



# **GROWING TOGETHER**

**Oklahoma City Riverfront Redevelopment Authority**

Annual Financial Report | the City of Oklahoma City, Oklahoma | for the Fiscal Year ended June 30, 2012



# **OKLAHOMA CITY RIVERFRONT REDEVELOPMENT AUTHORITY**

A Discrete Component Unit of  
Oklahoma City, Oklahoma

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Mick Cornett, Mayor

Wayne Stone, Surrogate Trustee for Mayor

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## ***Management***

James D. Couch, General Manager

Wendel Whisenhunt, Surrogate General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2012

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



# **Introductory Section**

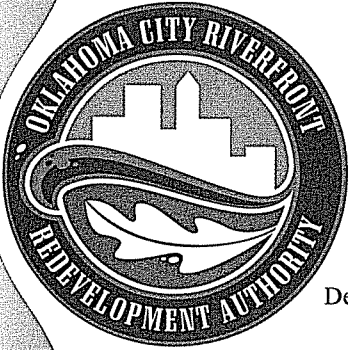


**OKLAHOMA CITY RIVERFRONT REDEVELOPMENT AUTHORITY**

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December 12, 2012

Trustees:

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Mayor Mick Cornett

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Gary Marrs

Larry McAtee

Ann Simank

Brian Dougherty

Paul Dudman

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Kathy L. Williams

General Manager

James D. Couch

Director of  
Development

Pat Downes

Surrogate  
General Manager  
Wendel Whisenhunt

The Board of Trustees

Oklahoma City Riverfront Redevelopment Authority

The Oklahoma City Riverfront Redevelopment 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, has prepared this report in compliance with generally accepted accounting principles in the United States. It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Authority.

The Authority's annual report includes the reports of independent accountants, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Authority for fiscal year ended June 30, 2012, is in the MD&A section of this report, immediately following the independent accountants' report on financial statements and supplementary information. The Authority's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Authority. The Authority is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

The Authority was established by City Council resolution on March 19, 1985, as the successor to the North Canadian River Corridor Master Plan (Master Plan) known as "a String of Pearls". The Master Plan called for improvement and beautification of land along and adjacent to the Oklahoma River and its various tributaries. The Authority continues to pursue the concepts contained in the Master Plan in an effort to transform the Oklahoma River Corridor (River) into a major focal point and source of pride to the City.

The Authority provides policy direction as well as master planning and project oversight for developments and activities along the Oklahoma River/North Canadian River corridor within the Oklahoma City limits. Established via a trust indenture approved by the Mayor and City Council, the Authority is responsible for management of the City's substantial real assets along the corridor, the terms of which are set forth in a master lease agreement between the City and Authority.

The original Metropolitan Area Projects (MAPS) program provided the initial funding for the City's longstanding vision to transform the predominantly dry Corps of Engineers floodway construction project of the late 50s and early 60s into a vibrant corridor designed to foster outdoor recreation and economic redevelopment in the City's core. The last of the original MAPS river projects, totaling some \$39 million including the Bricktown Canal, were completed in 2004, paving the way for new waterfront events and privately funded developments which would have been impossible absent the voters' approval of that landmark ballot initiative in December 1993. From the Devon Energy Holiday Boat Parade to the Oklahoma City Nationals Drag Boat Races, and from the World Wakeboard Series to the formal designation of the Oklahoma River as a United States Olympic Committee Training Site, it is clear that the impoundment of water has forever transformed the former drainage ditch into a powerful economic development engine and marketing image for the City.



Voter approval of the MAPS3 program of work in December 2009 has set the stage for additional progress on Oklahoma City's riverfront. The resultant \$60 million in additional public investment in river-related projects and improvements has already begun to generate even greater interest in corridor development. The Authority works closely with the MAPS3 Citizens Committee and staff, and the Authority itself is represented on the related MAPS3 Subcommittee by sitting members of the Authority.

In addition to the MAPS-funded program of work, projects with which the Authority continues to be involved include the American Indian Cultural Center and Museum, the Boathouse District, Oklahoma River Cruises, riverfront hotel development near Meridian Avenue, and redevelopment of the Crystal lake compound to serve disadvantaged youth. The Riverfront Design Committee, whose members are nominated by the Chairman of the Authority and confirmed by the Mayor and City Council, reviews development proposals submitted for properties located within the designated Scenic River Overlay Design District.

