

THE OKLAHOMA CITY PUBLIC PROPERTY 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

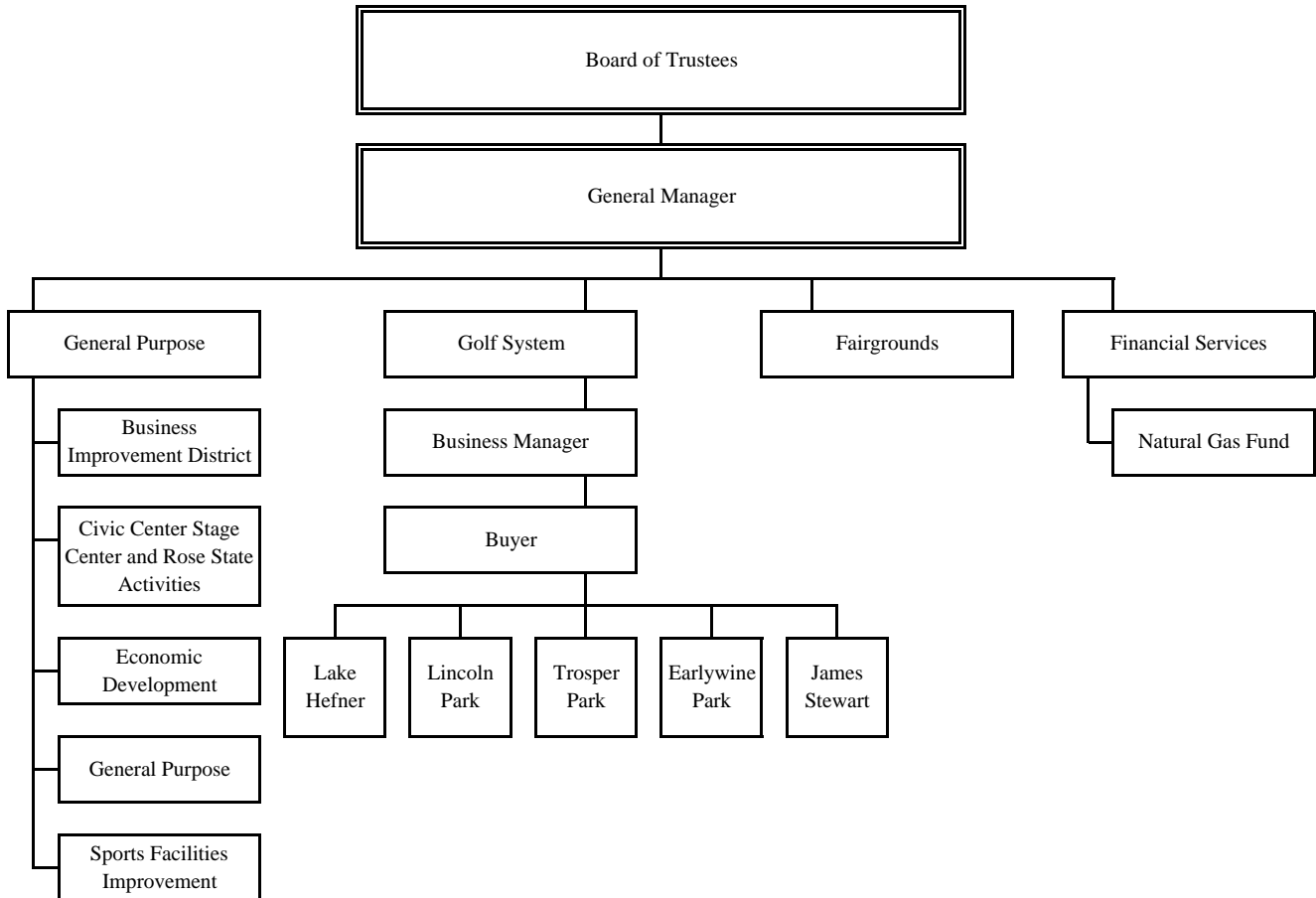
THE OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

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Oklahoma City Public Property Authority Organization Chart



Introductory Section



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 11, 2014

The Board of Trustees
Oklahoma City Public Property Authority

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

The Authority's annual report includes the independent auditor's reports, management's discussion and analysis (MD&A), Authority-wide, fund, and combining financial statements, related notes, and required supplementary information. Management's narrative on the financial activities of the Authority for the fiscal year ended June 30, 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. Only funds within that framework are included. The Authority is a blended component unit of the City of Oklahoma City (City) and, as such, is included within the funds of the City's Comprehensive Annual Financial Report (CAFR).

The Authority, a public trust, was created and exists by trust indenture dated August 15, 1961, pursuant to the provision of Title 60, Section 176 to 180 of the Oklahoma Statutes 1951, and the Oklahoma Trust Act. The property is held and administered by the Authority for the use and benefit of the City under the terms of the trust indenture. The City's Mayor and Council serve as the Authority's Trustees and the City Manager is the General Manager.

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

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

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

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.

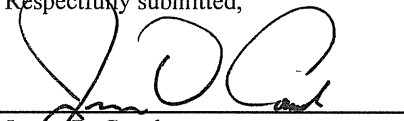
Fiscal year 2014, in terms of sales tax revenue growth, substantiates this positive outlook for fiscal year 2015. The first three quarters of fiscal year 2014 saw growth of less than 1.0 percent. The final quarter of the year saw growth of 8.4%. For the year, sales tax revenue grew at 2.7%. This strong 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.

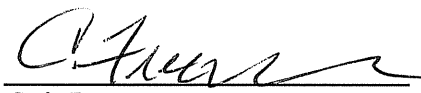
Any economic outlook is predicated on sustainable factors. The City Council has a continuing priority to its citizens to fulfill the promises made to them with regard to completing the projects established in voter initiatives to invest in the City. In addition, the City Council is focused on pursuing 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.


The Authority participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Authority management and other interested readers with regular financial analyses. Additionally, the Authority's management maintains budgetary controls to ensure effective financial oversight.

By City Council resolution, public trusts of which the City is the beneficiary are encouraged to use the independent 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
City of Oklahoma City,
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 Public Property 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 Public Property Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 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 did not audit the financial statements of The Combined Operations of the Cox Convention Center and the Chesapeake Energy Arena, as managed by SMG, an agent operating these facilities, which reflect total assets of \$9,871,349 and net position of \$3,766,603 at June 30, 2014, and total operating revenues of \$16,538,048 and total operating expenses of \$23,180,032 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Combined Operations of the Cox Convention Center and the Chesapeake Energy Arena, as managed by SMG, which are reported within the Authority's governmental activities and general purpose fund financial statements, is based solely on the report of the other auditors. 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. The financial statements of The Combined Operations of the Cox Convention Center and the Chesapeake Energy Arena, as managed by SMG, which are reported within the Authority's governmental activities and general purpose fund financial statements, were not audited in accordance with *Government Auditing Standards*.

An audit 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 Authority'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 Authority'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, based on our audit and the report of the other auditors, 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 a misstatement. 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 and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance; however, we noted that the 2013 balances in the management's discussion and analysis do not reflect the prior period adjustment 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 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 Public Property Authority (Authority) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Additional information is available in the transmittal letter which precedes this discussion and analysis. The Authority is a blended component unit of the City of Oklahoma City (City).

Financial Summary

- Authority assets exceeded liabilities by \$95,359,831 (net position) for 2014. This compares to the previous year when assets exceeded liabilities by \$99,702,274.
- Total liabilities for the Authority decreased by \$2,271,549 to \$110,713,403 during the fiscal year.
- Total net position is comprised of the following:
 - (1) Net Investment in capital assets of \$85,403,317 include property and equipment, net of accumulated depreciation and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Restricted net position of \$4,046,860 is restricted for capital projects and debt service.
 - (3) Restricted net position of \$2,934 is restricted for public service.
 - (4) Restricted net position of \$3,358,211 is restricted for culture and recreation.
 - (5) Unrestricted net position is \$2,548,509.
- The Authority's governmental fund reported total ending fund balance of \$10,824,131 this year. This compares to the prior year ending fund balance of \$6,347,880, showing an increase of \$4,476,251 during the current year. This includes a prior period adjustment of \$4,106,794 and current year increases of \$369,457.

Overview of the Financial Statements

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

Authority-wide Financial Statements

The Authority's annual report includes two Authority-wide financial statements. These statements provide both long-term and short-term information about the overall status of the Authority and are presented to demonstrate the extent the Authority has met its operating objectives efficiently and effectively using all the resources available and whether the Authority can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these Authority-wide statements is the statement of net position. This is the statement of financial position presenting information that includes all of the Authority's assets and liabilities, with the difference reported as net 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 general government functions supporting public services and culture and recreation activities, including economic development reported in the Authority's governmental fund. Business-type activities include golf courses, fairgrounds, and financial services.

Fund Financial Statements

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

Governmental Fund

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

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

Proprietary Funds

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis

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

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

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

The Authority's net position at fiscal year-end is \$95,359,831. This is a decrease of \$4,342,443 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 | | Totals | | % Change |
|-------------------------------------|-------------------------|----------------------|--------------------------|----------------------|---------------------|---------------------|----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| Assets | | | | | | | |
| Current assets | \$20,270,340 | \$19,033,763 | \$14,969,784 | \$18,041,764 | \$35,240,124 | \$37,075,527 | (5.0%) |
| Capital assets, net | 95,020,832 | 97,816,728 | 73,824,446 | 75,767,877 | 168,845,278 | 173,584,605 | (2.7) |
| Other non-current assets | - | - | 1,986,142 | 2,025,222 | 1,986,142 | 2,025,222 | (1.9) |
| Total assets | 115,291,172 | 116,850,491 | 90,780,372 | 95,834,863 | 206,071,544 | 212,685,354 | (3.1) |
| Deferred outflows | - | - | 1,690 | 1,872 | 1,690 | 1,872 | (9.7) |
| Liabilities | | | | | | | |
| Current liabilities | 9,178,499 | 8,017,252 | 7,305,219 | 6,662,470 | 16,483,718 | 14,679,722 | 12.3 |
| Non-current liabilities | 5,270,843 | 5,924,977 | 88,958,842 | 92,380,253 | 94,229,685 | 98,305,230 | (4.1) |
| Total liabilities | 14,449,342 | 13,942,229 | 96,264,061 | 99,042,723 | 110,713,403 | 112,984,952 | (2.0) |
| Net position (deficit) | | | | | | | |
| Net investment in capital assets | 94,921,998 | 97,773,944 | (9,518,681) | (6,803,769) | 85,403,317 | 90,970,175 | (6.1) |
| Restricted for: | | | | | | | |
| Capital projects | 250,047 | 173,716 | 988 | 988 | 251,035 | 174,704 | 43.7 |
| Debt service | - | - | 3,795,825 | 3,696,997 | 3,795,825 | 3,696,997 | 2.7 |
| Public services | 2,934 | 2,920 | - | - | 2,934 | 2,920 | 0.5 |
| Culture and recreation | 3,358,211 | 1,919,302 | - | - | 3,358,211 | 1,919,302 | 75.0 |
| Unrestricted | 2,308,640 | 3,038,380 | 239,869 | (100,204) | 2,548,509 | 2,938,176 | (13.3) |
| Total net position (deficit) | \$100,841,830 | \$102,908,262 | (\$5,481,999) | (\$3,205,988) | \$95,359,831 | \$99,702,274 | (4.4) |

Current assets increased by \$1.24 million in governmental activities and decreased \$3.07 million in business-type activities. Governmental activities non-pooled cash decreased \$1.48 million. Accounts receivable increased \$947 thousand related to SMG operations and the digital antenna system that was installed at the Chesapeake Energy Arena and Cox Convention Center. Business-type activities cash and investments decreased \$4.14 million including a decrease in restricted investments for continuing construction at Lincoln Park Golf Course of \$ 1.87 million and the fairgrounds of \$1.28 million.

Capital assets, net of accumulated depreciation, decreased \$2.80 million and \$1.94 million in governmental and business-type activities, related to normal depreciation of \$4.96 million and \$7.68 million, net of acquisition and construction costs of \$810 thousand and \$4.87 million, respectively.

Total liabilities increased \$507 thousand in governmental activities primarily from unearned revenue received from Verizon Wireless and US Cellular for their use of the digital antenna system. Business-type activities increased \$2.78 million due to normal bonds principle payments.

| Summary of Changes in Net Position | | | | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Totals | | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>% Change</u> |
| Revenues | | | | | | | |
| Charges for services | \$21,890,424 | \$19,194,295 | \$9,727,114 | \$9,875,261 | \$31,617,538 | \$29,069,556 | 8.8% |
| Operating grants and contributions | 3,706,321 | 5,501,414 | 9,468,604 | 8,806,802 | 13,174,925 | 14,308,216 | (7.9) |
| Capital grants and contributions | 13,500 | - | - | - | 13,500 | - | 1.0 |
| General revenues | <u>243,998</u> | <u>1,677</u> | <u>9,920</u> | <u>8,789</u> | <u>253,918</u> | <u>10,466</u> | 2326.1 |
| Total revenues | <u>25,854,243</u> | <u>24,697,386</u> | <u>19,205,638</u> | <u>18,690,852</u> | <u>45,059,881</u> | <u>43,388,238</u> | 3.9 |
| Expenses | | | | | | | |
| General government | 1,132,438 | 1,509,840 | - | - | 1,132,438 | 1,509,840 | (25.0) |
| Public services | 1,077,742 | 335,274 | - | - | 1,077,742 | 335,274 | 221.5 |
| Culture and recreation | 25,569,476 | 27,317,719 | - | - | 25,569,476 | 27,317,719 | (6.4) |
| Economic development | 168 | - | - | - | 168 | - | 100.0 |
| Interest on long-term debt | 122,352 | 173,288 | - | - | 122,352 | 173,288 | (29.4) |
| Golf courses | - | - | 9,965,140 | 10,933,146 | 9,965,140 | 10,933,146 | (8.9) |
| Fairgrounds | - | - | 10,325,459 | 9,872,964 | 10,325,459 | 9,872,964 | 4.6 |
| Financial services | - | - | <u>1,209,549</u> | <u>840,127</u> | <u>1,209,549</u> | <u>840,127</u> | 44.0 |
| Total expenses | <u>27,902,176</u> | <u>29,336,121</u> | <u>21,500,148</u> | <u>21,646,237</u> | <u>49,402,324</u> | <u>50,982,358</u> | (3.1) |
| Transfers | <u>(18,499)</u> | - | <u>18,499</u> | - | - | - | 0.0 |
| Changes in net deficit | <u>(2,066,432)</u> | <u>(4,638,735)</u> | <u>(2,276,011)</u> | <u>(2,955,385)</u> | <u>(4,342,443)</u> | <u>(7,594,120)</u> | 42.8 |
| Beginning net position (deficit) | | | | | | | |
| As previously reported | 102,908,262 | 108,116,168 | (3,205,988) | 1,831,122 | 99,702,274 | 109,947,290 | (9.3) |
| Change in accounting principle | - | - | - | (485,686) | - | (485,686) | 100.0 |
| Prior period adjustment | - | <u>(569,171)</u> | - | <u>(1,596,039)</u> | - | <u>(2,165,210)</u> | 100.0 |
| As restated | <u>102,908,262</u> | <u>107,546,997</u> | <u>(3,205,988)</u> | <u>(250,603)</u> | <u>99,702,274</u> | <u>107,296,394</u> | (7.1) |
| Ending net position (deficit) | <u>\$100,841,830</u> | <u>\$102,908,262</u> | <u>(\$5,481,999)</u> | <u>(\$3,205,988)</u> | <u>\$95,359,831</u> | <u>\$99,702,274</u> | (4.4) |

Charges for services increased \$2.70 million in governmental activities from additional event revenue from sporting events, concerts, shows and conventions. Business-type activities decreased \$148 thousand related to a decrease in Golf Courses Fund revenue of \$527 thousand from decreased rounds played, offset by an increase of \$369 thousand in increased natural gas charges in the Financial Services Fund for higher fuel costs.

