepays-----	992,861
Total current assets-----	<u>51,294,725</u>
<u>NON-CURRENT ASSETS</u>	
Receivable from the City of Oklahoma City-----	15,545,897
Capital assets:	
Other capital assets, net of accumulated depreciation-----	2,294,637
Capital assets, net-----	<u>2,294,637</u>
Total non-current assets-----	<u>17,840,534</u>
Total assets-----	<u>69,135,259</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts payable and accrued expenses-----	2,701,653
Payable to the City of Oklahoma City-----	282,132
Payable to component units-----	1,773,098
Estimated claims payable-----	19,454,117
Total current liabilities-----	<u>24,211,000</u>
<u>NON-CURRENT LIABILITIES</u>	
Estimated claims payable-----	28,563,000
Payable to the City of Oklahoma City-----	5,747,482
Total non-current liabilities-----	<u>34,310,482</u>
Total liabilities-----	<u>58,521,482</u>
<u>NET POSITION</u>	
Net investment in capital assets-----	2,294,637
Unrestricted-----	8,319,140
Total net position-----	<u>\$10,613,777</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2014**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	OCMFA Services
<u>OPERATING REVENUES</u>	
Service charges-----	\$39,908,330
Fines and forfeitures-----	15,270
Total operating revenues-----	<u>39,923,600</u>
<u>OPERATING EXPENSES</u>	
Maintenance, operations, and contractual services-----	39,521,207
Materials and supplies-----	3,539
Depreciation-----	1,832,835
Total operating expenses-----	<u>41,357,581</u>
Operating loss-----	<u>(1,433,981)</u>
<u>NON-OPERATING REVENUE</u>	
Investment income-----	48,622
Payments from the City of Oklahoma City-----	664,206
Payments to the City of Oklahoma City-----	(364,985)
Other expenses-----	(217,996)
Non-operating revenue-----	<u>129,847</u>
Loss before transfers-----	(1,304,134)
<u>TRANSFERS</u>	
Transfers within the Authority-----	(17,939)
Change in net position-----	(1,322,073)
<u>Total net position, beginning</u>	
Total net position, beginning-----	11,935,850
Total net position, ending-----	<u>\$10,613,777</u>

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	OCMFA Services
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers-----	\$39,929,940
Cash payments to suppliers for goods and services-----	(54,118,630)
Cash payments for internal services-----	(1,660)
Operating payments from the City of Oklahoma City-----	429,875
Operating payments to the City of Oklahoma City-----	(30,000)
Cost reimbursements from (to) other funds-----	17,380,446
Other cash receipts-----	3,354,895
Net cash provided by operating activities-----	<u>6,944,866</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Changes in pooled investments-----	(7,123,024)
Investment income received-----	215,469
Purchased interest-----	(11,227)
Net cash used by investing activities-----	<u>(6,918,782)</u>
Net increase in cash-----	26,084
Cash, beginning-----	4,596,637
Cash, ending-----	<u>\$4,622,721</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income (loss)-----	(\$1,433,981)
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Depreciation-----	1,832,835
Non-operating revenue-----	181,020
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable-----	(2,813,847)
(Increase) decrease in receivable from the City of Oklahoma City-----	2,797,730
(Increase) decrease in receivable from component units-----	(3,107)
(Increase) decrease in prepaid assets-----	(193,862)
Increase (decrease) in accounts payable and accrued expenses-----	627,857
Increase (decrease) in payable to the City of Oklahoma City-----	1,905,092
Increase (decrease) in payable to component unit-----	1,773,098
Increase (decrease) in long-term liabilities-----	2,272,031
Total adjustments-----	<u>8,378,847</u>
Net cash provided by operating activities-----	<u>\$6,944,866</u>
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>	
Net increase (decrease) in fair value of investments-----	(\$20,906)
Total non-cash investing, capital, and financing activities-----	<u>(\$20,906)</u>

See accompanying notes to financial statements.

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Municipal Facilities Authority (Authority) financial activities for the fiscal year ended June 30, 2014.

I. B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

Authority Administration

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

I. B. 2. BASIC FINANCIAL STATEMENTS

Authority-wide Financial Statements

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

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

Fund Financial Statements

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

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

Generally Accepted Accounting Principles (U.S. GAAP)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Governmental Fund

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

General Purpose Fund

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

Proprietary Fund

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

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

Enterprise Fund

OCMFA Services Fund

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

I. C. BUDGET LAW AND PRACTICE

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

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

Implementation of New Accounting Standard

Effective July 1, 2012, the Authority implemented Governmental Accounting Standards Board (GASB) statement number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement defines deferred outflows and deferred inflows of resources and where they are to be reported in the financial statements and redefine and provide new calculations for the classifications of net position.