The current economic environment and the economic outlook for Oklahoma City remain very positive. Because of a cost of living rating consistently below the national average; a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location, Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States, many of which were a number one ranking. This promises an immediate and sustainable economic growth outlook for the next several years.

In a report of the 2012 Economic Forecast: State and Oklahoma City Outlook, prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), the Institute reported the U.S. national economy is still in a recovery mode. However, the Institute reported in Oklahoma nearly all jobs have been recovered or projected shortly for recovery, indicating the issue for Oklahoma City is now one of sustainable trajectory. While there were impacts of the economy for Oklahoma City, many of the effects of the recession were largely passed over according to this report. In addition to job recovery and as a result of it, sales tax receipts have been impressive and were projected by the Institute to grow by 3.15% in FY 2012 and 1.84% in FY 2013. Sales tax receipts, which are evaluated to determine the health of the economy of Oklahoma City, exceeded these projections in FY 2012, increasing by 6.43%.

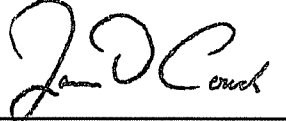
Any economic outlook is predicated on sustainable factors. The City Council has a continuing priority to its citizens to fulfill the promises made to them with regard to completing the projects established in voter initiatives to invest in the City. In addition, the City Council is focused on pursuing 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 economy in Oklahoma City has been strong in the past two years and the future for Oklahoma City is bright. Oklahoma City is poised to meet the challenges of the future as it has done so well in the past.

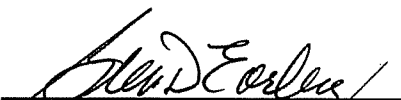
The Mayor, his appointed surrogate, and three City Council members serve as the Authority's Trustees with five other Trustees appointed by the Mayor and approved by the City Council. The Authority participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Authority management and other interested readers with regular financial analyses. Additionally, the Authority's management maintains budgetary controls to ensure compliance with legal provisions.

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

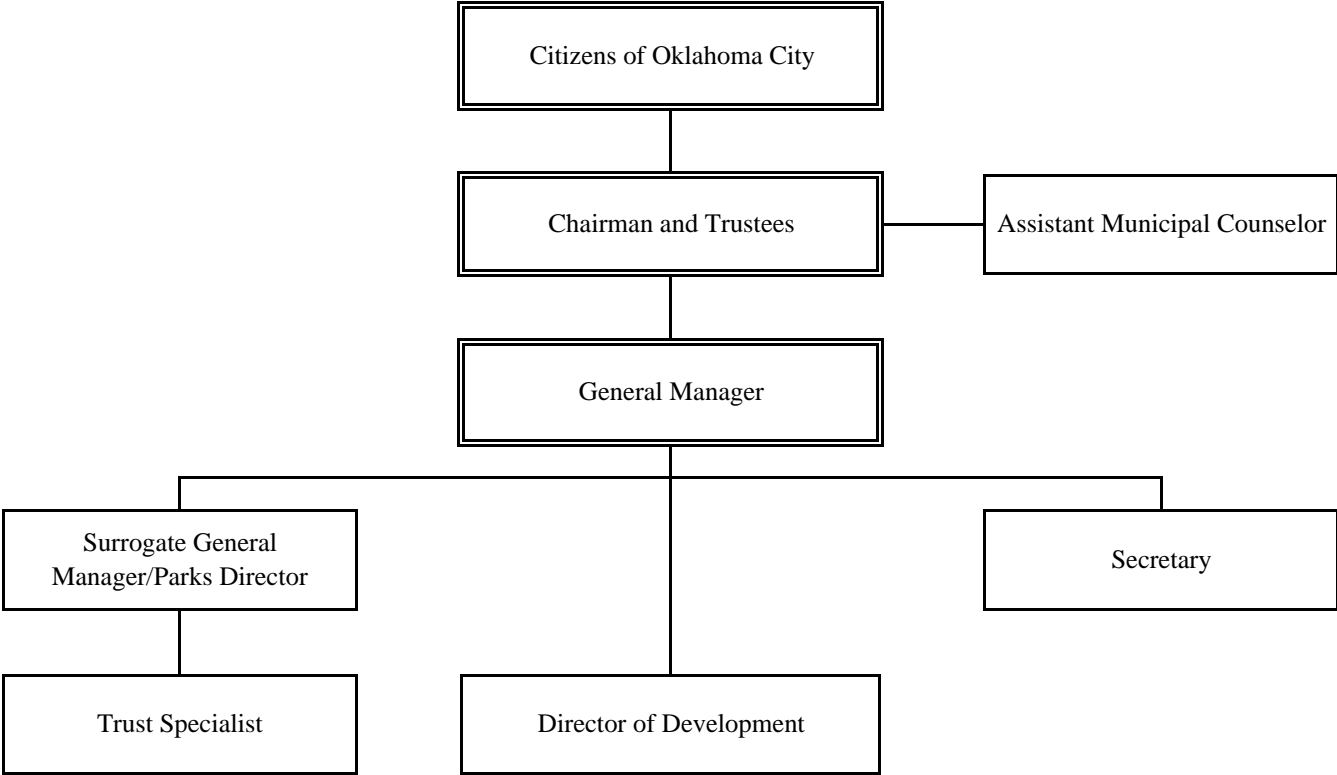
Respectfully submitted:

  
James D. Couch  
General Manager

  
Craig Freeman  
City of Oklahoma City Finance Director

  
Glen D. Earley  
City of Oklahoma City Controller

**Oklahoma City  
Riverfront Redevelopment Authority  
Organization Chart**



# **Financial Section**



## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees  
Oklahoma City Riverfront Redevelopment Authority  
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of the governmental activities and each fund of Oklahoma City Riverfront Redevelopment Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Authority as of June 30, 2012 and 2011, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note III*, the previously issued 2011 financial statements have been restated. Our previously issued report on those financial statements dated December 2, 2011, is no longer to be relied upon because the previously issued statements were materially misstated and that report is replaced by this report on the restated 2012 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*BKD, LLP*

December 12, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Riverfront Redevelopment Authority (Authority) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2012 and 2011. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Authority is a discretely presented component unit of the City of Oklahoma City (City).

### *Financial Summary*

- Authority assets exceeded liabilities by \$3,535,687 (net assets) for 2012. This compares to the previous year when assets exceeded liabilities by \$3,614,664.
- Total assets for the Authority decreased by \$101,901 (2.8%) to \$3,576,032 during 2012 and decreased by \$409,249 (10.0%) to \$3,677,933 for 2011.
- Total liabilities for the Authority decreased by \$22,924 (36.2%) to \$40,345 during 2012 and decreased by \$14,269 (18.4%) to \$63,269 during 2011.
- Total net assets are comprised of the following:
  - (1) Investment in capital assets of \$3,024,815 at June 30, 2012 and \$3,079,667 at June 30, 2011 include property and equipment, net of accumulated depreciation.
  - (2) Unrestricted net assets of \$510,872 and \$534,997 at June 30, 2012 and 2011, respectively.
- The Authority's governmental fund reported an ending fund balance of \$500,776 this year. This compares to the prior year ending fund balance of \$517,828 for a decrease of \$17,052 during the current year.

### *Overview of the Financial Statements*

This discussion and analysis introduces the Authority's basic financial statements. The basic financial statements include: (1) Authority-wide statements, (2) fund financial statements, and (3) notes to the 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 statements is the statement of net assets. This is the statement of position presenting information that includes all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating and identify financial strengths and weaknesses and assess liquidity.

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

### Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority has only one fund, a governmental fund, which serves as the general fund of the Authority.

#### Governmental Fund

The governmental fund is reported in the fund financial statements and reports the riverfront redevelopment function 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.

### Notes to the Financial Statements

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

### Financial Analysis

The Authority's net assets at fiscal year-end are \$3,535,687. This is a decrease of \$78,977 from last year's net assets of \$3,614,664. Overall the Authority's financial position declined during fiscal year 2012. The 2011 balances have been adjusted to reflect the restatement of prior year balances related to a prior period adjustment. See Note III for more information.