Governmental expenses decreased \$1.43 million in the current year. This is comprised of a decrease in general government of \$377 thousand for maintenance and utilities reimbursements to the fairgrounds and the bricktown ballpark, a decrease in culture and recreation of \$1.75 million comprised of \$908 thousand for the depreciation of capital assets, \$450 thousand for non-capital construction, \$370 thousand for office space rental and \$90 thousand for SMG management of the event facilities and a decrease in interest of \$51 thousand paid on the hockey loans, offset by an increase in public services of \$742 thousand for the marketing, landscaping, maintenance and management of the business improvement districts.

Business-type expenses decreased \$146 thousand compared to the prior year. This is attributed to a decrease at the golf courses of \$968 thousand for operational expenses in relation to the decrease in rounds played, offset by increases at the fairgrounds of \$452 thousand for maintenance costs and debt service, and an increase in expenses for financial services of \$369 thousand for higher fuel prices and usage.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2014 was \$95,020,832 and \$73,824,446, respectively.

| | Capital Assets, Net of Accumulated Depreciation | | | | | | |
|-------------------------------------|---|-------------------|--------------------------|-------------------|--------------------|--------------------|----------|
| | Governmental Activities | | Business-type Activities | | Totals | | % Change |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| Non-Depreciable Assets | | | | | | | |
| Construction in progress | \$529,985 | \$272,233 | \$4,569,376 | \$13,679,935 | \$5,099,361 | \$13,952,168 | (63.5%) |
| Land | 7,093,107 | 7,076,151 | 2,004,837 | 2,004,837 | 9,097,944 | 9,080,988 | 0.2 |
| Total non-depreciable assets | 7,623,092 | 7,348,384 | 6,574,213 | 15,684,772 | 14,197,305 | 23,033,156 | (38.4) |
| Depreciable Assets | | | | | | | |
| Buildings | 46,284,512 | 47,398,568 | 26,734,242 | 23,553,321 | 73,018,754 | 70,951,889 | 2.9 |
| Improvements other than buildings | 33,528,313 | 35,152,497 | 39,010,254 | 34,420,882 | 72,538,567 | 69,573,379 | 4.3 |
| Furniture, machinery, and equipment | 7,584,915 | 7,917,279 | 1,505,737 | 2,108,902 | 9,090,652 | 10,026,181 | (9.3) |
| Total depreciable assets | 87,397,740 | 90,468,344 | 67,250,233 | 60,083,105 | 154,647,973 | 150,551,449 | 2.7 |
| Total | 95,020,832 | 97,816,728 | 73,824,446 | 75,767,877 | 168,845,278 | 173,584,605 | (2.7) |

Total construction in progress decreased by \$8.85 million due to the recategorization of completed construction projects to buildings and improvements other than buildings of \$5.03 million, offset by additional construction projects at the fairgrounds and Lincoln Park Golf Course of \$2.85 million and \$3.72 million, respectively. Capital outlay in governmental activities included the completion of six elements for the Land Run Monument of \$227 thousand, equipment purchases of \$493 thousand and family lounge facility upgrades of \$49 thousand at the Chesapeake Energy Arena and Cox Convention Center. Construction at the fairgrounds included the completion of Barns 4, 5 and the Outdoor Arena in addition to remodeling at the Jim Norick Arena. The clubhouse construction at Lincoln Park Golf Course which began in May of 2013 is expected to be completed in January of 2015. See Note II. E. for more information regarding capital assets.

Long-term Debt

Advances

At the end of the fiscal year, the Authority had total advances outstanding of \$3,932,711. See Note VI. A. for more information regarding advances.

Advances from Oklahoma City Municipal Facilities Authority (OCMFA)

The Authority Golf Course Funds have received several advances from OCMFA for cart loans. The outstanding balance on the advances from OCMFA was paid off in March of 2014. The Authority did not receive any new advances during the year and paid principal due in accordance with the terms of the advances.

Advances from the City General Fund and City City and Schools Use Tax Fund

The Authority received \$1.03 million from the City City and School Use Tax Fund to repay a line of credit related to Tax Incremental Financing District #6. The City City and Schools Use Tax Fund will be repaid over 7 years at a rate of 2%. The City General Fund will repay \$877 thousand plus the accrued interest. The Authority will repay the balance. Once the City City and School Use Tax Fund is repaid, it is anticipated that the Authority will repay the City General Fund for costs incurred. The balance due to the City General Fund and City City and School Use Tax Fund from the Authority at June 30, 2014 is \$956 thousand and \$81 thousand, respectively.

On February 16, 2010 the Authority received \$3.20 million from the City City and School Use Tax Fund. The funds are to be used for the Cox Convention Center facility renovations and upgrade. The loan is to be repaid from revenues generated and collected from hockey and other events. There were increases in the cost of the facility renovations and upgrade to the total cost of \$3.32 million. The replenishment to the City City and Schools Use Tax Fund with an interest rate of 4.19% will be repaid over a 10-year period. The balance of the loan at June 30, 2014 is \$2.895 million, with accrued interest of \$51 thousand.

Notes Payable

At the end of the fiscal year, the Authority had total notes payable of \$1,132,850. See Note III. C. for more information regarding notes payable.

On May 11, 2006, the Authority issued a capital improvement note for the underground improvement project for \$2 million. The outstanding balance on the note for underground improvement is \$440 thousand at June 20, 2014.

The Authority received a non-interest bearing loan of \$780 thousand from the Oklahoma Department of Commerce for the remediation of hazardous waste materials in the Skirvin Hotel. The outstanding balance on the note at June 30, 2014 is \$693 thousand.

Revenue Bonds

At the end of the fiscal year, the Authority had total outstanding bonded debt of \$88,285,000 including fairgrounds bonded debt outstanding of \$73,965,000 and golf bonded debt of \$14,320,000. This debt is supported by pledged revenues from the business type activities of the Authority. See Note III. D. for more information regarding revenue bonds.

Outstanding Long-term Debt

| | <u>2014</u> | <u>2013</u> | 2014 - 2013 <u>Amount of Change</u> | 2014 - 2013 <u>% Change</u> |
|---------------|----------------------------|----------------------------|--|--------------------------------|
| Advances | \$3,932,711 | \$4,865,373 | (\$932,662) | (19.2%) |
| Notes payable | 1,132,850 | 1,314,256 | (181,406) | (13.8) |
| Revenue bonds | <u>88,285,000</u> | <u>91,775,000</u> | <u>(3,490,000)</u> | (3.8) |
| | <u>\$93,350,561</u> | <u>\$97,954,629</u> | <u>(\$4,604,068)</u> | (4.7) |

The change in outstanding debt for 2014 is the result of scheduled debt service payments. See Note III. E. for more information regarding changes in long-term debt.

Bond Ratings

Standard and Poor's and Moody's rated the Authority's Golf System Refunding Revenue Bonds as A+ and Aaa, respectively. Fairgrounds Hotel Tax Revenue Bonds are rated AAAM and Aaa by Standard and Poor and Moody's, respectively.

Economic Factors and Rates

Economic Factors

Economic factors directly affected the Authority's financial position for the golf courses. The operating revenue for the golf courses decreased due to weather, unfavorable moisture levels and declining interest in the sport nationally, which caused fewer rounds of golf to be played during 2014 compared to the prior year. The economic factors did not affect the financial position of the other activities of the Authority.

Rates and Fees

On April 15th, 2014, the Authority established a sunset round and cart fee to be made available at Lake Hefner, Lincoln Park, Earlywine Park and Trooper Park Golf Courses. This was effective May 2014 with the round fee of \$7 and cart fee of \$5.

Contacting the Authority's Financial Management

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

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Basic Financial Statements

Authority-wide Financial Statements

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

- * ***Governmental Activities*** – *Reports general government, public services, culture and recreation, and economic development and the general revenues of the Authority.*
- * ***Business-Type Activities*** – *Reports golf courses, fairgrounds, and financial services activities.*

Fund Financial Statements

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

Governmental Fund Financial Statements

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

Proprietary Fund Financial Statements

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

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

STATEMENT OF NET POSITION
June 30, 2014

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Pooled cash----- | \$3,312,988 | \$1,397,657 | \$4,710,645 |
| Non-pooled cash----- | 8,145,174 | 979,021 | 9,124,195 |
| Investments----- | 5,280,706 | 11,017,408 | 16,298,114 |
| Property taxes receivable----- | 1,508 | - | 1,508 |
| Accounts receivable, net----- | 2,066,439 | 1,208 | 2,067,647 |
| Interest, dividends, and royalties receivable----- | 15,008 | 6,240 | 21,248 |
| Receivable from the City of Oklahoma City----- | 1,233,658 | 1,186,729 | 2,420,387 |
| Receivable from component units----- | - | 3,392 | 3,392 |
| Inventories----- | 113,318 | 326,906 | 440,224 |
| Prepays----- | 101,541 | 51,223 | 152,764 |
| Total current assets----- | 20,270,340 | 14,969,784 | 35,240,124 |
| NON-CURRENT ASSETS | | | |
| Investments----- | - | 1,532,761 | 1,532,761 |
| Prepays, non-current----- | - | 453,381 | 453,381 |
| Capital assets: | | | |
| Land and construction in progress----- | 7,623,092 | 6,574,213 | 14,197,305 |
| Other capital assets, net of accumulated depreciation----- | 87,397,740 | 67,250,233 | 154,647,973 |
| Capital assets, net----- | 95,020,832 | 73,824,446 | 168,845,278 |
| Total non-current assets----- | 95,020,832 | 75,810,588 | 170,831,420 |
| Total assets----- | 115,291,172 | 90,780,372 | 206,071,544 |
| DEFERRED OUTFLOWS OF RESOURCES----- | - | 1,690 | 1,690 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable----- | 2,180,701 | 2,388,993 | 4,569,694 |
| Wages and benefits payable----- | - | 149,167 | 149,167 |
| Payable to City of Oklahoma City----- | 699,751 | 52,660 | 752,411 |
| Interest payable----- | 64,978 | - | 64,978 |
| Compensated absences----- | - | 81,592 | 81,592 |
| Notes payable----- | 841,879 | - | 841,879 |
| Unearned revenue----- | 5,391,190 | - | 5,391,190 |
| Bond interest payable----- | - | 1,007,807 | 1,007,807 |
| Bonds payable----- | - | 3,625,000 | 3,625,000 |
| Total current liabilities----- | 9,178,499 | 7,305,219 | 16,483,718 |
| NON-CURRENT LIABILITIES | | | |
| Compensated absences----- | - | 138,316 | 138,316 |
| Notes payable----- | 290,971 | - | 290,971 |
| Payable to City of Oklahoma City----- | 3,932,711 | - | 3,932,711 |
| Unearned revenue----- | 1,047,161 | - | 1,047,161 |
| Bonds payable: | | | |
| Bonds payable----- | - | 84,660,000 | 84,660,000 |
| Unamortized bond discount/premium----- | - | 1,206,650 | 1,206,650 |
| Bonds payable, net----- | - | 85,866,650 | 85,866,650 |
| Net other post-employment benefit obligation----- | - | 2,953,876 | 2,953,876 |
| Total non-current liabilities----- | 5,270,843 | 88,958,842 | 94,229,685 |
| Total liabilities----- | 14,449,342 | 96,264,061 | 110,713,403 |
| NET POSITION (DEFICIT) | | | |
| Net investment in capital assets----- | 94,921,998 | (9,518,681) | 85,403,317 |
| Restricted for: | | | |
| Capital projects----- | 250,047 | 988 | 251,035 |
| Debt service----- | - | 3,795,825 | 3,795,825 |
| Public services----- | 2,934 | - | 2,934 |
| Culture and recreation----- | 3,358,211 | - | 3,358,211 |
| Unrestricted----- | 2,308,640 | 239,869 | 2,548,509 |
| Total net position (deficit)----- | \$100,841,830 | (\$5,481,999) | \$95,359,831 |

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------------|--|--|--|--------------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business Type Activities | Total |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government----- | \$1,132,438 | \$4,541 | \$3,699,505 | \$ - | \$2,571,608 | \$ - | \$2,571,608 |
| Public services----- | 1,077,742 | 100,000 | 1 | - | (977,741) | - | (977,741) |
| Culture and recreation----- | 25,569,476 | 21,785,883 | 6,733 | 13,500 | (3,763,360) | - | (3,763,360) |
| Economic development----- | 168 | - | 82 | - | (86) | - | (86) |
| Interest on long-term debt----- | 122,352 | - | - | - | (122,352) | - | (122,352) |
| Total governmental activities----- | 27,902,176 | 21,890,424 | 3,706,321 | 13,500 | (2,291,931) | - | (2,291,931) |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Golf courses----- | 9,965,140 | 8,533,395 | 1,021,911 | - | - | (409,834) | (409,834) |
| Fairgrounds----- | 10,325,459 | - | 8,446,693 | - | - | (1,878,766) | (1,878,766) |
| Financial services----- | 1,209,549 | 1,193,719 | - | - | - | (15,830) | (15,830) |
| Total business-type activities----- | 21,500,148 | 9,727,114 | 9,468,604 | - | - | (2,304,430) | (2,304,430) |
| Total----- | \$49,402,324 | \$31,617,538 | \$13,174,925 | \$13,500 | (2,291,931) | (2,304,430) | (4,596,361) |
| GENERAL REVENUES | | | | | | | |
| TAXES | | | | | | | |
| Tax incremental financing property taxes----- | | | | | 41,874 | - | 41,874 |
| Unrestricted investment income----- | | | | | 13,459 | 9,920 | 23,379 |
| Miscellaneous----- | | | | | 188,665 | - | 188,665 |
| Total general revenues----- | | | | | 243,998 | 9,920 | 253,918 |
| TRANSFERS | | | | | | | |
| Transfers within the Authority----- | | | | | (18,499) | 18,499 | - |
| Changes in net position (deficit)----- | | | | | (2,066,432) | (2,276,011) | (4,342,443) |
| Net assets (deficit)-beginning----- | | | | | 102,908,262 | (3,205,988) | 99,702,274 |
| Net position (deficit)-ending----- | | | | | \$100,841,830 | (\$5,481,999) | \$95,359,831 |