I. D. 1. CASH AND INVESTMENTS

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

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

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

I. D. 2. ACCOUNTS RECEIVABLE

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

I. D. 3. PREPAIDS

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

I. D. 4. INTERFUND BALANCES

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

I. D. 5. CAPITAL ASSETS AND DEPRECIATION

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

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

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

I. D. 6. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Fund Balance Usage

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

Net Position

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

Net investment in Capital Assets

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

Restricted Net Position

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

I. D. 7. USE OF ESTIMATES

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

I. D. 8. RISK MANAGEMENT AND ESTIMATED CLAIMS PAYABLE

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

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

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

Employee Life and Health

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

Worker's Compensation

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

Property and Liability

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

Unemployment and Disability Insurance

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

I. E. MAJOR REVENUES

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

I. F. TAX STATUS

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

I. G. RETAINAGES

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

II. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

II. A. DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2014, the Authority's cash is collateralized with securities held by the pledging financial institution in the name of the Authority or the City, less Federal depository insurance.

Investments

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

	Fair Value/ Carrying Amount	Cost	Rating (1)	Weighted Average Months to Maturity (2)
POOLED INVESTMENTS				
Fannie Mae	\$12,002,883	\$12,144,772	AA/Aaa	22.35
Federal obligations	29,463,985	29,715,836	AA/Aaa	18.07
Money market funds	<u>7,456,414</u>	<u>7,456,415</u>	AAA/Aaa	1.80
	<u>\$48,923,282</u>	<u>\$49,317,023</u>		

(1) Ratings are provided where applicable to indicate associated credit risk.

(2) Interest rate risk is estimated using weighted average months to maturity.

Investment policy

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

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

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

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

Portfolio Structure (1)

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

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

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

Investments Held by Others

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

Compliance with State Restrictions

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

II. B. RECEIVABLES AND UNCOLLECTIBLE AMOUNTS

Accounts Receivable

Governmental activities

Oil and gas royalties	\$163,684
Nuisance abatement	3,779,074
Less allowance for uncollectible accounts	(1,790,445)
	<u>\$2,152,313</u>

Business-type activities

Flexible benefits plan forfeitures	\$15,270
Insurance recoveries receivables	6,770,047
	<u>\$6,785,317</u>

Intergovernmental Receivable

In May 2013, severe weather resulted in the declaration of a disaster for damage to City property. A Federal Emergency Management Agency grant was awarded. In connection with this award, the OCMFA Services Fund will receive \$156,250 from the Oklahoma Emergency Management Agency to supplement matching fund requirements.

II. C. PREPAIDS

The General Purpose Fund reported prepaid software license and support agreements of \$1,211,112 including \$661,321 reported as non-current. The OCMFA Services Fund reported \$724,687 for prepaid insurance, \$266,184 for prepaid software license and support agreements, and \$1,990 for prepaid conference registrations.

II. D. CAPITAL ASSETS

Changes in Capital Assets

	Capital Assets, not depreciated			Capital Assets, depreciated				Total Capital Assets, net
	Land	Construction In Progress	Total	Improvements Other Than Buildings	Buildings	Furniture, Machinery, & Equipment	Total	
<i>Governmental Activities</i>								
CAPITAL ASSETS								
Balance, June 30, 2013								
As previously reported	\$5,401,779	\$12,017	\$5,413,796	\$15,045,086	\$7,163,276	\$8,693,545	\$30,901,907	\$36,315,703
Prior period adjustment	—	398,120	398,120	—	—	—	—	398,120
As restated	5,401,779	410,137	5,811,916	15,045,086	7,163,276	8,693,545	30,901,907	36,713,823
Increases	—	—	—	—	—	2,406,395	2,406,395	2,406,395
Decreases	—	(410,137)	(410,137)	—	—	—	—	(410,137)
Balance, June 30, 2014	<u>5,401,779</u>	—	<u>5,401,779</u>	<u>15,045,086</u>	<u>7,163,276</u>	<u>11,099,940</u>	<u>33,308,302</u>	<u>38,710,081</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2013				10,668,419	5,960,277	8,388,075	25,016,771	25,016,771
Increases				443,826	89,427	315,057	848,310	848,310
Decreases				—	—	—	—	—
Balance, June 30, 2014				<u>11,112,245</u>	<u>6,049,704</u>	<u>8,703,132</u>	<u>25,865,081</u>	<u>25,865,081</u>
Governmental activities								
capital assets, net	<u>5,401,779</u>	—	<u>5,401,779</u>	<u>3,932,841</u>	<u>1,113,572</u>	<u>2,396,808</u>	<u>7,443,221</u>	<u>12,845,000</u>

(continued)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
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Changes in Capital Assets (continued)

	Capital Assets, not depreciated			Capital Assets, depreciated				
		Construction		Improvements		Furniture,		Total
	Land	In Progress	Total	Other Than		Machinery, &		Capital
				Buildings	Buildings	Equipment	Total	Assets, net
Business-type Activities								
CAPITAL ASSETS								
Balance, June 30, 2013					218,700	24,614,308	24,833,008	24,833,008
Decreases					-	(1,490,737)	(1,490,737)	(1,490,737)
Balance, June 30, 2014					218,700	23,123,571	23,342,271	23,342,271
ACCUMULATED DEPRECIATION								
Balance, June 30, 2013					166,348	20,321,192	20,487,540	20,487,540
Increases					2,546	1,830,289	1,832,835	1,832,835
Decreases					-	(1,272,741)	(1,272,741)	(1,272,741)
Balance, June 30, 2014					168,894	20,878,740	21,047,634	21,047,634
Business-type activities								
capital assets, net					49,806	2,244,831	2,294,637	2,294,637
Capital assets, net	\$5,401,779	\$ -	\$5,401,779	\$3,932,841	\$1,163,378	\$4,641,639	\$9,737,858	\$15,139,637

Depreciation Expense

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$305,931	Risk Management	\$59,812
Police public safety	1,887	Information Technology	<u>1,773,023</u>
Public safety other	120,953		<u>\$1,832,835</u>
Public services	258,533		
Culture and recreation	<u>161,006</u>		
	<u>\$848,310</u>		

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. UNEARNED REVENUES

Within governmental activities, the Authority has unearned revenue of \$2,284 at the end of the fiscal year. The unearned revenue recorded is for prepaid facilities rental by the Arts Council of Oklahoma City.