#### Summary of Net Assets

	2012	2011 (Restated)	2012-2011 Amount of Change	2012-2011 %	2010	2011-2010 Amount of Change	2011-2010 %
<b>Assets</b>							
Current assets	\$547,806	\$596,328	(\$48,522)	(8.1%)	\$595,117	\$1,211	0.2%
Capital assets, net	<u>3,028,226</u>	<u>3,081,605</u>	<u>(53,379)</u>	(1.7)	<u>3,492,065</u>	<u>(410,460)</u>	(11.8)
<b>Total assets</b>	<b><u>3,576,032</u></b>	<b><u>3,677,933</u></b>	<b><u>(101,901)</u></b>	(2.8)	<b><u>4,087,182</u></b>	<b><u>(409,249)</u></b>	(10.0)
<b>Liabilities</b>							
Current liabilities	<u>40,345</u>	<u>63,269</u>	<u>(22,924)</u>	(36.2)	<u>77,538</u>	<u>(14,269)</u>	(18.4)
<b>Total liabilities</b>	<b><u>40,345</u></b>	<b><u>63,269</u></b>	<b><u>(22,924)</u></b>	(36.2)	<b><u>77,538</u></b>	<b><u>(14,269)</u></b>	(18.4)
<b>Net assets</b>							
Invested in capital assets	3,024,815	3,079,667	(54,852)	(1.8)	3,487,547	(407,880)	(11.7)
Unrestricted net assets	<u>510,872</u>	<u>534,997</u>	<u>(24,125)</u>	(4.5)	<u>522,097</u>	<u>12,900</u>	2.5
<b>Total net assets</b>	<b><u>\$3,535,687</u></b>	<b><u>\$3,614,664</u></b>	<b><u>(\$78,977)</u></b>	(2.2)	<b><u>\$4,009,644</u></b>	<b><u>(\$394,980)</u></b>	(9.9)

Current assets decreased \$49 thousand in 2012 due to a \$38 thousand decrease in investments and a \$10 decrease in accounts receivable in 2012. Capital assets, net decreased \$54 thousand and \$411 thousand in 2012 and 2011 respectively, primarily due to normal depreciation of fixed assets and the removal of the Oklahoma River Rowing and Canoe/Kayak Racecourse through a prior period adjustment in 2011.



In 2012, current liabilities decreased by \$23 thousand due in part to a decrease of \$18 thousand in accounts payable for the completion of a parking lot and storm sewer improvements in 2011. Current liabilities in 2011 decreased by \$14 thousand primarily due to recognition of previously deferred revenues of \$22 thousand for the construction of the City River Maintenance Facility.

	Summary of Changes in Net Assets						
	2012	2011 (Restated)	2012-2011 Amount of Change	2012-2011 %	2010	2011-2010 Amount of Change	2011-2010 %
<b>Revenues</b>							
Charges for services	\$600	\$600	\$ -	0.0%	\$183	\$417	2.3%
Operating grants & contributions	-	3,332	(3,332)	(100.0)	1,639,979	(1,636,647)	(1.0)
General revenues	<u>220,018</u>	<u>245,704</u>	<u>(25,686)</u>	(10.5)	<u>275,022</u>	<u>(29,318)</u>	(10.7)
<b>Total revenues</b>	<b>220,618</b>	<b>249,636</b>	<b>(29,018)</b>	(11.6)	<b>1,915,184</b>	<b>(1,665,548)</b>	(87.0)
<b>Program expenses</b>	<b><u>299,595</u></b>	<b><u>302,200</u></b>	<b><u>(2,605)</u></b>	(0.9)	<b><u>553,325</u></b>	<b><u>(251,125)</u></b>	(45.4)
<b>Changes in net assets (deficit)</b>	<b>(78,977)</b>	<b>(52,564)</b>	<b>(26,413)</b>	(50.2)	<b>1,361,859</b>	<b>(1,414,423)</b>	(103.9)
Beginning net assets,							
As previously reported	3,614,664	4,009,644	(394,980)	(9.9)	2,647,785	1,361,859	51.4
Prior period adjustment	-	<u>(342,416)</u>	<u>342,416</u>	100.0	-	<u>(342,416)</u>	100.0
As restated	<u>3,614,664</u>	<u>3,667,228</u>	<u>3,614,664</u>	98.6	<u>2,647,785</u>	<u>3,614,664</u>	136.5
<b>Ending net assets</b>	<b><u>\$3,535,687</u></b>	<b><u>\$3,614,664</u></b>	<b><u>\$3,588,251</u></b>	99.3	<b><u>\$4,009,644</u></b>	<b><u>\$3,535,687</u></b>	88.2

Operating grants and contributions decreased \$3 thousand and \$1.64 million in 2012 and 2011, respectively. The Authority received contributions of \$3 thousand for the Shoreline Improvement, Boathouse Row Projects from the Oklahoma City Economic Development Trust in 2011. In 2010, the Authority received contributions of \$845 thousand for the Shoreline Improvement, Boathouse Row Projects and \$795 thousand for the Regatta Park Project from the Oklahoma City Economic Development Trust and the City's Capital Project Fund. There were no operating grants and contributions received in 2012.