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

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

| | General Purpose Fund |
|--|-------------------------------------|
| <u>ASSETS</u> | |
| Pooled cash----- | \$3,312,983 |
| Non-pooled cash----- | 8,145,166 |
| Investments----- | 5,280,704 |
| Property taxes receivable----- | 1,508 |
| Accounts receivable----- | 2,066,439 |
| Interest, dividends, and royalties receivable----- | 15,011 |
| Receivable from City of Oklahoma City----- | 1,233,658 |
| Inventories----- | 113,318 |
| Prepays----- | 101,541 |
| Total assets----- | <u><u>\$20,270,328</u></u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u> | |
| <u>LIABILITIES</u> | |
| Accounts payable----- | \$2,180,700 |
| Payable to City of Oklahoma City----- | 699,751 |
| Interest payable----- | 50,858 |
| Unearned revenue----- | 5,391,190 |
| Unearned revenue, non-current----- | 1,047,161 |
| Total liabilities----- | <u><u>9,369,660</u></u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | <u><u>76,537</u></u> |
| <u>FUND BALANCES</u> | |
| Non-spendable----- | 214,859 |
| Restricted----- | 3,712,059 |
| Committed----- | 377,500 |
| Assigned----- | 6,068,097 |
| Unassigned----- | 451,616 |
| Total fund balance----- | <u><u>10,824,131</u></u> |
| Total liabilities, deferred inflows of resources, and fund balance----- | <u><u>\$20,270,328</u></u> |
| <u>RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION, GOVERNMENTAL ACTIVITIES</u> | |
| Total fund balance----- | \$10,824,131 |
| Capital assets, net of accumulated depreciation----- | 95,020,832 |
| Revenue earned but not available----- | 76,537 |
| Long-term notes payable, current----- | (841,879) |
| Long-term notes payable, non-current----- | (290,971) |
| Interest on long-term notes payable----- | (14,120) |
| Long-term payable to the City of Oklahoma City----- | (3,932,700) |
| Net position-governmental activities----- | <u><u>\$100,841,830</u></u> |

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

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

| | General Purpose Fund |
|---|-------------------------------------|
| <u>REVENUES</u> | |
| Tax incremental financing property taxes----- | \$41,544 |
| Investment income----- | 20,232 |
| Public events charges----- | 18,540,283 |
| Other charges for services----- | 881,277 |
| Rental income----- | 2,468,864 |
| Payments from the City of Oklahoma City----- | 3,699,505 |
| Other----- | 188,670 |
| Total revenues----- | <u>25,840,375</u> |
| <u>EXPENDITURES</u> | |
| <u>CURRENT</u> | |
| General government----- | 1,132,438 |
| Public services----- | 625 |
| Culture and recreation----- | 23,040,332 |
| Economic development----- | 168 |
| Capital outlay----- | 810,368 |
| <u>DEBT SERVICE</u> | |
| Principal----- | 181,406 |
| Interest----- | 126,499 |
| Long-term payable to the City of Oklahoma City----- | 174,083 |
| Total expenditures----- | <u>25,465,919</u> |
| Excess of revenues over expenditures----- | 374,456 |
| <u>OTHER FINANCING SOURCES (USES)</u> | |
| Transfers within the Authority----- | (18,499) |
| Sale of assets----- | 13,500 |
| Net other financing uses----- | <u>(4,999)</u> |
| Net change in fund balance----- | 369,457 |
| Fund balance, beginning, as previously reported----- | 6,347,880 |
| Prior period adjustment----- | 4,106,794 |
| Fund balance, beginning, as restated----- | 10,454,674 |
| Fund balance, ending----- | <u>\$10,824,131</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----- | \$369,457 |
| Capital outlay----- | 810,368 |
| Depreciation expense----- | (3,606,263) |
| Recognition of earned but unavailable revenue----- | 360 |
| Long-term payable to the City of Oklahoma City----- | 174,083 |
| Debt principal paid----- | 181,406 |
| Interest payable on long-term debt----- | 4,157 |
| Change in net deficit-governmental activities----- | <u>(\$2,066,432)</u> |

See accompanying notes to financial statements.

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

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

| | Enterprise Funds | | | Total |
|--|-------------------------|----------------------|------------------|----------------------|
| | Golf | Fairgrounds | Financial | |
| | Courses | | Services | |
| | Fund | Fund | Fund | |
| ASSETS | | | | |
| Pooled cash----- | \$493,328 | \$870,061 | \$34,268 | \$1,397,657 |
| Non-pooled cash----- | 979,021 | - | - | 979,021 |
| Investments----- | 6,215,489 | 4,755,139 | 46,780 | 11,017,408 |
| Accounts receivable, net----- | 1,208 | - | - | 1,208 |
| Interest, dividends, and royalties receivable----- | 2,242 | 3,847 | 151 | 6,240 |
| Due within Authority----- | (102) | - | 102 | - |
| Receivable from the City of Oklahoma City----- | 120,321 | 1,000,000 | 66,408 | 1,186,729 |
| Receivable from component units----- | - | - | 3,392 | 3,392 |
| Inventories----- | 326,906 | - | - | 326,906 |
| Prepays----- | 6,366 | 44,857 | - | 51,223 |
| Total current assets----- | 8,144,779 | 6,673,904 | 151,101 | 14,969,784 |
| NON-CURRENT ASSETS | | | | |
| Investments----- | 455,690 | 1,077,071 | - | 1,532,761 |
| Prepays, non-current----- | 5,220 | 448,161 | - | 453,381 |
| Capital assets: | | | | |
| Land and construction in progress----- | 3,725,544 | 2,848,669 | - | 6,574,213 |
| Other capital assets, net of accumulated depreciation----- | 5,477,966 | 61,772,267 | - | 67,250,233 |
| Capital assets, net----- | 9,203,510 | 64,620,936 | - | 73,824,446 |
| Total non-current assets----- | 9,664,420 | 66,146,168 | - | 75,810,588 |
| Total assets----- | 17,809,199 | 72,820,072 | 151,101 | 90,780,372 |
| DEFERRED OUTFLOWS OF RESOURCES----- | 1,690 | - | - | 1,690 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable----- | 1,540,845 | 714,119 | 134,029 | 2,388,993 |
| Wages and benefits payable----- | 149,167 | - | - | 149,167 |
| Payable to City of Oklahoma City----- | 523 | 52,137 | - | 52,660 |
| Compensated absences----- | 81,592 | - | - | 81,592 |
| Bond interest payable----- | 115,392 | 892,415 | - | 1,007,807 |
| Bonds payable----- | 755,000 | 2,870,000 | - | 3,625,000 |
| Total current liabilities----- | 2,642,519 | 4,528,671 | 134,029 | 7,305,219 |
| NON-CURRENT LIABILITIES | | | | |
| Compensated absences----- | 138,316 | - | - | 138,316 |
| Bonds payable: | | | | |
| Bonds payable----- | 13,565,000 | 71,095,000 | - | 84,660,000 |
| Unamortized bond discount/premium----- | 37,500 | 1,169,150 | - | 1,206,650 |
| Bonds payable, net----- | 13,602,500 | 72,264,150 | - | 85,866,650 |
| Net other post-employment benefit obligation----- | 2,953,876 | - | - | 2,953,876 |
| Total non-current liabilities----- | 16,694,692 | 72,264,150 | - | 88,958,842 |
| Total liabilities----- | 19,337,211 | 76,792,821 | 134,029 | 96,264,061 |
| NET POSITION (DEFICIT) | | | | |
| Net investment in capital assets----- | 39,852 | (9,558,533) | - | (9,518,681) |
| Restricted for: | | | | |
| Capital projects----- | 988 | - | - | 988 |
| Debt service----- | 566,250 | 3,229,575 | - | 3,795,825 |
| Unrestricted----- | (2,133,412) | 2,356,209 | 17,072 | 239,869 |
| Total net position (deficit)----- | (\$1,526,322) | (\$3,972,749) | \$17,072 | (\$5,481,999) |

See accompanying notes to financial statements.

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

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

| | Enterprise Funds | | | Total |
|--|----------------------|----------------------|-------------------------|----------------------|
| | Golf Courses Fund | Fairgrounds Fund | Financial Services Fund | |
| <u>OPERATING REVENUES</u> | | | | |
| <u>CHARGES FOR SERVICES</u> | | | | |
| Green fees----- | \$4,761,655 | \$ - | \$ - | \$4,761,655 |
| Concessions----- | 1,336,941 | - | - | 1,336,941 |
| Natural gas charges----- | - | - | 1,193,719 | 1,193,719 |
| Other charges----- | 5,899 | - | - | 5,899 |
| Total charges for services----- | 6,104,495 | - | 1,193,719 | 7,298,214 |
| Golf cart rentals----- | 2,315,811 | - | - | 2,315,811 |
| Total operating revenues----- | 8,420,306 | - | 1,193,719 | 9,614,025 |
| <u>OPERATING EXPENSES</u> | | | | |
| Personal services----- | 4,952,225 | - | - | 4,952,225 |
| Maintenance, operations, and contractual services----- | 2,027,353 | 443,918 | 1,209,549 | 3,680,820 |
| Materials and supplies----- | 1,713,509 | 21,411 | - | 1,734,920 |
| Depreciation----- | 993,102 | 6,691,137 | - | 7,684,239 |
| Total operating expenses----- | 9,686,189 | 7,156,466 | 1,209,549 | 18,052,204 |
| Operating loss----- | (1,265,883) | (7,156,466) | (15,830) | (8,438,179) |
| <u>NON-OPERATING REVENUE (EXPENSE)</u> | | | | |
| Investment income----- | 4,784 | 4,860 | 328 | 9,972 |
| Interest on bonds and notes----- | (225,007) | (3,297,247) | - | (3,522,254) |
| Bond insurance----- | - | (45,891) | - | (45,891) |
| Amortization----- | 2,831 | 174,147 | - | 176,978 |
| Payments from City of Oklahoma City----- | 1,021,879 | 8,446,672 | - | 9,468,551 |
| Payments to City of Oklahoma City----- | (56,773) | - | - | (56,773) |
| Other revenue----- | 113,086 | - | - | 113,086 |
| Net non-operating revenue | 860,800 | 5,282,541 | 328 | 6,143,669 |
| Loss before transfers----- | (405,083) | (1,873,925) | (15,502) | (2,294,510) |
| <u>TRANSFERS</u> | | | | |
| Transfers within the Authority----- | 3,988 | 13,676 | 835 | 18,499 |
| Changes in net deficit----- | (401,095) | (1,860,249) | (14,667) | (2,276,011) |
| Total net assets (deficit), beginning----- | (1,125,227) | (2,112,500) | 31,739 | (3,205,988) |
| Total net position (deficit), ending----- | (\$1,526,322) | (\$3,972,749) | \$17,072 | (\$5,481,999) |

See accompanying notes to financial statements.

**STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014**

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

| | Enterprise Funds | | | Total |
|--|--------------------|--------------------|-------------------------|---------------------|
| | Golf Courses Fund | Fairgrounds Fund | Financial Services Fund | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | |
| Cash received from customers----- | \$8,518,616 | \$ - | \$1,181,260 | \$9,699,876 |
| Cash payments to suppliers for goods and services----- | (3,440,963) | (96,135) | (1,179,694) | (4,716,792) |
| Cash payments to employees and professional contractors for services----- | (4,505,779) | - | - | (4,505,779) |
| Cash payments for internal services----- | (197,346) | - | - | (197,346) |
| Operating payments from City of Oklahoma City----- | 4,133,874 | 12,830,674 | 835 | 16,965,383 |
| Operating payments to City of Oklahoma City----- | (3,618,309) | (5,360,282) | - | (8,978,591) |
| Other cash receipts----- | 40,000 | - | - | 40,000 |
| Net cash provided by operating activities----- | 930,093 | 7,374,257 | 2,401 | 8,306,751 |
| <u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u> | | | | |
| Payments for acquisition and contraction of capital assets----- | (2,222,684) | (2,643,060) | - | (4,865,744) |
| Principal paid on long-term debt----- | (735,000) | (2,755,000) | - | (3,490,000) |
| Interest paid on long-term debt----- | (471,596) | (3,624,104) | - | (4,095,700) |
| Net cash provided (used) by capital and capital related financing activities----- | (3,429,280) | (9,022,164) | - | (12,451,444) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | | |
| Payments for purchase of investments----- | (1,217,141) | (41,723,360) | - | (42,940,501) |
| Proceeds from sale of investments----- | 3,391,035 | 43,575,202 | - | 46,966,237 |
| Changes in pooled investments----- | (300,313) | (576,028) | (20,503) | (896,844) |
| Investment income received----- | 2,537 | 1,008 | (709) | 2,836 |
| Purchased interest----- | 2 | - | - | 2 |
| Net cash provided (used) by investing activities----- | 1,876,120 | 1,276,822 | (21,212) | 3,131,730 |
| Net decrease in cash----- | (623,067) | (371,085) | (18,811) | (1,012,963) |
| Cash, beginning----- | 2,095,416 | 1,241,146 | 53,079 | 3,389,641 |
| Cash, ending----- | \$1,472,349 | \$870,061 | \$34,268 | \$2,376,678 |
| <u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | | | | |
| Operating loss----- | (\$1,265,883) | (\$7,156,466) | (\$15,830) | (\$8,438,179) |
| <u>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | | | | |
| Depreciation----- | 993,102 | 6,691,137 | - | 7,684,239 |
| Other revenue (expense)----- | 113,112 | (45,893) | - | 67,219 |
| (Increase) decrease in accounts receivable----- | (700) | - | - | (700) |
| (Increase) decrease in receivable from City of Oklahoma City----- | 4,133,874 | 7,470,392 | (5,812) | 11,598,454 |
| (Increase) decrease in receivable from component units----- | - | - | (2,264) | (2,264) |
| (Increase) decrease in inventories----- | 56,267 | - | - | 56,267 |
| (Increase) decrease in prepaid assets----- | (11,586) | 45,889 | - | 34,303 |
| Increase (decrease) in accounts payable----- | 78,134 | 369,198 | 29,853 | 477,185 |
| Increase (decrease) in wages and benefits payable----- | (34,746) | - | - | (34,746) |
| Increase (decrease) in payable to City of Oklahoma City----- | (3,613,228) | - | - | (3,613,228) |
| Increase (decrease) in payable to component unit----- | - | - | (3,546) | (3,546) |
| Increase (decrease) in compensated absences----- | 7,854 | - | - | 7,854 |
| Increase (decrease) in net other post-employment benefit obligation----- | 473,893 | - | - | 473,893 |
| Total adjustments----- | 2,195,976 | 14,530,723 | 18,231 | 16,744,930 |
| Net cash provided by operating activities----- | \$930,093 | \$7,374,257 | \$2,401 | \$8,306,751 |

See accompanying notes to financial statements.

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Public Property Authority (Authority) financial activities for the fiscal year ended June 30, 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 the issuance of municipal debt, the City created public trusts to finance City services with revenue bonds or other non-general obligation financing, and to provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts were created to provide financing services and are blended into the City's primary government although retaining separate legal identity.

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

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

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

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

The Authority is 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), and 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 presented in the City's CAFR. The City CAFR may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

Authority Administration

The Authority's employees perform activities for the golf courses only. All other activities of the Authority are performed by City employees.

I. B. 2. BASIC FINANCIAL STATEMENTS

Authority-wide Financial Statements

The Authority-wide financial statements include the statement of net 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 include fees and other charges to users of the Authority's services. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

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

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

Generally Accepted Accounting Principles (U.S. GAAP)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Governmental Fund

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

General Purpose Fund

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

Proprietary Funds

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

Golf Courses Fund

This fund is used to account for the revenues and expenses of five municipal golf courses.

Fairgrounds Fund

This fund is used to account for payments from the City for hotel/motel tax revenues dedicated for debt service and the expenditure of bond funds.