III. B. ESTIMATED CLAIMS PAYABLE

Risk Management Claims Payable

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
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Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the change in claims liabilities for the OCMFA Services Fund for fiscal year 2014.

	Health Care	Worker's Compensation (1,2)	Property Damage (2)	Total
Liability balance, July 1, 2012	\$1,265,470	\$39,967,000	\$550,913	\$41,783,383
Claims and changes in estimates	16,092,774	7,103,092	4,684,860	27,880,726
Claims payments	<u>(15,946,706)</u>	<u>(7,463,092)</u>	<u>(509,225)</u>	<u>(23,919,023)</u>
Liability balance, June 30, 2013	1,411,538	39,607,000	4,726,548	45,745,086
Claims and changes in estimates	15,753,256	6,851,343	8,297,268	30,901,867
Claims payments	<u>(15,843,167)</u>	<u>(7,000,343)</u>	<u>(5,786,326)</u>	<u>(28,629,836)</u>
Liability balance, June 30, 2014	<u>\$1,321,627</u>	<u>\$39,458,000</u>	<u>\$7,237,490</u>	<u>\$48,017,117</u>
Assets available to pay claims at year end	<u>\$9,659,944</u>	<u>\$23,912,103</u>	<u>\$11,614,859</u>	<u>\$45,186,906</u>

- (1) Worker's compensation estimated claims are calculated using the chain-ladder and additive distribution methods. The City records worker's compensation claims payable at the discounted amount. The undiscounted carrying value at June 30, 2014 is \$43,637,000. Claims are discounted at 2% at June 30, 2014.
- (2) Assets available to pay claims does not include cost reimbursement receivable from/payable to the City Risk Management Fund as these advances result in a deficit net position in the City Risk Management Fund and therefore are not available to pay the claims.

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

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

Property and Liability Claims

The OCMFA Services Fund Property and Liability incurred costs relating to property damage during fiscal year 2014. The costs are reimbursed by the City Risk Management Fund. The claims in the current year relate primarily to the storms on May 31, 2013 in which numerous City facilities sustained wind, hail and flood damage and the water damage on February 2, 2014 of the 420 W. Main building.

Estimated Claims Payment Requirements to Maturity

Fiscal Year	Principal
2014	\$19,454,117
2015	<u>28,563,000</u>
	<u>\$48,017,117</u>

III. C. CHANGES IN LONG-TERM LIABILITIES

	Balance July 1, 2013	Incurred	Paid	Balance June 30, 2014	Due Within One Year	Due After One Year
Estimated claims payable - OCMFA Services Fund Risk Management	<u>\$45,745,086</u>	<u>\$30,901,867</u>	<u>\$28,629,836</u>	<u>\$48,017,117</u>	<u>\$19,454,117</u>	<u>\$28,563,000</u>

III. D. DEFERRED INFLOWS OF RESOURCES

Implementation of New Accounting Standard

Effective July 1, 2012, the Trust implemented GASB statement number 65, Items Previously Reported as Assets and Liabilities. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows and deferred inflows of resources including revenue earned but unavailable in governmental funds. Unavailable revenues were previously reported with unearned revenues, a liability.

Unavailable Revenue

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). At June 30, 2014, revenue earned but unavailable for governmental activities is \$1,826,283.

IV. NET POSITION AND FUND BALANCE

IV. A. PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustments

Prefunded Costs

The Authority pays for architectural and engineering fees for the City and related trust construction projects before the funding is finalized to allow more timely initiation of capital projects due to the length of time involved in finalizing debt and contracts for construction. When the funding is finalized and the construction begins, the City or related trust reimburses the Authority for the cost of the prefunded fees. While reviewing receivable balances of prefunded projects, it was discovered that several projects had been postponed or determined non-feasible but the associated receivables in the Authority and the related payables in the City General Obligation Bond Fund had not been removed. A prior period adjustment has been recorded to reflect the corrections of these receivables.

	<i>Governmental Fund</i>	<i>Governmental Activities</i>
Restatement of beginning fund balance/net position Receivable from the City	<u>(\$2,669,087)</u>	<u>(\$2,669,087)</u>
Effect on 2013 previously reported changes in fund balance/net position General government expenditures/expenses	<u>(\$1,338,856)</u>	<u>(\$1,338,856)</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

Accounts Receivable

Program revenues reported in governmental activities in the Authority General Purpose Fund include charges for services such as fines for weed abatement, trash and debris removal, and unsecured and abandoned housing. Amounts are billed to the citizens after the service is performed and if unpaid, a lien is filed against the property. In prior years, no receivables were recorded. A prior period adjustment has been recorded to reflect the receivable balance as of June 30, 2013 and the estimate of uncollectible accounts based upon average historical collections over assessments.

	<i>Governmental Fund</i>	<i>Governmental Activities</i>
Restatement of beginning fund balance/net position		
Accounts receivable, net	\$1,605,235	\$1,605,235
Deferred inflows of resources	(1,476,816)	-
	<u>\$128,419</u>	<u>\$1,605,235</u>
Effect on 2013 previously reported changes in fund balance/net position		
Charges for services	(\$20,898)	(\$261,219)
General revenues	(4,662)	(58,281)
	<u>(\$25,560)</u>	<u>(\$319,500)</u>

Accrued Expenses

In 2013, an accrual was made in the Authority for expenses related to annual software maintenance. It was later discovered that the time period covered by the invoice received did not begin until August of the next fiscal year and therefore no accrual was necessary. A prior period adjustment has been recorded in OCMFA to reflect the amount that should have been expensed in 2014.

	<i>Governmental Fund</i>	<i>Governmental Activities</i>
Restatement of beginning fund balance/net position		
Accounts payable	<u>\$184,011</u>	<u>\$184,011</u>
Effect on 2013 previously reported changes in fund balance/net position		
General government expenditures/expenses	<u>\$184,011</u>	<u>\$184,011</u>

Software Costs

In 2013, the Authority paid for software development costs that were charged to expense rather than capitalized as assets. A prior period adjustment has been recorded to reflect the amount that should have been recorded as capital assets.

	<i>Governmental Fund</i>	<i>Governmental Activities</i>
Restatement of beginning fund balance/net position		
Capital assets	<u>\$ -</u>	<u>\$398,120</u>
Effect on 2013 previously reported changes in fund balance, net position		
General government expenditures/expenses	<u>\$ -</u>	<u>\$398,120</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

IV. B. NET POSITION

Net Investment in Capital Assets

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<u>Total</u>
Capital assets, net	<u>\$12,845,000</u>	<u>\$2,294,637</u>	<u>\$15,139,637</u>

Restricted for Capital Projects

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<u>Total</u>
Restricted for capital projects	<u>\$973,899</u>	<u>\$ -</u>	<u>\$973,899</u>

Restricted for Public Safety

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<u>Total</u>
Restricted for federal and state asset forfeiture	\$144,303	\$ -	\$144,303
Restricted for purchase and maintenance of police and fire equipment	<u>573,159</u>	<u>-</u>	<u>573,159</u>
	<u>\$717,462</u>	<u>\$ -</u>	<u>\$717,462</u>

Unrestricted

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<u>Total</u>
Unrestricted	<u>\$18,205,715</u>	<u>\$8,319,140</u>	<u>\$26,524,855</u>

IV. C. FUND BALANCE

Non-Spendable Fund Balance

Prepays	\$1,211,112
Non-current portion of receivable from the City of Oklahoma City	<u>371,618</u>
	<u>\$1,582,730</u>

Restricted Fund Balance

Restricted for Federal and state asset forfeiture	\$144,051
Restricted for purchase and maintenance of police and fire equipment	164,802
Restricted for capital projects	<u>972,314</u>
	<u>\$1,281,167</u>

Committed Fund Balance

Committed for 911 services	<u>\$186,434</u>
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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

Assigned Fund Balance

Assigned for information technology projects	\$644,262
Assigned for civil defense legal fees	44,490
Assigned for parks improvements, creation and maintenance	3,266,605
Assigned for Myriad Botanical Gardens operations	6,775
Assigned for bond capital projects	7,676,766
Assigned for encumbrances	<u>416,094</u>
	<u>\$12,054,992</u>

Unassigned

Unassigned	<u>\$2,965,470</u>
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V. REVENUES AND EXPENSES

V. A. LEASE REVENUES

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

Minimum Rentals on Non-Cancelable Leases

2015	\$4,200
2016	4,200
2017	4,200
2018	4,200
2019	4,200
2020 - 2023	<u>14,700</u>
	<u>\$35,700</u>
Rental income	<u>\$2,284</u>

VI. INTERFUND TRANSACTIONS

VI. A. INTERFUND BALANCES

Due Within The Authority

All activity between governmental and business-type activities are eliminated and any residual balances outstanding between the activities are reported in the Authority-wide financial statements as internal balances. During 2014, the OCMFA Services Fund had a cash shortage for expenses that exceeded cash balances in the amount of \$170,484. The cash shortage was funded by the General Purpose Fund and an amount due to/from was recorded.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