Financial Services Fund

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

I. C. BUDGET LAW AND PRACTICE

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. The Authority's budget is submitted to its governing body for approval annually and is received by the City Council for approval. Budgetary control of Authority operations is exercised on a project-length basis for most funds of the Authority. The exception is the Golf Course Fund where the budget is developed on an annual basis. Appropriations in funds other than the golf courses are carried forward each year until projects are completed. Appropriations for the Golf Course Fund expires at the close of the fiscal year. Management's policy prohibits expenditure/expenses to exceed revenues. Management may transfer appropriations without governing body approval.

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

I. D. 1. CASH AND INVESTMENTS

The Authority participates in the investment policy approved by the City Council. The Authority's governing board formally adopted the updated City's deposit and investment policy in October 2012. Where applicable, deposit and investment policies for restricted funds are specified in the respective bond indentures.

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

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

I. D. 2. INVENTORIES AND PREPAIDS

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

Prepays are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Non-current prepaids benefit periods beyond the following 12 month period.

I. D. 3. RECEIVABLES AND UNCOLLECTIBLE AMOUNTS

Property Taxes Receivable

Property taxes are collected and remitted to the Authority by Oklahoma County for specifically identified Tax Incremental Financing (TIF) districts. Taxes are levied annually. Property taxes receivable are estimated from the prior calendar year receipts. In the governmental fund financial statements, property tax revenues are recorded for all receipts during the year and for 60 days after year-end.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Authority regardless of when cash is received.

Other Significant Receivables

Significant receivables are due from promoters, advertisers, ticketing agencies, and other businesses. These receivables due within 30 days are stated net of an allowance for doubtful accounts. The allowance amount is estimated using the length of time the receivables are past due.

I. D. 4. RESTRICTED ASSETS

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

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

I. D. 5. INTERFUND BALANCES

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

I. D. 6. CAPITALIZED INTEREST

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

I. D. 7. CAPITAL ASSETS AND DEPRECIATION

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

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

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

I. D. 8. DEBT, BOND DISCOUNT AND PREMIUM, AND DEFERRED AMOUNTS FROM REFUNDING

In the Authority-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Bond discounts and premiums are reported with bonds payable and deferred amounts from refunding are reported as deferred outflows in the statement of net position.

I. D. 9. COMPENSATED ABSENCES

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

I. D. 10. 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. 11. TIF

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

I. D. 12. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes fund balance within the General Purpose Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Fund Balance Usage

The Authority uses restricted amounts when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreements requiring dollar for dollar spending. Additionally, the 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. 13. RISK MANAGEMENT

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

The Authority pays premiums to the City included with other administrative chargebacks and has no other costs or liabilities related to risk management activities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund and the OCMFA Services Fund. Retiree health insurance claims costs and liabilities are reported in OCPEBT.

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

I. E. 1. MAJOR REVENUES

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

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

Proprietary Funds

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

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

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

I. E. 2. LEASE OPERATING AGREEMENTS

Fairgrounds

On October 3, 2006, the Authority and the City entered into a management agreement with the State Fair of Oklahoma, Inc. (Fair), a private, nonprofit corporation. Under terms of this agreement, all fairgrounds-related property, owned by the City and the Authority, is leased to the Fair. The Fair, in return, agrees to operate, manage, and maintain the fairgrounds.

Golf Facilities

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

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

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

Chickasaw Bricktown Ballpark

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

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

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

Oklahoma City Thunder

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

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

I. E. 3. MANAGEMENT AGREEMENTS

Cox Convention Center and Chesapeake Energy Arena

On October 19, 1999, the City and the Authority entered into a management agreement with Superior Management Group (SMG). Under the agreement, SMG agreed to manage and operate the Cox Convention Center and Chesapeake Energy Arena. The audited financial statements for SMG are available upon request from the City Finance department, 100 N. Walker, Suite 300, Oklahoma City, OK, 73012.

Golf Courses

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

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

Interlocal Agreement

On August 13, 2013 the Authority exercised the first renewal option on the interlocal agreement with the City of Tulsa for computerized box office service retroactive from July 1, 2013 through June 30, 2014. The agreement renews the authorization with the Tulsa Performing Arts Center for computerized ticketing system to process tickets sold by internet or by outlet for events at the Civic Center and Rose State Performing Arts Theater (Theater).

Tennis Center

In January, 2010, the City and the Authority entered into an agreement for management and operations of the tennis program and facilities at the Oklahoma City Tennis Center with OKC Public Tennis, LLC, for the period of January 14, 2010 through January 14, 2013. On December 11, 2012 the City of Oklahoma City approved an amendment to the agreement extending the term for an additional three years. OKC Public Tennis, LLC. assumes sole responsibility for management and compensation of the staff and management of the tennis program and facilities including tennis lessons, court rentals, tournaments, clinics, camps, pro shop operations, food and beverage services, and tennis equipment repairs, subject to overall policy direction and approval of the City and the Authority

In addition, the professional management agreement was renewed for the management and operations of the tennis center at Earlywine Park for the term of January 14, 2013, through January 13, 2016.

Rose State College

In August 2013, the second renewal of the agreement with Rose State College and the Authority was signed regarding the management of the Theater. The term of the agreement was retroactively extended from July 1, 2013, and through June 30, 2014. Under the terms of the agreement, the Civic Center staff is responsible for managing the theater and the City is reimbursed for all expenses incurred. These activities are reported in the General Purpose Fund.

I. F. TAX STATUS

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

I. G. RETAINAGES

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

I. H. REVENUE RESERVES

Capital Improvements

Effective May 1, 1995, the Golf Commission recommended and the Trustees of the Authority approved a surcharge on golf rounds. Current rates are \$1.00 to \$6.50 for daily rounds and \$350.00 to \$812.50 for annual rounds. These funds are generally used for the major renovation of existing courses. The use of these funds is subject to the approval of the Golf Commission and the Trustees of the Authority.

Operating Reserve

Golf courses are required to deposit \$0.50 to \$1.00 of each green fee to a savings account and generally spent as needed. Spending of these funds is recommended by the Golf Commission and approved by the Trustees of the Authority.

Equipment Replacement

Golf courses are required to deposit \$0.50 to \$4.00 of each cart rental to a savings account and generally spent as needed. Spending of these funds is recommended by the Golf Commission and approved by the Trustees of the Authority.

II. ASSETS AND 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.

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

At June 30, 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/ <u>Carrying Amount</u> | <u>Cost</u> | Average Credit Quality/ <u>Ratings (1)</u> | Weighted Average Months to <u>Maturity (2)</u> |
|--------------------------------------|---------------------------------------|----------------------------|--|--|
| <u>POOLED INVESTMENTS</u> | | | | |
| Money market funds | \$528,035 | \$528,035 | AAA/Aaa | 1.8 |
| Federal Obligations | 4,000,747 | 3,997,837 | AA+/Aaa | 16.3 |
| US Treasury Notes | <u>2,054,140</u> | <u>2,068,438</u> | N/A | 19.3 |
| Total pooled investments | <u>6,582,922</u> | <u>6,594,310</u> | | |
| <u>NON-POOLED INVESTMENTS</u> | | | | |
| Money market funds | <u>11,247,953</u> | <u>11,247,953</u> | AAA/Aaa | 1.7 |
| Total investments | <u>\$17,830,875</u> | <u>\$17,842,263</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 excluding U.S. government securities and those issued by government sponsored enterprises, SLGS, and City judgments. Additionally, no more than 5% of the total Authority portfolio may be placed with any single financial institution excluding U.S. government securities and those issued by government sponsored enterprises, savings, money market funds, SLGS, City judgments, and repurchase agreements.

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.

Securities Held by Others

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

Bond Indentures Restrictions

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

Golf System Revenue Bonds

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

Fairgrounds Hotel Tax Revenue Bonds

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

Restricted Deposits and Investments

| | <u>Golf System Revenue Bonds</u> | <u>Fairgrounds Hotel Tax Revenue Bonds</u> |
|-----------------------------|--------------------------------------|--|
| Bond principal and interest | \$681,644 | \$3,044,920 |
| Construction accounts | 4,850,688 | 516,533 |
| Bond reserve | 455,690 | 1,077,071 |
| | <u>\$5,988,022</u> | <u>\$4,638,524</u> |

Compliance with State Requirements

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

II. B. RECEIVABLES AND UNCOLLECTIBLE AMOUNTS

Accounts Receivable

Governmental activities

| | |
|---|---------------------------|
| Ticket and event receivables | \$1,828,552 |
| Lease revenues receivables | 75,000 |
| Business improvement district advance funding | <u>162,887</u> |
| | <u>\$2,066,439</u> |

Business-type activities

| | |
|---------------------------------------|-----------------------|
| Golf course miscellaneous receivables | <u>\$1,208</u> |
|---------------------------------------|-----------------------|

Property Taxes Receivable

Revenues include TIF property tax collections. TIF property taxes are designated TIF districts paid directly to the Authority. Taxes levied annually on November 1 are due one-half by December 31 and one-half by March 31. Major tax payments are received December through April. Lien dates for real property are in June and October, respectively. Property taxes receivable and related revenue include all amounts due the Authority regardless of when cash is received. Over time, substantially all property taxes are collected. In 2014, the Authority recognized \$1,508 in property taxes receivable.

II. C. INVENTORIES

| | |
|--|-------------------------|
| <i>Golf Courses</i> | |
| Restaurant inventory | \$42,151 |
| Cart barn and driving range supplies | 49,722 |
| Maintenance and janitorial supplies | <u>235,033</u> |
| | 326,906 |
| <i>OCCPA General Purpose</i> | |
| Food and beverage items and other supplies | <u>113,318</u> |
| | <u>\$440,224</u> |

II. D. PREPAID ASSETS

Prepaid expenses of \$101,541 reported with governmental activities include payments to vendors that benefit future reporting periods.

Within business-type activities, with the issuance of Series 2005 and 2007 fairgrounds bonds, the Authority purchased prepaid bond insurance of \$673,610 and \$261,199, respectively. Of these amounts \$359,264 and \$82,526, respectively, has been recognized and expensed as of June 30, 2014 leaving a balance of \$504,604 prepaid including \$51,223 due within one year.

II. E. CAPITAL ASSETS

Changes in Capital Assets

| | Capital Assets, not depreciated | | | Capital Assets, depreciated | | | Total Capital Assets, net | |
|--------------------------------------|---------------------------------|-----------------------------|---|-----------------------------|---|---|---------------------------------|---|
| | Land and Art | Construction In Progress | Total Capital Assets, not depreciated | Buildings | Improvements Other Than Buildings | Furniture, Machinery, and Equipment | | Total Capital Assets, depreciated |
| Primary Authority | | | | | | | | |
| <i>Governmental Activities</i> | | | | | | | | |
| CAPITAL ASSETS | | | | | | | | |
| Balance, June 30, 2013 | \$7,076,151 | \$272,233 | \$7,348,384 | \$50,228,873 | \$45,517,607 | \$14,368,357 | \$110,114,837 | \$117,463,221 |
| Increases | <u>16,956</u> | <u>257,752</u> | <u>274,708</u> | <u>10,079</u> | <u>33,267</u> | <u>492,313</u> | <u>535,659</u> | <u>810,367</u> |
| Balance, June 30, 2014 | <u>7,093,107</u> | <u>529,985</u> | <u>7,623,092</u> | <u>50,238,952</u> | <u>45,550,874</u> | <u>14,860,670</u> | <u>110,650,496</u> | <u>118,273,588</u> |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| Balance, June 30, 2013 | | | | 2,830,305 | 10,365,110 | 6,451,078 | 19,646,493 | 19,646,493 |
| Increases | | | | <u>1,124,135</u> | <u>1,657,451</u> | <u>824,677</u> | <u>3,606,263</u> | <u>3,606,263</u> |
| Balance, June 30, 2014 | | | | <u>3,954,440</u> | <u>12,022,561</u> | <u>7,275,755</u> | <u>23,252,756</u> | <u>23,252,756</u> |
| Total governmental activities | <u>7,093,107</u> | <u>529,985</u> | <u>7,623,092</u> | <u>46,284,512</u> | <u>33,528,313</u> | <u>7,584,915</u> | <u>87,397,740</u> | <u>95,020,832</u> |

(continued)

Changes in Capital Assets (continued)

| | Capital Assets, not depreciated | | | Capital Assets, depreciated | | | Total Capital Assets, depreciated | Total Capital Assets, net |
|---------------------------------------|---------------------------------|-----------------------------|---|-----------------------------|---|---|--|------------------------------------|
| | Land and Art | Construction In Progress | Total Capital Assets, not depreciated | Buildings | Improvements Other Than Buildings | Furniture, Machinery, and Equipment | | |
| <i>Business-type Activities</i> | | | | | | | | |
| CAPITAL ASSETS | | | | | | | | |
| Balance, June 30, 2013 | 2,004,837 | 13,679,935 | 15,684,772 | 28,991,298 | 73,075,626 | 7,192,409 | 109,259,333 | 124,944,105 |
| Increases | - | 5,335,109 | 5,335,109 | 3,860,665 | 10,885,636 | 105,066 | 14,851,367 | 20,186,476 |
| Decreases | - | (14,445,668) | (14,445,668) | - | (73,373) | - | (73,373) | (14,519,041) |
| Balance, June 30, 2014 | <u>2,004,837</u> | <u>4,569,376</u> | <u>6,574,213</u> | <u>32,851,963</u> | <u>83,887,889</u> | <u>7,297,475</u> | <u>124,037,327</u> | <u>130,611,540</u> |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| Balance, June 30, 2013 | | | | 5,437,977 | 38,654,744 | 5,083,507 | 49,176,228 | 49,176,228 |
| Increases | | | | 679,744 | 6,296,264 | 708,231 | 7,684,239 | 7,684,239 |
| Decreases | | | | - | (73,373) | - | (73,373) | (73,373) |
| Balance, June 30, 2014 | | | | <u>6,117,721</u> | <u>44,877,635</u> | <u>5,791,738</u> | <u>56,787,094</u> | <u>56,787,094</u> |
| Total business-type activities | <u>2,004,837</u> | <u>4,569,376</u> | <u>6,574,213</u> | <u>26,734,242</u> | <u>39,010,254</u> | <u>1,505,737</u> | <u>67,250,233</u> | <u>73,824,446</u> |
| Total primary Authority | <u>\$9,097,944</u> | <u>\$5,099,361</u> | <u>\$14,197,305</u> | <u>\$73,018,754</u> | <u>\$72,538,567</u> | <u>\$9,090,652</u> | <u>\$154,647,973</u> | <u>\$168,845,278</u> |

Depreciation Expense

| | <i>Governmental Activities</i> | <i>Business-type Activities</i> |
|------------------------|--------------------------------|---------------------------------|
| Culture and recreation | \$2,529,153 | Golf courses \$993,102 |
| Public services | <u>1,077,110</u> | Fairgrounds <u>6,691,137</u> |
| | <u>\$3,606,263</u> | <u>\$7,684,239</u> |

Capitalized Interest

| | Total Interest Costs Incurred | Capitalized Interest |
|---------------------------------|----------------------------------|-------------------------|
| <i>Business-type Activities</i> | | |
| Fairgrounds | \$3,773,382 | \$322,960 |
| Golf Courses | <u>507,740</u> | <u>242,402</u> |
| | <u>\$4,281,122</u> | <u>\$565,362</u> |

II. F. DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts on Refunding

Deferred amounts on refunding of bonds results from a difference in the carrying value of refunded debt to its reacquisition price. Deferred amounts on refunding are amortized over the shorter of the life of the refunded or refunding debt. At June 30, 2014, deferred amounts were \$1,690.