Payable/Receivable To/From the City

		PAYABLE TO	
		<i>Governmental</i>	<i>Business-type</i>
		<i>Activities</i>	<i>Activities</i>
		General	OCMFA
	<u>Purpose</u>	<u>Purpose Fund</u>	<u>Services</u>
<u>RECEIVABLE FROM</u>			
City General Fund	Deposits held by the city	\$77,377	\$2,983
City General Obligation Bond Fund	Prefunded project costs	3,980,771	-
City Grants Management	Grant related cost reimbursement	-	1,120,235
City Water and Wastewater Fund	Software Licenses	-	2,253
OCPPA Golf Courses	Golf pro health insurance	-	522
		<u>\$4,058,148</u>	<u>\$1,125,993</u>
		<u>RECEIVABLE FROM</u>	
		<i>Governmental</i>	<i>Business-type</i>
		<i>Activities</i>	<i>Activities</i>
		General	OCMFA
	<u>Purpose</u>	<u>Purpose Fund</u>	<u>Services</u>
<u>PAYABLE TO</u>			
City Stormwater Drainage Fund	Prefunded project costs	2,814	-
City Information Technology Fund	Emergency 911 phone services	33,458	-
City Print Shop Fund	Postage	-	172
City Capital Improvement Fund	Disaster reimbursement	-	281,960
		<u>\$36,272</u>	<u>\$282,132</u>

Long-Term Receivable From the City

Prefunded Project Costs

The Authority pays for initial architectural and engineering fees for the City and related trust construction projects before the funding is finalized. This process allows more timely initiation of capital projects due to the length of time involved in finalizing debt and contracts for construction by the City and related trusts. When the funding is finalized and construction begins, the City or related trust reimburses the Authority for the cost of the prefunded fees. Any amounts outstanding are reported as a receivable from the City. During 2014, the Authority prefunded \$1,944,341 related to City general obligation bond projects and was reimbursed for \$1,212,057. At June 30, 2014, the Authority reported an amount receivable from the City General Obligation Bond Fund of \$4,352,389 for unreimbursed prefunded fees of which \$3,980,771 is reported as a current receivable.

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

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

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

The loan was repaid over six years at an annual rate of 3.67% beginning April 1, 2008 with the final payment made on March 1, 2014 for the Earlywine and Trosper Golf Courses. Lincoln Park Golf Course repaid the remaining principal due on its loan in 2013.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

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

The City Risk Management and Information Technology Funds charge City funds for centralized services. The OCMFA Services Fund manages long-term contracts for costs related to these services. The City Risk Management and Information Technology Funds reimburse the Authority for these costs. The advance represents the under (over) funded liabilities of the OCMFA Services Fund at June 30, 2014.

	Worker's <u>Compensation</u>	Property <u>and Liability</u>	Information <u>Technology</u>	<u>Total</u>
Advance balance, July 1, 2013	\$19,645,168	(\$3,122,962)	(\$1,521,249)	\$15,000,957
Charges for services	(180,806)	-	-	(180,806)
Other services	8,523,397	7,337,422	2,885,746	18,746,565
Materials and supplies	-	448	6,063	6,511
Investment income	(72,349)	(14,855)	(6,651)	(93,855)
Other income	-	(6,278,473)	(22,036)	(6,300,509)
Reimbursement from the City	<u>(12,369,513)</u>	<u>(2,298,949)</u>	<u>(2,711,986)</u>	<u>(17,380,448)</u>
Advance balance, June 30, 2014	<u>\$15,545,897</u>	<u>(\$4,377,369)</u>	<u>(\$1,370,113)</u>	<u>\$9,798,415</u>

Payable To/From Component Units of the City

The OCMFA Services Fund Property and Liability reported \$7,963 receivable from component units of the City which is related to Federal Emergency Management Agency grant proceeds received by the Oklahoma City Airport Trust (OCAT) for costs paid by the Authority related to the May 31, 2013 disaster.

The Trust reported \$1,773,098 at June 30, 2014 payable to OCAT for reimbursement of insurable costs related to the May 31, 2013 disaster.

VI. B. INTERFUND TRANSFERS AND PAYMENTS

Transfers Within the Authority

	General <u>Purpose Fund</u>	Internal <u>Services</u>	<u>Total</u>
TRANSFERS TO			
General Purpose Fund	\$17,939	\$ -	\$17,939
OCMFA Services	-	(17,939)	(17,939)
	<u>\$17,939</u>	<u>(\$17,939)</u>	<u>\$ -</u>

Payments To/From the City

		PAYMENTS TO	
		<i>Governmental Activities</i>	<i>Business-type Activities</i>
		General	OCMFA
	<u>Purpose</u>	<u>Purpose Fund</u>	<u>Services Fund</u>
PAYMENTS FROM			
City General Fund	Operating subsidies, insurance reserves, and advanced project funding, net of administration charges	\$926,964	\$664,206
City Information Technology Fund	911 phone services	863,542	-
City Information Technology Fund	Software support	809,100	-
		<u>\$2,599,606</u>	<u>\$664,206</u>

(continued)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

Payments To/From the City (continued)

		PAYMENTS FROM	
		<i>Governmental</i>	<i>Business-type</i>
		<i>Activities</i>	<i>Activities</i>
		General	OCMFA
	<u>Purpose</u>	<u>Purpose Fund</u>	<u>Services Fund</u>
<u>PAYMENTS TO</u>			
City Grants Management	Grant related cost reimbursement	\$ -	\$314,073
City Information Technology Fund	Software licensing	-	30,160
City Risk Management Fund	Cost reimbursement	-	20,752
City Special Purpose Fund	Parks improvements	<u>500,000</u>	<u>-</u>
		<u>\$500,000</u>	<u>\$364,985</u>