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. UNEARNED REVENUES

Within governmental activities, the Authority has unearned revenue of \$6,438,351 at the end of the fiscal year. There is unearned revenue of \$621,254 for the advance sale of tickets for events at the Civic Center Music Hall and \$4,535,356 recorded for SMG operations at the Cox Convention Center and Chesapeake Energy Arena. There is additional unearned revenue of \$1,281,741 for digital antenna system leases, of which \$1,047,161 is non-current.

III. B. COMPENSATED ABSENCES

Compensated absences balances changed from 2013 to 2014 by accruals of \$126,546 and usages of \$118,694.

III. C. LONG-TERM NOTES PAYABLE

Capital Financing Note Payable

On April 25, 2006, the Authority approved issuance of a capital financing note for the downtown underground improvement project relating to the funding of infrastructure improvements within the underground special improvement and assessment district. The downtown underground consists of a system of pedestrian tunnels used for below surface access to retail shops, restaurants, and other commercial outlets located in the tunnels, as well as, surface venue access through underground pedestrian routes protected from the weather and traffic. On May 11, 2006, the Authority issued the note to Bank of America Leasing and Capital LLC for \$2,000,000 at an annual fixed rate of 6.364% with principal and interest payable August 1 for ten years, beginning August 1, 2007. At June 30, 2014 the balance due was \$439,939 and \$14,120 accrued interest.

Non-interest Bearing Note Payable

The Authority received a non-interest bearing loan of up to \$780,000 from the Oklahoma Department of Commerce on November 2, 2004, for the remediation of hazardous waste materials in the Skirvin Hotel. Repayment of the loan was deferred for five years. Annual payments of \$5,000 commenced February 1, 2010. A loan origination fee of \$15,600 will apply if the loan is not repaid in full prior to November 14, 2014. At June 30, 2014 the Authority has drawn \$692,911 against the total. The balance is reported in the Authority-wide statements as notes payable, non-current.

Notes Payable Payment Requirements to Maturity

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------------|------------------------|---------------------------|
| 2015 | \$841,878 | \$30,808 | \$872,686 |
| 2016 | 158,601 | 21,175 | 179,776 |
| 2017 | <u>132,371</u> | <u>10,919</u> | <u>143,290</u> |
| | <u>\$1,132,850</u> | <u>\$62,902</u> | <u>\$1,195,752</u> |

III. D. REVENUE BONDS

Golf Course Revenue Bonds

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

On July 11, 2012 the Series 2012 golf bonds were issued for \$7,565,000 to improve Lincoln Park Golf Course. The Series 2012 golf bonds less issue costs of \$75,115 will be used to supplement the City 2010 general obligation bond amount of \$2,250,000 to be used for construction and renovation of the course facilities. The average interest rate on these bonds is 2.81%.

Fairgrounds Hotel/Motel Tax Revenue Bonds

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

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

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

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

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

On October 1, 2011, the Authority issued \$9,285,000 in Series 2011 bonds. The proceeds of \$9,183,007 from the bonds, less \$183,007 in issuance costs, will be used to finance the construction and renovation of the fairgrounds facilities.

On October 30, 2012, the Authority issued \$3,000,000 in Series 2012 bonds for the purpose of financing the cost of a covered outdoor arena at the Fairgrounds. The bonds mature on October 1, 2017. Bond payments commence on October 1, 2013. The interest rate for the bond until maturity is 1.43%.

Bonded Debt Service Requirements to Maturity

Golf System Bonds

| Fiscal Year | Golf System Series 2010 | | | Golf System Series 2012 | | |
|-------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$540,000 | \$210,893 | \$750,893 | \$215,000 | \$240,015 | \$455,015 |
| 2016 | 555,000 | 193,646 | 748,646 | 220,000 | 235,665 | 455,665 |
| 2017 | 575,000 | 175,849 | 750,849 | 220,000 | 231,265 | 451,265 |
| 2018 | 595,000 | 157,421 | 752,421 | 230,000 | 225,615 | 455,615 |
| 2019 | 610,000 | 138,443 | 748,443 | 235,000 | 218,640 | 453,640 |
| 2020-2024 | 3,355,000 | 386,584 | 3,741,584 | 1,285,000 | 981,750 | 2,266,750 |
| 2025-2029 | 735,000 | 11,576 | 746,576 | 1,500,000 | 770,346 | 2,270,346 |
| 2030-2034 | - | - | - | 1,770,000 | 490,056 | 2,260,056 |
| 2035-2039 | - | - | - | <u>1,680,000</u> | <u>132,630</u> | <u>1,812,630</u> |
| | <u>\$6,965,000</u> | <u>\$1,274,412</u> | <u>\$8,239,412</u> | <u>\$7,355,000</u> | <u>\$3,525,982</u> | <u>\$10,880,982</u> |

Fairgrounds Bonds

| Fiscal Year | Fairgrounds Series 2005 | | | Fairgrounds Series 2007A | | |
|-------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$1,875,000 | \$2,369,975 | \$4,244,975 | \$280,000 | \$740,950 | \$1,020,950 |
| 2016 | 1,970,000 | 2,273,850 | 4,243,850 | 145,000 | 732,450 | 877,450 |
| 2017 | 2,070,000 | 2,172,850 | 4,242,850 | 145,000 | 726,650 | 871,650 |
| 2018 | 2,175,000 | 2,066,725 | 4,241,725 | 155,000 | 720,650 | 875,650 |
| 2019 | 2,290,000 | 1,955,100 | 4,245,100 | 160,000 | 714,150 | 874,150 |
| 2020-2024 | 13,510,000 | 7,712,751 | 21,222,751 | 895,000 | 3,461,844 | 4,356,844 |
| 2025-2029 | 17,710,000 | 3,512,280 | 21,222,280 | 1,110,000 | 3,246,094 | 4,356,094 |
| 2030-2034 | <u>4,135,000</u> | <u>108,544</u> | <u>4,243,544</u> | <u>13,870,000</u> | <u>2,144,250</u> | <u>16,014,250</u> |
| | <u>\$45,735,000</u> | <u>\$22,172,075</u> | <u>\$67,907,075</u> | <u>\$16,760,000</u> | <u>\$12,487,038</u> | <u>\$29,247,038</u> |

| Fiscal Year | Fairgrounds Series 2011 | | | Fairgrounds Series 2012 | | |
|-------------|---------------------------|---------------------------|----------------------------|---------------------------|------------------------|---------------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$115,000 | \$370,794 | \$485,794 | \$600,000 | \$30,030 | \$630,030 |
| 2016 | 115,000 | 368,206 | 483,206 | 600,000 | 21,450 | 621,450 |
| 2017 | 120,000 | 365,269 | 485,269 | 600,000 | 12,870 | 612,870 |
| 2018 | 125,000 | 361,894 | 486,894 | 600,000 | 4,290 | 604,290 |
| 2019 | 125,000 | 358,144 | 483,144 | - | - | - |
| 2020-2024 | 700,000 | 1,720,016 | 2,420,016 | - | - | - |
| 2025-2029 | 850,000 | 1,564,856 | 2,414,856 | - | - | - |
| 2030-2034 | 5,585,000 | 752,044 | 6,337,044 | - | - | - |
| 2035-2038 | <u>1,335,000</u> | <u>91,913</u> | <u>1,426,913</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$9,070,000</u> | <u>\$5,953,136</u> | <u>\$15,023,136</u> | <u>\$2,400,000</u> | <u>\$68,640</u> | <u>\$2,468,640</u> |

Revenue Bonds Outstanding

| | Amount <u>Issued</u> | Interest <u>Rate %</u> | Issue <u>Date</u> | Principal <u>Maturity Date</u> | <u>Balance</u> |
|---------------------------|-------------------------|---------------------------|----------------------|-----------------------------------|----------------------------|
| Golf System, Series 2010 | \$8,465,000 | 3.25 - 5.25 | 9-1-10 | 10-1-23 | \$6,965,000 |
| Golf System, Series 2012 | 7,565 | 0.45-3.85 | 7-11-12 | 10-1-37 | 7,355,000 |
| Fairgrounds, Series 2005 | 52,820,000 | 4.0 - 5.5 | 4-1-05 | 10-1-30 | 45,735,000 |
| Fairgrounds, Series 2007A | 20,000,000 | 4.0 - 4.5 | 8-1-07 | 10-1-34 | 16,760,000 |
| Fairgrounds, Series 2011 | 9,285,000 | 2.0-4.5 | 10-1-11 | 10-1-36 | 9,070,000 |
| Fairgrounds, Series 2012 | 3,000,000 | 1.43 | 11-29-12 | 10-1-17 | <u>2,400,000</u> |
| | | | | | <u>\$88,285,000</u> |

Bond Coverage

| | <u>Golf System Series 2010 & 2012</u> | <u>Fairgrounds Series 2005, 2007A, 2011, & 2012</u> |
|---|---|---|
| Gross revenue, including non-operating revenues and payments from the City | \$8,979,513 | \$8,465,208 |
| Direct operating expenses, excluding other post-employment benefit expense, payments to the City, depreciation and amortization | <u>7,369,819</u> | <u>465,329</u> |
| Net revenue available for debt service | <u>\$1,609,694</u> | <u>\$7,999,879</u> |
| Principal amounts | \$825,000 | \$2,755,000 |
| Interest amounts | <u>383,036</u> | <u>3,602,654</u> |
| Total debt service requirements | <u>\$1,208,036</u> | <u>\$6,357,654</u> |
| Revenue bond coverage | <u>1.33</u> | <u>1.25</u> |

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

III. E. CHANGES IN LONG-TERM DEBT

| | Balance <u>July 1, 2013</u> | <u>Issued</u> | <u>Retired</u> | Balance <u>June 30, 2014</u> | Due Within <u>One Year</u> | Due After <u>One Year</u> |
|---------------------------------------|--------------------------------|------------------|--------------------|---------------------------------|-------------------------------|------------------------------|
| <i>Primary Authority</i> | | | | | | |
| <i>Governmental Activities</i> | | | | | | |
| Notes payable | \$1,314,256 | \$ - | \$181,406 | \$1,132,850 | \$841,879 | \$290,971 |
| <i>Business-type Activities</i> | | | | | | |
| <u>COMPENSATED ABSENCES</u> | | | | | | |
| Golf Courses Fund | 212,056 | 126,546 | 118,694 | 219,908 | 81,592 | 138,316 |
| <u>REVENUE BONDS</u> | | | | | | |
| Golf Courses Fund | 15,055,000 | - | 735,000 | 14,320,000 | 755,000 | 13,565,000 |
| Fairgrounds Fund | 76,720,000 | - | 2,755,000 | 73,965,000 | 2,870,000 | 71,095,000 |
| Total revenue bonds | 91,775,000 | - | 3,490,000 | 88,285,000 | 3,625,000 | 84,660,000 |
| Total business-type activities | 91,987,056 | 126,546 | 3,608,694 | 88,504,908 | 3,706,592 | 84,798,316 |
| Total primary Authority | \$93,301,312 | \$126,546 | \$3,790,100 | \$89,637,758 | \$4,548,471 | \$85,089,287 |

III. F. SEGMENT INFORMATION AND PLEDGED REVENUES

Authority issued revenue bonds to support its golf course activities and fairgrounds improvements. The Authority financial statements report revenue-supported debt. The Authority recognized \$8,420,306 in golf course revenues and \$8,446,672 in hotel/motel tax payments from the City to the Fairgrounds fund in 2014.

III. G. ARBITRAGE COMPLIANCE

Proceeds from tax-exempt revenue bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Authority invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The Authority did not have an arbitrage liability as of June 30, 2014.

III. H. GUARANTEED DEBT

Implementation of New Accounting Standard

Effective July 1, 2013, the Trust implemented GASB statement number 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the governments will be required to make a payment on the guarantee and specifies the information required to be disclosed by governments extending nonexchange financial guarantees as well as governments that receive nonexchange financial guarantees. This statement has been applied retroactively, when practical, for all periods presented.

A guarantee of debt represents a promise to meet any debt service requirements that falls short without the expectation or requirement of benefit to the City. The City has provided a guarantee of the debt for the Authority. Although the guarantee must be approved each year by City Council, the guarantee is required to be in tact as part of the debt instrument. The City has not and does not expect to act on any of these guarantees.

| | <u>Amount Guaranteed (1)</u> | <u>Total Amount Outstanding</u> |
|---|----------------------------------|-------------------------------------|
| <i>Governmental Activities</i> | | |
| General Purpose Fund capital financing note | \$179,776 | \$1,132,850 |
| <i>Business-Type Activities</i> | | |
| Golf Courses bonded debt | <u>1,205,908</u> | <u>14,320,000</u> |
| | <u>\$1,385,684</u> | <u>\$15,452,850</u> |

(1) The amount guaranteed is only the amount of debt service due on or before June 30, 2015 and covered under the guarantee effective July 1, 2014. It is anticipated that the guarantees will be renewed annually.

The City has executed an agreement of support which guarantees the City will fund bond reserve requirements for the Series 2012 Golf Revenue Bonds, the Tax Incremental Financing District #6 and the Oklahoma City Special Services Assessment District #2. Under Oklahoma law, the City may only be obligated to transfer up to the end of it's fiscal year (June 30) and has no legal obligation or promise to transfer beyond it's fiscal year. The debt instruments recognize the limitations set by state law and the City's moral obligation to renew the guarantees. The debt instruments require the City to renew the guarantees annually. The City did not and was not required to fund bond reserve requirements for the Authority in 2014 or any preceding year in which the debt was outstanding. At the end of fiscal year 2014, the City has guaranteed debt of \$455,690 for the Golf Revenue Bonds, \$1,037,029 for the Tax Incremental Financing District and \$439,939 for the Special Services Assessment District.

III. I. DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). At June 30, 2014, revenue earned but unavailable is \$76,537.

IV. FUND EQUITY

IV. A. FUND BALANCE

Non-spendable Fund Balance

| | |
|-------------|------------------|
| Inventories | \$113,318 |
| Prepays | <u>101,541</u> |
| | <u>\$214,859</u> |

Restricted Fund Balance

| | |
|---|---------------------------|
| Restricted for TIF districts | \$77,339 |
| Restricted for special improvement districts | 26,463 |
| Restricted for NBA operations | 922 |
| Restricted for Cox Convention Center maintenance | 502,328 |
| Restricted for NBA practice facility | 249,986 |
| Restricted for Chesapeake Energy Arena maintenance | 2,854,961 |
| Restricted for sports facility maintenance and improvements | <u>60</u> |
| | <u>\$3,712,059</u> |

Committed Fund Balance

| | |
|---|-------------------------|
| Committed for metropolitan area projects use tax capital projects | <u>\$377,500</u> |
|---|-------------------------|

Assigned Fund Balance

| | |
|--|---------------------------|
| Assigned for Metropolitan Area Projects support | \$750,982 |
| Assigned for the centennial land run project | 816,888 |
| Assigned for fairgrounds electricity | 91,387 |
| Assigned for Oklahoma City Redhawks utility reimbursements | 28,758 |
| Assigned for Civic Center parking | 62,073 |
| Assigned for Civic Center promotions | 117,464 |
| Assigned for water taxi and canal operations | 74,069 |
| Assigned for non-capital equipment replacement | 290,582 |
| Assigned for SMG operations | 3,564,666 |
| Assigned for NBA practice facility | 67,875 |
| Assigned for Oklahoma River sediment removal | <u>203,353</u> |
| | <u>\$6,068,097</u> |

Unassigned

| | |
|------------|-------------------------|
| Unassigned | <u>\$451,616</u> |
|------------|-------------------------|

IV. B. NET POSITION

Net Investment in Capital Assets

| | <i>Governmental Activities</i> | <i>Business-type Activities</i> |
|---|------------------------------------|-------------------------------------|
| Capital assets, net | \$95,020,832 | \$73,824,446 |
| Retainages and capital related accounts payable | (98,834) | (1,488,986) |
| Bonds payable, net | - | (89,491,650) |
| Bond accounts funded with bond proceeds | - | 5,821,926 |
| Bond issuance costs paid from bond proceeds | <u>-</u> | <u>1,815,583</u> |
| | <u>\$94,921,998</u> | <u>(\$9,518,681)</u> |

Restricted for Capital Projects

| | <i>Governmental</i> <u>Activities</u> | <i>Business-type</i> <u>Activities</u> |
|---|--|---|
| Sports facility sales tax capital projects | \$250,047 | \$ - |
| Bond construction account | - | 5,367,221 |
| Bond construction account funded with bond proceeds | - | <u>(5,366,233)</u> |
| | <u>\$250,047</u> | <u>\$988</u> |

Restricted for Debt Service

| | <i>Governmental</i> <u>Activities</u> | <i>Business-type</i> <u>Activities</u> |
|--|--|---|
| Bond principal and interest accounts | \$ - | \$3,726,564 |
| Bond reserve accounts | - | 1,532,761 |
| Bond reserve funded with bond proceeds | - | (455,693) |
| Current bond interest payable | - | <u>(1,007,807)</u> |
| | <u>\$ -</u> | <u>\$3,795,825</u> |

Restricted for Culture and Recreation

| | <i>Governmental</i> <u>Activities</u> | <i>Business-type</i> <u>Activities</u> |
|--|--|---|
| Restricted for NBA operations | \$922 | \$ - |
| Restricted for Cox Convention Center maintenance | 502,328 | - |
| Restricted for Chesapeake Energy Arena maintenance | <u>2,854,961</u> | - |
| | <u>\$3,358,211</u> | <u>\$ -</u> |

Restricted for Public Services

| | <i>Governmental</i> <u>Activities</u> | <i>Business-type</i> <u>Activities</u> |
|------------------------------|--|---|
| Restricted for TIF districts | <u>\$2,934</u> | <u>\$ -</u> |

Unrestricted

| | <i>Governmental</i> <u>Activities</u> | <i>Business-type</i> <u>Activities</u> |
|--|--|---|
| Unrestricted | \$2,309,072 | \$239,869 |
| Restricted for TIF districts negative net position | <u>(432)</u> | - |
| | <u>\$2,308,640</u> | <u>\$239,869</u> |

IV. C. PRIOR PERIOD ADJUSTMENT

Prior Period Adjustment

In 2014, the Authority discovered it was incorrectly reporting long-term portions of amounts due to the City as a reduction of the governmental fund balance. A prior period adjustment has been recorded.

| | |
|--|--------------------|
| Restatement of beginning fund balance | |
| Long-term payable to the City | <u>\$4,106,794</u> |
| Effect on 2013 previously reported changes in fund balance | <u>(\$174,083)</u> |

V. REVENUES AND EXPENSES

V. A. LEASE REVENUES

The Authority leases digital antenna system sectors in the Cox Convention Center and the Chesapeake Energy Arena to various mobile data coverage providers. The providers pay an annual license fee per each sector leased inside of the building to enhance the data coverage for the facility. The leases are paid annually under a five year initial agreement with and additional renewal agreement of five years available at the commencement of the first agreement. These leases are non-cancelable operating leases. Rental income in 2014 was \$965,600 which included one time charges for access to the system of \$753,602.

Minimum Rentals on Non-Cancelable Leases

| | |
|---------------|--------------------|
| 2015 | \$437,000 |
| 2016 | 450,110 |
| 2017 | 463,613 |
| 2018 | 477,522 |
| 2019 | 491,847 |
| 2020 - 2024 | <u>2,960,432</u> |
| | <u>\$5,280,524</u> |
| Rental income | <u>\$965,600</u> |

Cox Convention Center and Civic Center facilities are rented for short periods of time during the year.

VI. INTERFUND TRANSACTIONS

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.

VI. A. INTERFUND BALANCES

Due Within the Golf Courses

Amounts due within the golf courses represent unpaid balances from the golf courses to the golf system for daily revenue surcharges, equipment fund, operating reserve and administrative charges for equipment purchases, additional expenses, and debt service payments.

| | Golf Courses Fund | | | | | | Total |
|------------------------|----------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------|---------------------------|-------------------|
| | Lake Hefner Golf Course | Lincoln Park Golf Course | Trosper Park Golf Course | Earlywine Park Golf Course | James Stewart | Golf Course System | |
| <u>DUE FROM</u> | | | | | | | |
| Lake Hefner | \$ - | (\$1,626) | \$ - | \$ - | \$ - | (\$55,836) | (\$57,462) |
| Lincoln | 1,626 | - | - | - | - | (42,299) | (40,673) |
| Trosper | - | - | - | - | (280) | (13,302) | (13,582) |
| Earlywine | - | - | - | - | - | (17,127) | (17,127) |
| James Stewart | - | - | 280 | - | - | - | 280 |
| Golf Course System | <u>55,836</u> | <u>42,299</u> | <u>13,302</u> | <u>17,127</u> | <u>-</u> | <u>-</u> | <u>128,564</u> |
| | <u>\$57,462</u> | <u>\$40,673</u> | <u>\$13,582</u> | <u>\$17,127</u> | <u>(\$280)</u> | <u>(\$128,564)</u> | <u>\$-</u> |

Due Within the Authority

At June 30, 2014, the Golf Courses Fund had an amount due to the Financial Services Fund of \$102 for unpaid natural gas charges.

Payable To/Receivable From the City

| | Purpose | Governmental Activities | | Business-Type Activities | | Total |
|---|---|----------------------------|-------------------------|---------------------------|------------------------|---------------------------|
| | | General | Golf Courses | Fairgrounds | Financial Services | |
| | | Purpose Fund | Fund | Fund | Fund | |
| <u>Receivable From</u> | | | | | | |
| City General Fund | Operating subsidies, administration charges, facility maintenance, and natural gas charges | \$1,233,658 | \$120,321 | \$1,000,000 | \$61,239 | \$1,181,560 |
| Oklahoma City Environmental Assistance Trust | Natural gas charges | - | - | - | 3,770 | 3,770 |
| City Airports Fund | Natural gas charges | - | - | - | <u>1,399</u> | <u>1,399</u> |
| | | <u>\$1,233,658</u> | <u>\$120,321</u> | <u>\$1,000,000</u> | <u>\$66,408</u> | <u>\$1,186,729</u> |
| <u>Payable To</u> | | | | | | |
| City General Fund | Business manager salary reimbursement, utilities, public works charges | \$217,450 | \$ - | \$51,799 | \$ - | \$51,799 |
| City Special Districts Fund | Cost reimbursements | 482,113 | - | - | - | - |
| City Stormwater Drainage Fund | Public works charges | 188 | - | 338 | - | 338 |
| City Municipal Fund | Golf professional manager's benefits | - | <u>523</u> | - | - | <u>523</u> |
| | | <u>\$699,751</u> | <u>\$523</u> | <u>\$52,137</u> | <u>\$-</u> | <u>\$52,660</u> |

Cost Reimbursement Payable To City Special Districts Fund

The City Special Districts Fund assesses property owners to fund services that confer a special benefit upon property within a designated district, such as street sweeping and landscaping. The contracts for these services are managed by the Authority and reimbursed by the City Special Districts Fund. The advance represents funds received in excess of funds expended at June 30, 2014.

| | |
|-----------------------------|-------------------------|
| Beginning balance | \$648,846 |
| Other services | (1,958,450) |
| Investment income | (130,445) |
| Reimbursement from the City | <u>1,922,162</u> |
| | <u>\$482,113</u> |

Advances Within the Golf Courses

Advance from Lake Hefner to Lincoln

During 2001, Lincoln Park Golf Course received an advance from Lake Hefner Golf Course in the amount of \$155,000. The loan was used for operations due to the renovation of the golf course. The balance of this advance is \$50,000 as of June 30, 2014.

Advance from Lake Hefner to Trosper

During 2001, Trosper Park Golf Course received an advance from Lake Hefner Golf Course in the amount of \$110,000. The purpose of the advance was for operations due to the renovation of the golf course green. The balance of this loan is \$43,500 as of June 30, 2014.

Advance from Golf System to Trosper

During 2014, Trosper Park Golf Course received an advance from the Golf System in the amount of \$81,116. The purpose of the advance was for general operations expenses in the current year. The balance of this loan is \$68,308 as of June 30, 2014.

Long-Term Payable To/Receivable From the City

| | Receivable From (Payable To) | | |
|--------------------------------|--------------------------------|----------------------------------|---------------------------|
| | City General <u>Fund</u> | City and Schools Use Tax Fund | <u>Total</u> |
| <i>Governmental Activities</i> | | | |
| General Purpose Fund | <u>\$955,851</u> | <u>\$2,976,860</u> | <u>\$3,932,711</u> |

TIF District #6 Payable

On October 14, 2008 the Authority received \$1,031,653 from the City City and Schools Use Tax Fund. The funds were used to repay the LOC related to TIF District #6. The loan is to be repaid by the City General Fund and the General Purpose Fund over a seven year period at an interest rate of 2%. Once the Authority has repaid the scheduled amount to the City City and Schools Use Tax Fund, it is anticipated that the City General Fund will be repaid. The balance of the loan at June 30, 2014 is \$1,037,029 including interest of \$79,116 that was paid by the City General Fund.

Hockey Payable

On February 16, 2010 the Authority received \$3,200,000 from the City City and School Use Tax Fund. The funds are to be used for the Cox Convention Center facility renovations and upgrade. The loan is to be repaid from revenues generated and collected by SMG under the extended use license agreement with Prodigal Hockey, LLC and from other Cox Convention Center events. The replenishment to the City and Schools Capital Projects Use Tax Fund with an interest rate of 4.19% will be over a 10-year period. The balance of the loan at June 30, 2014 is \$2,844,824 and \$50,858 of accrued interest.

Annual Payment Requirements to Maturity

| Fiscal Year | TIF District #6 Payable | | | Hockey Payable | | |
|-------------|----------------------------------|----------------------|--------------------|--|------------------|--------------------|
| | City City and Use Tax Fund | City General Fund | Total | City City and Schools Use Tax Fund | | |
| | Principal | Principal | | Principal | Interest | Total |
| 2015 | \$61,229 | \$ - | \$61,229 | \$278,056 | \$121,944 | \$400,000 |
| 2016 | 19,949 | - | 19,949 | 289,706 | 110,294 | 400,000 |
| 2017 | - | 955,851 | 955,851 | 301,845 | 98,155 | 400,000 |
| 2018 | - | - | - | 314,492 | 85,508 | 400,000 |
| 2019 | - | - | - | 327,670 | 72,330 | 400,000 |
| 2020-2024 | - | - | - | 1,333,055 | 146,154 | 1,479,209 |
| | <u>\$81,178</u> | <u>\$955,851</u> | <u>\$1,037,029</u> | <u>\$2,844,824</u> | <u>\$634,385</u> | <u>\$3,479,209</u> |

Payable to OCMFA

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

On February 26, 2008 a loan for \$1,270,000 from the Worker's Compensation Reserves to the Authority was approved for the purchase of new golf carts. The loan was made to 3 golf courses as follows:

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

In March 2014, the final payments were made from the Authority to OCMFA.

VI. B. INTERFUND TRANSFERS AND PAYMENTS

Transfers Within the Golf Courses

Transfers within the golf courses include operating transfers for daily surcharges on golf rounds played and reimbursement of expenses on behalf of other courses including the reimbursement of the salary for the golf course buyer. Additionally transfers include operating reserve, equipment fund and administrative charges from each course to the golf system for additional expenses, new equipment purchases and water expenses from the City.

| | Golf Courses Fund | | | | | | Total |
|------------------|----------------------------|------------------------------|-----------------------------|-------------------------------|---------------------------------|-----------------------|-------------|
| | Lake Hefner Golf Course | Lincoln Park Lincoln Park | Trosper Park Golf Course | Earlywine Park Golf Course | James E. Stewart Golf Course | Golf Course System | |
| Lake Hefner | \$ - | \$16,607 | \$10,780 | (\$386) | \$ - | \$528,323 | \$555,324 |
| Lincoln | (16,607) | - | 44,744 | (8,705) | - | 379,320 | 398,752 |
| Trosper | (10,780) | (44,744) | - | - | 280 | 43,643 | (11,601) |
| Earlywine | 386 | 8,705 | - | - | - | 324,552 | 333,643 |
| James E. Stewart | - | - | (280) | - | - | - | (280) |
| Golf System | (528,323) | (379,320) | (43,643) | (324,552) | - | - | (1,275,838) |
| | <u>(\$555,324)</u> | <u>(\$398,752)</u> | <u>\$11,601</u> | <u>(\$333,643)</u> | <u>\$280</u> | <u>\$1,275,838</u> | <u>\$ -</u> |

Payments To/From the City

| | Purpose | Governmental Activities | | Business-type Activities | | Total |
|----------------------------------|--|---------------------------|------|---------------------------|---------------------------|---------------------------|
| | | Purpose | Fund | Fund | Fund | |
| <u>PAYMENT FROM</u> | | | | | | |
| City General Fund | Operating subsidies and administrative charges | \$3,599,284 | | \$1,021,879 | \$ - | \$ - |
| City Sports Facility Fund | NBA Practice Facility | 24,251 | | - | - | - |
| City Information Technology Fund | Tower lease | 75,970 | | - | - | - |
| City Hotel/Motel Fund | Fairgrounds debt service | - | | - | 8,446,672 | 8,446,672 |
| | | <u>\$3,699,505</u> | | <u>\$1,021,879</u> | <u>\$8,446,672</u> | <u>\$8,446,672</u> |
| <u>PAYMENTS TO</u> | | | | | | |
| City Capital Improvement Fund | Capital projects | (\$925,000) | | \$ - | \$ - | (\$925,000) |
| City Special Purpose | 1 % for the arts | - | | 56,773 | - | 56,773 |
| City Special Districts Fund | Debt payment funding | (44,907) | | - | - | (44,907) |
| | | <u>(\$969,907)</u> | | <u>\$56,773</u> | <u>\$ -</u> | <u>(\$913,134)</u> |

Dependency on the City

Governmental activities include operating subsidies for SMG management operations, utilities, and facility maintenance from the City General Fund and facility maintenance for the Civic Center from the City MAPS Operations Fund.

Business-type activities include a subsidy from the City for the cost for water and wastewater services to the Golf Courses Fund. For the year ended June 30, 2014, the City General Fund provided \$735,608 to cover these costs. James E. Stewart Golf Course received a subsidy from the City General Fund in the amount of \$286,271 for operating expenses. In addition, the City Hotel/Motel Tax Fund provides funds for debt service on the fairgrounds bonds.