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Combining Financial Statements

COMBINING STATEMENT OF NET POSITION
OCMFA SERVICES FUND
June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Risk Management						
	Health Care <u>Insurance</u>	Worker's Compensation	Property and <u>Liability</u>	Unemployment <u>Insurance</u>	Total Risk <u>Management</u>	Information <u>Technology</u>	<u>Total</u>
<u>ASSETS</u>							
<u>CURRENT ASSETS</u>							
Pooled cash-----	\$1,242,805	\$2,634,987	\$585,665	\$234	\$4,463,691	\$159,030	\$4,622,721
Investments-----	10,119,931	21,456,218	4,768,955	1,911	36,347,015	1,294,946	37,641,961
Accounts receivable, net-----	15,270	-	6,770,047	-	6,785,317	-	6,785,317
Interest, dividends and royalties receivable-----	35,526	75,323	16,741	7	127,597	4,546	132,143
Due within the Authority-----	(58,979)	(83,193)	(22,234)	(266)	(164,672)	(5,812)	(170,484)
Receivable from the City of Oklahoma City-----	3,506	-	1,120,235	-	1,123,741	2,252	1,125,993
Receivable from component units-----	-	-	7,963	-	7,963	-	7,963
Intergovernmental receivables-----	-	-	156,250	-	156,250	-	156,250
Prepays-----	1,990	263,775	460,951	-	726,716	266,145	992,861
Total current assets-----	11,360,049	24,347,110	13,864,573	1,886	49,573,618	1,721,107	51,294,725
<u>NON-CURRENT ASSETS</u>							
Receivable from the City of Oklahoma City-----	-	15,545,897	-	-	15,545,897	-	15,545,897
Capital assets:							
Other capital assets, net of accumulated depreciation---	-	113,319	-	-	113,319	2,181,318	2,294,637
Capital assets, net-----	-	113,319	-	-	113,319	2,181,318	2,294,637
Total non-current assets-----	-	15,659,216	-	-	15,659,216	2,181,318	17,840,534
Total assets-----	11,360,049	40,006,326	13,864,573	1,886	65,232,834	3,902,425	69,135,259
<u>LIABILITIES</u>							
<u>CURRENT LIABILITIES</u>							
Accounts payable-----	1,699,933	435,007	194,656	21,063	2,350,659	350,994	2,701,653
Payable to the City of Oklahoma City-----	172	-	281,960	-	282,132	-	282,132
Payable to component units-----	-	-	1,773,098	-	1,773,098	-	1,773,098
Estimated claims payable-----	1,321,627	10,895,000	7,237,490	-	19,454,117	-	19,454,117
Total current liabilities-----	3,021,732	11,330,007	9,487,204	21,063	23,860,006	350,994	24,211,000
<u>NON-CURRENT LIABILITIES</u>							
Estimated claims payable-----	-	28,563,000	-	-	28,563,000	-	28,563,000
Payable to the City of Oklahoma City-----	-	-	4,377,369	-	4,377,369	1,370,113	5,747,482
Total non-current liabilities-----	-	28,563,000	4,377,369	-	32,940,369	1,370,113	34,310,482
Total liabilities-----	3,021,732	39,893,007	13,864,573	21,063	56,800,375	1,721,107	58,521,482
<u>NET POSITION</u>							
Net investment in capital assets-----	-	113,319	-	-	113,319	2,181,318	2,294,637
Unrestricted-----	8,338,317	-	-	(19,177)	8,319,140	-	8,319,140
Total net position (deficit)-----	\$8,338,317	\$113,319	\$ -	(\$19,177)	\$8,432,459	\$2,181,318	\$10,613,777

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
OCMFA SERVICES FUND
For the Year Ended June 30, 2014**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Risk Management						
	Health Care Insurance	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management	Information Technology	Total
<u>OPERATING REVENUES</u>							
<u>CHARGES FOR SERVICES</u>							
Service charges-----	\$39,908,330	\$ -	\$ -	\$ -	\$39,908,330	\$ -	\$39,908,330
Total charges for services-----	39,908,330	-	-	-	39,908,330	-	39,908,330
Fines and forfeitures-----	15,270	-	-	-	15,270	-	15,270
Total operating revenues-----	39,923,600	-	-	-	39,923,600	-	39,923,600
<u>OPERATING EXPENSES</u>							
Maintenance, operations, and contractual services-----	39,335,939	-	-	185,268	39,521,207	-	39,521,207
Materials and supplies-----	3,539	-	-	-	3,539	-	3,539
Depreciation-----	-	59,812	-	-	59,812	1,773,023	1,832,835
Total operating expenses-----	39,339,478	59,812	-	185,268	39,584,558	1,773,023	41,357,581
Operating income (loss)-----	584,122	(59,812)	-	(185,268)	339,042	(1,773,023)	(1,433,981)
<u>NON-OPERATING REVENUE (EXPENSE)</u>							
Investment income-----	48,571	-	-	51	48,622	-	48,622
Payments to the City of Oklahoma City-----	-	170,191	(505,017)	-	(334,826)	(30,159)	(364,985)
Payments from the City of Oklahoma City-----	-	-	500,000	164,206	664,206	-	664,206
Other revenue (expense)-----	-	-	-	-	-	(217,996)	(217,996)
Net non-operating revenue-----	48,571	170,191	(5,017)	164,257	378,002	(248,155)	129,847
<u>TRANSFERS</u>							
Transfers within the Authority-----	(8,865)	(13,994)	5,017	(257)	(18,099)	160	(17,939)
Changes in net position-----	623,828	96,385	-	(21,268)	698,945	(2,021,018)	(1,322,073)
Total net position, beginning-----	7,714,489	16,934	-	2,091	7,733,514	4,202,336	11,935,850
Total net position, ending-----	\$8,338,317	\$113,319	\$ -	(\$19,177)	\$8,432,459	\$2,181,318	\$10,613,777

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COMBINING STATEMENT OF CASH FLOWS
OCMFA SERVICES FUND
For the Year Ended June 30, 2014

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Risk Management						Total
	Health Care <u>Insurance</u>	Worker's Compensation <u>Compensation</u>	Property and <u>Liability</u>	Unemployment <u>Insurance</u>	Total Risk <u>Management</u>	Information Technology <u>Technology</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>							
Cash received from customers-----	\$39,907,904	\$ -	\$ -	\$ -	\$39,907,904	\$22,036	\$39,929,940
Cash payments to suppliers for goods and services-----	(38,679,833)	(8,018,693)	(4,443,735)	(163,838)	(51,306,099)	(2,812,531)	(54,118,630)
Cash payments for internal services-----	(1,660)	-	-	-	(1,660)	-	(1,660)
Operating payments from the City of Oklahoma City-----	-	265,928	-	163,947	429,875	-	429,875
Operating payments to the City of Oklahoma City-----	-	-	-	-	-	(30,000)	(30,000)
Cost reimbursements from (to) other funds-----	-	12,369,512	2,298,950	-	14,668,462	2,711,984	17,380,446
Other cash receipts-----	-	-	3,354,895	-	3,354,895	-	3,354,895
Net cash provided (used) by operating activities-----	1,226,411	4,616,747	1,210,110	109	\$7,053,377	(108,511)	6,944,866
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>							
Changes in pooled investments-----	(1,363,070)	(4,631,612)	(1,181,756)	(386)	(7,176,824)	53,800	(7,123,024)
Investment income received-----	63,554	122,203	18,447	283	204,487	10,982	215,469
Purchased interest-----	(3,013)	(6,405)	(1,425)	(1)	(10,844)	(383)	(11,227)
Net cash provided (used) by investing activities-----	(1,302,529)	(4,515,814)	(1,164,734)	(104)	(6,983,181)	64,399	(6,918,782)
Net increase (decrease) in cash-----	(76,118)	100,933	45,376	5	70,196	(44,112)	26,084
Cash, beginning-----	1,318,923	2,534,054	540,289	229	4,393,495	203,142	4,596,637
Cash, ending-----	\$1,242,805	\$2,634,987	\$585,665	\$234	\$4,463,691	\$159,030	\$4,622,721
<u>RECONCILIATION OF OPERATING</u>							
<u>INCOME (LOSS) TO NET CASH PROVIDED</u>							
<u>BY OPERATING ACTIVITIES</u>							
Operating income (loss)-----	\$584,122	(\$59,812)	\$ -	(\$185,268)	\$339,042	(\$1,773,023)	(\$1,433,981)
<u>ADJUSTMENTS TO RECONCILE OPERATING</u>							
<u>INCOME (LOSS) TO NET CASH</u>							
<u>PROVIDED (USED) BY OPERATING ACTIVITIES</u>							
Depreciation-----	-	59,812	-	-	59,812	1,773,023	1,832,835
Non-operating revenue (expense)-----	-	193,579	(139,855)	163,947	217,671	(36,651)	181,020
(Increase) decrease in accounts receivable-----	(15,270)	-	(2,798,577)	-	(2,813,847)	-	(2,813,847)
(Increase) decrease in receivable from the City of Oklahoma City-----	4,748	4,099,370	(1,313,851)	-	2,790,267	7,463	2,797,730
(Increase) decrease in receivable from component units-----	-	-	(7,963)	-	(7,963)	4,856	(3,107)
(Increase) decrease in prepaid assets-----	(1,990)	(24,573)	(76,379)	-	(102,942)	(90,920)	(193,862)
Increase (decrease) in accounts payable-----	763,273	318,973	(633,024)	21,063	470,285	157,572	627,857
Increase (decrease) in payable to the City of Oklahoma City-----	(18,561)	178,398	1,895,719	367	2,055,923	(150,831)	1,905,092
Increase (decrease) in payable to component unit-----	-	-	1,773,098	-	1,773,098	-	1,773,098
Increase (decrease) in long-term liabilities-----	(89,911)	(149,000)	2,510,942	-	2,272,031	-	2,272,031
Total adjustments-----	642,289	4,676,559	1,210,110	185,377	6,714,335	1,664,512	8,378,847
Net cash provided (used) by operating activities-----	1,226,411	4,616,747	1,210,110	109	\$7,053,377	(108,511)	6,944,866
<u>NON-CASH INVESTING, CAPITAL,</u>							
<u>AND FINANCING ACTIVITIES</u>							
Net increase (decrease) in fair value of investments-----	(\$4,178)	(\$18,511)	\$2,468	(\$228)	(\$20,449)	(\$457)	(\$20,906)
Total non-cash investing, capital, and financing activities-----	(4,178)	(18,511)	\$2,468	(\$228)	(\$20,449)	(\$457)	(\$20,906)

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the governmental activities, the business-type activities and each major fund of the Oklahoma City Municipal Facilities Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 11, 2014, which contained an *Emphasis of Matter* paragraph relating to the restatement of prior period financial statements for material misstatements.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 14-01, 14-02 and 14-03 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Responses to the Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Other Matters

We also noted certain matters that we reported to the Authority's management in a separate letter dated December 11, 2014.