VI. C. OTHER INTERFUND TRANSACTIONS

Administrative Charges

On August 26, 2003, the Authority increased green fees of \$0.25 to \$0.50 and annual green fees \$25.00 to \$62.50. This fee will reimburse a portion of funds necessary to finance various City administrative costs and water payments associated with the operation of the golf courses. On June 23, 2009, this fee was extended through June 30, 2014. The revenue generated from the fee extensions will be deposited into each golf course operations account and paid to the City General Fund. The administrative charges to the City for the year are as follows: Lake Hefner Golf Course \$26,325; Lincoln Park Golf Course \$24,159; Trosper Park Golf Course \$9,309; and Earlywine Park Golf Course \$18,231. These charges are reported with expenses.

In 2012, the Authority hired a business manager to manage the overall operations of the golf courses. The business manager is an employee of the City. The golf courses reimburse the City for the business manager's salary. The salary reimbursement to the City for the year are as follows: Lake Hefner Golf Course \$40,718; Lincoln Park Golf Course \$40,718; Trosper Park Golf Course \$20,359; and Earlywine Park Golf Course \$40,718. These charges are reported with expenses.

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

VII. A. PLAN DESCRIPTION

The OCERS is the administrator of a single employer defined benefit local government retirement plan for the Authority. Plan amendments and benefit provisions are established and amended by City Council action. Unless otherwise indicated, the information in this note is provided as of the latest actuarial valuation, December 31, 2013. Actuarial valuations are performed annually.

Funding Policies, Contribution Methods and Benefit Provisions

| | |
|--|--|
| Year established and governing authority | 1958; City Council Ordinance |
| Determination of contribution requirements | Actuarially determined |
| Contribution Rates: | |
| Employer | 8.00% of covered payroll |
| Plan members | 6.00% of covered payroll |
| Funding of administrative costs | Investment earnings |
| Period required to vest | 5 years |
| Cost of living increases | Cost of living adjustments are compounded annually; increases must be approved by the OCERS Board |
| Eligibility for distribution | 30 years credited service regardless of age, or age 60 with 10 years (Pre 3/67 hires), or 25 years of credited service regardless of age, or age 65 with 5 years (Post 3/67 hires), or age 55 with 5 years on a reduced basis, or 5 years service, with benefit. |

Funding Policy

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning July 1, 2012, the employer contribution rate changed from 9.49% of covered payroll to 8.00% of covered payroll. The employee contributes 6.00% of covered payroll. Beginning April 23, 2013, the maximum cost of living adjustment that may be provided changed from 4% to 2% per year compounded for current and future retirees and survivors. Administrative costs are funded with investment earnings.

Benefit Provisions

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

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

Cost of Living Adjustments

Retirement pension may be adjusted annually for changes in the Consumer Price Index. The maximum adjustment is 2% compounded annually.

Membership

| | |
|--|----------------------------|
| | <u>2014</u> |
| Active employees - nonvested | 761 |
| Active employees - vested | 1,726 |
| Retirees and beneficiaries currently receiving benefits | 1,345 |
| Terminated plan members entitled to but not yet receiving benefits | 82 |
| | <u><u>3,914</u></u> |

Annual Required Contributions - Actuarial Assumptions

| | |
|--|---|
| Valuation date | 12/31/13 |
| Actuarial cost method | Individual entry age |
| Amortization method | Level percentage of payroll |
| Amortization period | 28 years, closed |
| Actuarial asset valuation method | 4-year smoothed market |
| Actuarial Assumptions | |
| Investment rate of return | 7.5% |
| Cost of living benefit increases (maximum) | 2% |
| Inflation | 3.8% |
| Projected salary increases | 3.75% to 7.25% |
| Mortality table | RP 2000 mortality table projected to 2010 was used in this valuation |

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

For the December 31, 2013 OCERS actuarial valuation, the amortization period changed from 29 years, closed to 28 years, closed. The cost of living maximum increase changed from 4% to 2%.

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

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

Annual Pension Cost and Trend Information

| <u>Fiscal</u> <u>Year</u> | <u>Annual</u> <u>Pension</u> <u>Cost</u> | <u>Percentage</u> <u>Contributed</u> | <u>Net</u> <u>Pension</u> <u>Obligation</u> |
|------------------------------|--|---|---|
| 2014 | \$8,871,691 | 100% | \$ - |
| 2013 | 11,320,094 | 100 | - |
| 2012 | 9,614,625 | 100 | - |

Reserves

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

VII. C. FUNDING STATUS AND FUNDING PROGRESS

| | |
|---|---------------|
| Actuarial value of plan assets (AVA) | \$589,527,000 |
| Actuarial accrued liability (AAL) | 581,866,000 |
| Unfunded actuarial accrued liability (UAAL) | (7,661,000) |
| Funded ratio (AVA/AAL) | 101.3% |
| Covered payroll (active plan members) | 119,457,000 |
| UAAL as a percentage of covered payroll | (6.4%) |

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

VII. D. DEFINED CONTRIBUTION PLANS

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

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

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

The two plans include 1408 participants comprised of City Council appointees and management personnel. The Authority currently has no participants in the plan.

VIII. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

VIII. A. PLAN DESCRIPTION

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

Funding Policies, Contribution Methods and Benefit Provisions

| | |
|--|--|
| Year established and governing authority | 2008; City Council Ordinance |
| Determination of contribution requirements | City Policy |
| Contribution rates: | |
| Employer | 60% of premium |
| Plan members | 40% of premium |
| Funding of administrative costs | Investment earnings |
| Period required to vest | 5 years |
| Eligibility for distribution | General employees are eligible for membership in the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 25 years of service. Police officers are eligible for benefits under the Plan if they retire from the City with 20 years of service. Firefighters retiring before January 1, 2003 are eligible for membership. Participation may only be elected at the time of retirement. |

Funding Policy

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning January 1, 2014, the employer contribution rate changed from 62% of premium to 60% of premium. The employee contributes the balance of the premium. Administrative costs are funded with investment earnings.

Benefit Provisions

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

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

Membership

| | |
|---|---------------------|
| Active members | 3,289 |
| Retirees and beneficiaries currently receiving benefits | 2,161 |
| | <u><u>5,450</u></u> |

Annual Required Contributions - Actuarial Assumptions

| | |
|----------------------------------|--|
| Valuation date | 7/1/13 |
| Actuarial cost method | Projected unit credit with linear proration to decrement |
| Amortization method | Level percentage of payroll |
| Amortization period | 30 years, open |
| Actuarial asset valuation method | 4-year smoothed market |
| Actuarial Assumptions | |
| Investment rate of return | 4.9% |
| Blended discount rate method | The discount rate is based on the expected long-term return on the investments that are used to finance the benefit programs |
| Inflation rate | 3% |
| Projected salary increases | 3% |
| Health care trend rate | 4.5% (4.5% for Medicare age) |
| Mortality table | RP 2000 combined mortality table projected to 2010 using scale AA |

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

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

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

| | Authority <u>Funds</u> | <u>Total</u> |
|---|---------------------------|-----------------------------|
| Annual required contribution | \$467,933 | \$33,975,672 |
| Interest on net OPEB obligation | 72,655 | 5,264,870 |
| Adjustment to annual required contribution | <u>(66,697)</u> | <u>(4,833,132)</u> |
| Annual OPEB cost | 473,891 | 34,407,410 |
| Contributions made | <u>-</u> | <u>(19,619,034)</u> |
| Increase in net OPEB obligation | 473,891 | 14,788,376 |
| Net OPEB obligation, beginning of year | <u>2,479,985</u> | <u>107,227,492</u> |
| end of year | <u>\$2,953,876</u> | <u>\$122,015,868</u> |

Trend Information

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Employer Contributions</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|-------------------------------|---|----------------------------|
| 2014 | \$34,407,410 | \$19,619,034 | 57.0% | \$122,015,868 |
| 2013 | 33,258,975 | 19,904,516 | 59.8 | 107,227,492 |
| 2012 | 36,493,651 | 20,064,984 | 55.0 | 93,873,033 |

Reserves

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

VIII. C. FUNDED STATUS AND FUNDING PROGRESS

| | |
|---|--------------|
| Actuarial value of plan assets (AVA) | \$26,315,759 |
| Actuarial accrued liability (AAL) | 451,028,790 |
| Unfunded actuarial accrued liability (UAAL) | 424,713,031 |
| Funded ratio (AVA/AAL) | 5.8% |
| Covered payroll (active plan members) | 203,859,835 |
| UAAL as a percentage of covered payroll | 208.3% |

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

IX. COMMITMENTS

Construction projects are substantially funded with revenue bonds. Active construction in progress remaining commitments are composed of park improvements in government activities totaling \$1,500, golf course improvements of \$2,044,941, and fairgrounds improvements totaling \$863,692.

An agreement has been entered into between the Authority, the National Collegiate Athletic Association (NCAA) the Oklahoma City All Sports Association (OCASA) and the City, whereby the Authority has committed to fund various improvements to the Softball Hall of Fame Complex, in return for the NCAA's commitment to hold, sponsor and play the NCAA Division I Women's Collegiate Softball World Series in Oklahoma City through 2035. The funding commitment and NCAA commitment is based upon the completion of various phases of the anticipated overall project. The aggregate funding commitment from the Authority is approximately \$25 million dollars. Of this amount, \$15 million is expected to be funded by a future City General Obligation Bond issue expected to occur in December 2017 and \$10 million is expected to be funded by naming rights, donations and sponsorships.

Required Supplementary Information

DEFINED BENEFIT PENSION

I. SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 12/31/13 | \$589,527,000 | \$581,866,000 | (\$7,661,000) | 101.3% | \$119,457,000 | (6.4%) |
| 12/31/12 | 547,686,000 | 553,588,000 | 5,902,000 | 98.9 | 114,933,000 | 5.1 |
| 12/31/11 | 514,499,000 | 593,922,000 | 79,423,000 | 86.6 | 109,293,000 | 72.7 |
| 12/31/10 | 524,731,000 | 566,834,000 | 42,103,000 | 92.6 | 102,915,000 | 40.9 |
| 12/31/09 | 529,137,000 | 556,427,000 | 27,290,000 | 95.1 | 110,408,000 | 24.7 |
| 12/31/08 | 528,664,000 | 519,234,000 | (9,430,000) | 101.8 | 105,566,000 | (8.9) |

- (1) Amounts are reported in even thousands
- (2) Brackets indicate funding in excess of actuarial accrued liability.

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year | Employer's Contribution Rate (1) | Annual Required Contribution | Percentage Contributed |
|-------------|----------------------------------|------------------------------|------------------------|
| 2014 | 8.00% | \$8,871,691 | 100% |
| 2013 | 9.49 | 11,320,094 | 100 |
| 2012 | 8.56 | 9,614,625 | 100 |
| 2011 | 6.77 | 7,132,772 | 100 |
| 2010 | 6.77 | 5,585,595 | 100 |
| 2009 | 5.04 | 5,464,178 | 100 |

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

OTHER POST-EMPLOYMENT BENEFITS

I. SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 7/1/2013 | \$26,315,759 | \$451,028,790 | \$424,713,031 | 5.8% | \$203,859,835 | 208.3% |
| 7/1/2012 | 19,198,729 | 433,863,156 | 414,664,427 | 4.4 | 197,922,710 | 209.5 |
| 7/1/2011 | 15,017,721 | 483,931,717 | 468,913,996 | 3.1 | 180,551,843 | 259.7 |

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year | Employer Contribution | Annual Required Contribution | Percentage Contributed |
|-------------|-----------------------|------------------------------|------------------------|
| 2014 | \$19,619,034 | \$33,975,672 | 57.7% |
| 2013 | 19,904,516 | 32,881,008 | 60.5 |
| 2012 | 20,064,984 | 36,181,832 | 55.5 |

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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Combining Statements and Schedules

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**COMBINING STATEMENT OF NET POSITION
GOLF COURSES FUND
June 30, 2014**

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

| | <u>Lake Hefner Golf Course</u> | <u>Lincoln Park Golf Course</u> | <u>Trosper Park Golf Course</u> | <u>Earlywine Park Golf Course</u> | <u>James E. Stewart Golf Course</u> | <u>Golf Course System</u> | <u>Total Golf Fund</u> |
|---|--|---|---|---|---|-----------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Pooled cash----- | \$ - | \$ - | \$ - | \$ - | \$ - | \$493,328 | \$493,328 |
| Non-pooled cash----- | 310,906 | 248,266 | 43,760 | 355,077 | 21,012 | - | 979,021 |
| Investments----- | - | - | - | - | - | 6,215,489 | 6,215,489 |
| Accounts receivable, net----- | 150 | 150 | 377 | 381 | 150 | - | 1,208 |
| Interest, dividends, and royalties receivable----- | - | - | - | - | - | 2,242 | 2,242 |
| Due within golf courses----- | (57,462) | (40,673) | (13,582) | (17,127) | 280 | 128,564 | - |
| Due within Authority----- | (102) | - | - | - | - | - | (102) |
| Receivable from the City of Oklahoma City----- | - | - | - | - | - | 120,321 | 120,321 |
| Inventories----- | 153,363 | 54,941 | 22,048 | 85,706 | 10,848 | - | 326,906 |
| Prepays----- | 1,065 | 131 | 127 | 4,947 | 96 | - | 6,366 |
| Total current assets----- | 407,920 | 262,815 | 52,730 | 428,984 | 32,386 | 6,959,944 | 8,144,779 |
| NON-CURRENT ASSETS | | | | | | | |
| Investments----- | - | - | - | - | - | 455,690 | 455,690 |
| Advances within the golf courses----- | 93,500 | (50,000) | (43,500) | - | - | - | - |
| Other----- | - | - | - | 5,220 | - | - | 5,220 |
| Capital assets: | | | | | | | |
| Land and construction in progress----- | - | - | - | - | - | 3,725,544 | 3,725,544 |
| Other capital assets, net of accumulated depreciation-- | 410,243 | 2,439,951 | 842,031 | 1,286,151 | 496,109 | 3,481 | 5,477,966 |
| Capital assets, net----- | 410,243 | 2,439,951 | 842,031 | 1,286,151 | 496,109 | 3,729,025 | 9,203,510 |
| Total non-current assets----- | 503,743 | 2,389,951 | 798,531 | 1,291,371 | 496,109 | 4,184,715 | 9,664,420 |
| Total assets----- | 911,663 | 2,652,766 | 851,261 | 1,720,355 | 528,495 | 11,144,659 | 17,809,199 |
| DEFERRED OUTFLOWS OF RESOURCES----- | | | | | | | |
| | - | - | - | - | - | 1,690 | 1,690 |
| LIABILITIES | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Accounts payable----- | 124,882 | 51,787 | 49,771 | 50,979 | 23,287 | 1,240,139 | 1,540,845 |
| Wages and benefits payable----- | 50,926 | 36,043 | 13,051 | 33,940 | 15,207 | - | 149,167 |
| Payable to the City of Oklahoma City----- | - | - | 16 | - | 507 | - | 523 |
| Compensated absences----- | 29,097 | 23,593 | 9,424 | 16,385 | 3,093 | - | 81,592 |
| Bond interest payable----- | - | - | - | - | - | 115,392 | 115,392 |
| Bonds payable----- | - | - | - | - | - | 755,000 | 755,000 |
| Total current liabilities----- | 204,905 | 111,423 | 72,262 | 101,304 | 42,094 | 2,110,531 | 2,642,519 |
| NON-CURRENT LIABILITIES | | | | | | | |
| Compensated absences----- | 62,187 | 24,918 | 4,793 | 33,465 | 12,953 | - | 138,316 |
| Bonds payable: | | | | | | | |
| Bonds payable----- | - | - | - | - | - | 13,565,000 | 13,565,000 |
| Unamortized bond discount/premium----- | - | - | - | - | - | 37,500 | 37,500 |
| Bonds payable, net----- | - | - | - | - | - | 13,602,500 | 13,602,500 |
| Net other post-employment benefit obligation----- | 1,020,578 | 710,818 | 319,347 | 661,662 | 241,471 | - | 2,953,876 |
| Total non-current liabilities----- | 1,082,765 | 735,736 | 324,140 | 695,127 | 254,424 | 13,602,500 | 16,694,692 |
| Total liabilities----- | 1,287,670 | 847,159 | 396,402 | 796,431 | 296,518 | 15,713,031 | 19,337,211 |
| NET POSITION (DEFICIT) | | | | | | | |
| Net investment in capital assets----- | 410,243 | 2,439,952 | 842,031 | 1,278,482 | 496,110 | (5,426,966) | 39,852 |
| Restricted for: | | | | | | | |
| Capital projects----- | - | - | - | - | - | 988 | 988 |
| Debt service----- | - | - | - | - | - | 566,250 | 566,250 |
| Unrestricted----- | (786,250) | (634,345) | (387,172) | (354,558) | (264,133) | 293,046 | (2,133,412) |
| Total net position (deficit)----- | (\$376,007) | \$1,805,607 | \$454,859 | \$923,924 | \$231,977 | (\$4,566,682) | (\$1,526,322) |

**COMBINING STATEMENT OF REVENUES, EXPENSES, OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY
AND CHANGES IN FUND NET POSITION
GOLF COURSES FUND
For the Year Ended June 30, 2014**

| | Lake Hefner Golf Course | Lincoln Park Golf Course | Trosper Park Golf Course | Earlywine Park Golf Course | James E. Stewart Golf Course | Golf Course System | Total Golf Fund |
|---|--|---|---|---|---|-----------------------------------|--------------------------------|
| <u>OPERATING REVENUES</u> | | | | | | | |
| <u>CHARGES FOR SERVICES</u> | | | | | | | |
| Green fees----- | \$1,705,167 | \$1,327,084 | \$510,217 | \$1,073,481 | \$145,706 | \$ - | \$4,761,655 |
| Concessions----- | 637,177 | 242,766 | 165,751 | 262,057 | 29,190 | - | 1,336,941 |
| Other charges----- | 1,566 | 1,635 | 626 | 1,959 | 113 | - | 5,899 |
| Total charges for services----- | 2,343,910 | 1,571,485 | 676,594 | 1,337,497 | 175,009 | - | 6,104,495 |
| Golf cart rentals----- | 751,663 | 702,289 | 278,696 | 529,703 | 53,460 | - | 2,315,811 |
| Total operating revenues----- | 3,095,573 | 2,273,774 | 955,290 | 1,867,200 | 228,469 | - | 8,420,306 |
| <u>OPERATING EXPENSES</u> | | | | | | | |
| Personal services----- | 1,753,284 | 1,171,677 | 531,909 | 1,060,222 | 435,133 | - | 4,952,225 |
| Maintenance, operations, and contractual services----- | 407,340 | 453,004 | 202,154 | 262,600 | 82,195 | 620,060 | 2,027,353 |
| Materials and supplies----- | 652,973 | 423,540 | 207,267 | 323,080 | 106,649 | - | 1,713,509 |
| Depreciation----- | 184,762 | 277,765 | 154,397 | 282,782 | 90,413 | 2,983 | 993,102 |
| Total operating expenses----- | 2,998,359 | 2,325,986 | 1,095,727 | 1,928,684 | 714,390 | 623,043 | 9,686,189 |
| Operating income (loss)----- | 97,214 | (52,212) | (140,437) | (61,484) | (485,921) | (623,043) | (1,265,883) |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | | | | | |
| Investment income----- | 194 | - | 2 | 231 | - | 4,357 | 4,784 |
| Interest on bonds and notes----- | - | - | (473) | (819) | - | (223,715) | (225,007) |
| Amortization----- | - | - | - | - | - | 2,831 | 2,831 |
| Payments from the City of Oklahoma City----- | - | - | - | - | 286,271 | 735,608 | 1,021,879 |
| Payments to the City of Oklahoma City----- | - | - | - | - | - | (56,773) | (56,773) |
| Other revenues----- | 3,316 | 1,887 | 520 | 1,564 | 65,802 | 39,997 | 113,086 |
| Net non-operating revenues (expenses)----- | 3,510 | 1,887 | 49 | 976 | 352,073 | 502,305 | 860,800 |
| Income (loss) before transfers----- | 100,724 | (50,325) | (140,388) | (60,508) | (133,848) | (120,738) | (405,083) |
| <u>TRANSFERS</u> | | | | | | | |
| Transfers within the golf courses----- | (555,324) | (398,752) | 11,601 | (333,643) | 280 | 1,275,838 | - |
| Transfers within the Authority----- | - | - | - | - | - | 3,988 | 3,988 |
| Total transfers----- | (555,324) | (398,752) | 11,601 | (333,643) | 280 | 1,279,826 | 3,988 |
| Changes in net position (deficit)----- | (454,600) | (449,077) | (128,787) | (394,151) | (133,568) | 1,159,088 | (401,095) |
| Total net position, beginning----- | 78,593 | 2,254,684 | 583,646 | 1,318,075 | 365,545 | (5,725,770) | (1,125,227) |
| Total net position (deficit), ending----- | (\$376,007) | \$1,805,607 | \$454,859 | \$923,924 | \$231,977 | (\$4,566,682) | (\$1,526,322) |

**COMBINING STATEMENT OF CASH FLOWS
GOLF COURSES FUND**

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

For the Year Ended June 30, 2014

| | <u>Lake Hefner Golf Course</u> | <u>Lincoln Park Golf Course</u> | <u>Trosper Park Golf Course</u> | <u>Earlywine Park Golf Course</u> | <u>James E. Stewart Golf Course</u> | <u>Golf Course System</u> | <u>Total Golf Fund</u> |
|--|--|---|---|---|---|-----------------------------------|--------------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | | | | |
| Cash received from customers----- | \$3,095,532 | \$2,274,654 | \$959,995 | \$1,874,613 | \$229,686 | \$84,136 | \$8,518,616 |
| Cash payments to suppliers for goods and services----- | (1,043,297) | (829,475) | (420,276) | (591,624) | (114,945) | (441,346) | (3,440,963) |
| Cash payments to employees and professional contractors for services----- | (1,567,992) | (1,072,135) | (496,830) | (953,887) | (391,789) | (23,146) | (4,505,779) |
| Cash payments for internal services----- | (20,552) | (62,348) | - | (4,751) | (7,066) | (102,629) | (197,346) |
| Operating payments from City of Oklahoma City----- | 45,365 | 123,313 | - | 36,069 | 302,271 | 3,626,856 | 4,133,874 |
| Operating payments to City of Oklahoma City----- | (600,690) | (522,065) | (42,898) | (436,529) | - | (2,016,127) | (3,618,309) |
| Operating payments within the Department----- | 12,016 | (40,379) | (4,818) | (8,225) | - | 41,406 | - |
| Other cash receipts----- | - | - | - | 150 | - | 39,850 | 40,000 |
| Net cash provided (used) by operating activities----- | (79,618) | (128,435) | (4,827) | (84,184) | 18,157 | 1,209,000 | 930,093 |
| <u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u> | | | | | | | |
| Payments for acquisition and construction of capital assets----- | (24,556) | (52,110) | - | (28,400) | - | (2,117,618) | (2,222,684) |
| Principal paid on long-term debt----- | - | - | - | - | - | (735,000) | (735,000) |
| Interest paid on long-term debt----- | - | - | (473) | (819) | - | (470,304) | (471,596) |
| Net cash provided (used) by capital and related financing activities----- | (24,556) | (52,110) | (473) | (29,219) | - | (3,322,922) | (3,429,280) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | | | | | |
| Payments for purchase of investments----- | - | - | - | - | - | (1,217,141) | (1,217,141) |
| Proceeds from sale of investments----- | - | - | - | - | - | 3,391,035 | 3,391,035 |
| Changes in pooled investments----- | - | - | - | - | - | (300,313) | (300,313) |
| Investment income received----- | 194 | - | - | 231 | - | 2,112 | 2,537 |
| Purchased interest----- | - | - | 2 | - | - | - | 2 |
| Net cash provided by investing activities----- | 194 | - | 2 | 231 | - | 1,875,693 | 1,876,120 |
| Net increase (decrease) in cash----- | (103,980) | (180,545) | (5,298) | (113,172) | 18,157 | (238,229) | (623,067) |
| Cash, beginning----- | 414,886 | 428,811 | 49,058 | 468,249 | 2,855 | 731,557 | 2,095,416 |
| Cash, ending----- | \$310,906 | \$248,266 | \$43,760 | \$355,077 | \$21,012 | \$493,328 | \$1,472,349 |

**COMBINING STATEMENT OF CASH FLOWS
GOLF COURSES FUND**

OKLAHOMA CITY PUBLIC PROPERTY AUTHORITY

For the Year Ended June 30, 2014

| | <u>Lake Hefner Golf Course</u> | <u>Lincoln Park Golf Course</u> | <u>Trosper Park Golf Course</u> | <u>Earlywine Park Golf Course</u> | <u>James E. Stewart Golf Course</u> | <u>Golf Course System</u> | <u>Total Golf Fund</u> |
|---|--|---|---|---|---|-----------------------------------|--------------------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) | | | | | | | |
| Operating income (loss)----- | \$97,214 | (\$52,212) | (\$140,437) | (\$61,484) | (\$485,921) | (\$623,043) | (\$1,265,883) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) | | | | | | | |
| OPERATING ACTIVITIES | | | | | | | |
| Depreciation----- | 184,762 | 277,765 | 154,397 | 282,782 | 90,413 | 2,983 | 993,102 |
| Other revenue----- | 3,317 | 1,889 | 523 | 1,562 | 65,806 | 40,015 | 113,112 |
| Changes in assets and liabilities: | | | | | | | |
| (Increase) decrease in accounts receivable----- | (150) | (150) | (25) | (225) | (150) | - | (700) |
| (Increase) decrease in payments/transfers from (to) within the Department----- | 16,000 | - | 11,601 | - | - | (27,601) | - |
| (Increase) decrease in receivable from City of Oklahoma City- | (15,682) | 50,650 | (24,000) | 1,222 | 302,271 | 3,819,413 | 4,133,874 |
| (Increase) decrease in inventories----- | 6,316 | 41,093 | 871 | 10,347 | (2,360) | - | 56,267 |
| (Increase) decrease in prepaid assets----- | (1,065) | (131) | (127) | (10,167) | (96) | - | (11,586) |
| Increase (decrease) in accounts payable----- | 8,568 | (57,086) | (7,250) | (4,517) | 5,981 | 132,438 | 78,134 |
| Increase (decrease) in wages and benefits payable----- | (12,105) | (9,108) | (6,901) | (6,182) | (450) | - | (34,746) |
| Increase (decrease) in payable to City of Oklahoma City----- | (543,525) | (489,781) | (35,317) | (409,907) | 507 | (2,135,205) | (3,613,228) |
| Increase (decrease) in compensated absences----- | 9,996 | 459 | (6,762) | 4,134 | 27 | - | 7,854 |
| Increase (decrease) in net other post-employment benefit obligation----- | 166,736 | 108,177 | 48,600 | 108,251 | 42,129 | - | 473,893 |
| Total adjustments----- | (176,832) | (76,223) | 135,610 | (22,700) | 504,078 | 1,832,043 | 2,195,976 |
| Net cash provided (used) by operating activities----- | (\$79,618) | (\$128,435) | (\$4,827) | (\$84,184) | \$18,157 | \$1,209,000 | \$930,093 |

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**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 Public Property 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 Public Property Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2014, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 11, 2014, that contained an *Emphasis of Matter* paragraph for the restatement of prior period financial statements. The financial statements of The Combined Operations of the Cox Convention Center and the Chesapeake Energy Arena, as managed by SMG, which are reported within the Authority's governmental activities and general purpose fund financial statements, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (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 and, therefore, there can be no assurance that all material weaknesses 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 than a material weakness, yet important enough to merit the attention of 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 Public Property Authority
Schedule of Findings and Responses
Year Ended June 30, 2014

| Reference Number | Finding |
|-------------------------|--|
| 14-01 | <p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Authority has long-term liabilities due to the City’s General Fund and City School and Use Tax Fund. These long-term liabilities had been reported as a liability in the governmental fund balance sheet, even though reporting of long-term liabilities in the governmental fund is not allowed because these liabilities are not expected to be repaid with current financial resources.</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 – The beginning of year fund balance in the Authority’s 2014 statement of revenues, expenditures and changes in fund balance was restated to remove the long-term liabilities from the governmental fund balance sheet.</p> <p>Cause – The finance department had previously reported these advances as long-term liabilities.</p> <p>Recommendation – The finance department should review long-term advances between funds to determine the proper classification between current and noncurrent advances for proper treatment in the governmental fund balance sheet.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with this finding and will conduct the appropriate review to ensure proper classification between current and noncurrent advances to ensure proper treatment in the governmental fund balance sheet.</p> |

Oklahoma City Public Property Authority
Schedule of Findings and Responses
Year Ended June 30, 2014

| Reference Number | Finding |
|-------------------------|---|
| 14-02 | <p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Authority initially expensed a capital project related to the installation of a new elevator at the fairgrounds arena because the finance department had been informed that the new elevator had replaced an existing elevator. Upon further review by management at our request, it was determined the elevator was not a replacement of an existing elevator.</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 – The cost of the new elevator and associated administrative costs were capitalized on the Authority’s statement of net position at year-end, resulting in a material adjustment to the Authority’s financial statements.</p> <p>Cause – Certain controls in the transaction review process were not in place or did not operate effectively to identify and correct this error.</p> <p>Recommendation – We recommend significant transactions for noncapital construction be properly reviewed by the appropriate personnel to ensure the proper accounting is accorded to these transactions and agreements.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the finding. Finance will work with OCPPA management to review the proper accounting treatment for significant noncapital construction to prevent future occurrences.</p> |

Oklahoma City Public Property Authority
Schedule of Findings and Responses
Year Ended June 30, 2014

| Reference Number | Finding |
|-------------------------|---|
| 14-03 | <p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During the course of the audit, we identified the need to make certain adjustments to capital assets and related depreciation accounts.</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 – Misstatements in the financial statements resulting from errors that occurred and were not detected and/or corrected in a timely manner created the need to record an audit adjustment to correct the errors.</p> <p>Cause – Certain deficiencies in the overall review process of the financial statements were not in place to identify these errors timely.</p> <p>Recommendation – We recommend the finance department enhance their review of supporting documentation in an effort to limit errors in the Authority’s financial statements. In addition, management should consider quarterly reviews of all construction projects to timely closeout projects and alleviate strains on the finance department at year-end.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with this finding. Existing asset policies and procedures will be updated to incorporate all phases of an assets life once it is entered into the system inclusive of an analysis of quarterly data so that construction projects can be closed out timely.</p> |

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