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

Purpose of this Report

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

BKD, LLP

Oklahoma City, Oklahoma
December 11, 2014

Oklahoma City Municipal Facilities Authority

Schedule of Findings and Responses

Year Ended June 30, 2014

Reference Number	Finding
14-01	<p>Criteria or Specific Requirement – Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During the year, the City Finance department identified that a receivable existed for nuisance abatement services that had not been reported in the prior year’s financial statements. The City initially identified and recorded an adjustment to reflect this net receivable balance, but we noted the City had not taken into account payments received during the current year when creating the prior period adjustment. We also noted the Authority’s allowance for uncollectible accounts for nuisance abatement receivables had not taken into account potential uncollectible accounts related to the last three years of nuisance abatement assessments.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – A prior period adjustment was recognized in the current period financial statements to recognize the nuisance abatement receivable from prior years and an audit adjustment was made to the Authority’s initial prior period adjustment to account for payments received during the current year and provide an additional allowance for uncollectible accounts.</p> <p>Cause – The previous tracking system used for abatements did not have the capability to track open and unpaid abatements for financial reporting purposes. Also, the Authority’s assumptions and methodology used to calculate the allowance for uncollectible accounts did not take into consideration the potential write-off related to uncollected assessments from the last three years.</p> <p>Recommendation – We recommend management annually review the information supporting the nuisance abatement receivable and the collection history for this receivable to ascertain if the receivable balance is properly reported and determine that the allowance for accounts receivable is sufficient to cover both old receivables and assessments during the last three years.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We will continue to train and develop our professional staff to perform reviews effectively.</p>

Oklahoma City Municipal Facilities Authority

Schedule of Findings and Responses

Year Ended June 30, 2014

Reference Number	Finding
14-02	<p>Criteria or Specific Requirement – Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During the year, the City’s finance department identified that certain pre-funded bond general obligation (GO) bond costs were not going to be reimbursed by the City’s GO Bond fund. The decision to not reimburse these costs was made prior to June 30, 2013, but the previously issued June 30, 2013, financial statements had not been adjusted for this matter. The City’s finance department also identified that certain pre-funded GO bond costs were accrued as a receivable at June 30, 2013, in error. A prior period adjustment was required to correct this matter.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – A prior period adjustment was recognized in the current year financial statements to recognize the write-off of certain pre-funded GO bond costs.</p> <p>Cause – The Authority had pre-funded certain GO bond costs in prior years and the GO Bond Committee made a decision not to pursue these projects during the 2013 fiscal year. Also, the Authority was not performing a detail reconciliation by bond project to the associated liability from the GO Bond fund, resulting in certain projects being erroneously recognized as receivable when they had been reimbursed by the GO Bond fund in prior years.</p> <p>Recommendation – The City’s finance department should perform a detail reconciliation of pre-funded GO bond costs by project at least quarterly to the associated liability by the GO Bond fund. The City’s finance department should also periodically review the GO Bond Committee minutes for the removal of bond projects and compare that listing to the detail listing of pre-funded GO Bond costs by the Authority to identify potential projects that should be written off.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We will continue our efforts to educate and train management staff throughout the City and related component units to improve capital asset records.</p>

Oklahoma City Municipal Facilities Authority
Schedule of Findings and Responses
Year Ended June 30, 2014

Reference Number	Finding
14-03	<p>Criteria or Specific Requirement – Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During the current year, the City’s finance department identified certain costs paid in relation to a new software system and software upgrade in prior years that had been expensed instead of being capitalized. During the course of our audit, we also identified a contract for software maintenance had been improperly expensed in the prior fiscal year instead of being recognized as a prepaid asset and amortized into expense during the current fiscal year.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – A prior period adjustment was recognized in the current year financial statements to recognize the costs related to the new software and software upgrade as a capital asset. A prior period adjustment was also recognized in the current year financial statements to recognize the software maintenance contract as a current year expense.</p> <p>Cause – The review process for distinguishing vouchers between capital outlay and noncapital expenditures failed to identify certain costs as capital outlay. Also, the review process for identifying the proper cut-off of expenditures at year-end failed to properly identify the software maintenance contract as an expense in 2014.</p> <p>Recommendation – We recommend management review their procedures for classifying expenditures between capital outlay and noncapital expenditures. We also recommend management review their policies for identifying proper cut-off of expenditures at year-end.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We will continue our efforts to educate and train management staff throughout the City and related component units to improve capital asset records.</p>