Within general revenues, the Authority reported net decreases of \$26 thousand and \$29 thousand in 2012 and 2011, respectively. Sand mining royalties decreased \$19 thousand in 2012 and \$34 thousand in 2011 due to a decline in the construction industry. In 2012, oil and gas royalties decreased \$6 thousand and increased \$5 thousand in 2011.

Program expenses remained stable from 2011 to 2012. Program expenses decreased in 2011 by \$251 thousand due to prior year costs associated with payments related to clean-up costs of an abandoned oil well of \$278 thousand and a payment to the Central Oklahoma Transportation and Parking Authority for marketing expenses, offset by increased costs to remove junk and debris of \$40 thousand, sod replacement near the boathouse of \$19 thousand and increased depreciation expense of \$41 thousand.

### Governmental Fund

As discussed, the Authority governmental fund is reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The Authority governmental fund reported ending fund balance of \$500,776. Of this year-end total, approximately \$493,148 is unassigned, indicating availability for continuing Authority general service requirements.

The total ending fund balance of the governmental fund shows a decrease of \$17,052 over the prior years. This decrease is primarily the result of the events and programs described within the analysis of the Authority's governmental activities.

**Capital Assets**

The Authority's capital assets at fiscal year-end are \$3,028,226. This is a decrease of \$53,379 from last year's capital assets of \$3,081,605.

	<b>Capital Assets Net of Accumulated Depreciation</b>						
	<u>2012</u>	<u>2011</u> <u>(Restated)</u>	2012-2011	2012-2011	<u>2010</u>	2011-2010	2011-2010
			Amount of	%		Amount of	%
			<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>
<b>Non-Depreciable Assets</b>							
Land	\$32,144	\$32,144	\$ -	0.0%	\$22,544	\$9,600	42.6%
Construction in progress	<u>30,500</u>	<u>11,089</u>	<u>19,411</u>	175.0	<u>9,600</u>	<u>1,489</u>	15.5
Total non-depreciable assets	62,644	43,233	19,411	44.9	32,144	11,089	34.5
<b>Depreciable Assets</b>							
Infrastructure	2,854,478	2,906,592	(52,114)	(1.8)	2,966,198	(59,606)	(2.0)
Equipment	<u>111,104</u>	<u>131,780</u>	<u>(20,676)</u>	(15.7)	<u>493,723</u>	<u>(361,943)</u>	(73.3)
Total depreciable assets	<u>2,965,582</u>	<u>3,038,372</u>	<u>(72,790)</u>	(2.4)	<u>3,459,921</u>	<u>(421,549)</u>	(12.2)
	<b><u>\$3,028,226</u></b>	<b><u>\$3,081,605</u></b>	<b><u>(\$53,379)</u></b>	(1.7)	<b><u>\$3,492,065</u></b>	<b><u>(\$410,460)</u></b>	(11.8)

The decrease in capital assets in 2012 was due primarily to normal depreciation expense. Capital assets decreased by \$410,460 in 2011 due primarily to the removal of the Oklahoma River Racecourse through a prior period adjustment. See Note II. A. 4 for additional information regarding capital assets.

**Economic Factors**

Sand mining revenues continue to decrease due to a decline in the construction industry.

**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. Questions relating to the Authority's operations should be directed to the Authority's Director of Development, Oklahoma City Riverfront Redevelopment Authority, 200 N. Walker, Oklahoma City, Oklahoma 73102, (405) 631-8820.

# **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 riverfront redevelopment activities and the general revenues of the Authority.*

## ***Fund Financial Statements***

*Focus on the Authority's most significant funds.*

### **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.*

**STATEMENTS OF NET ASSETS**  
**June 30,**

**OKLAHOMA CITY RIVERFRONT**  
**REDEVELOPMENT AUTHORITY**

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Non-pooled cash-----	\$2	\$910
Investments-----	509,647	547,997
Accounts receivable, net-----	30,524	40,482
Interest receivable-----	5	4
Prepays-----	7,628	6,935
<b>Total current assets-----</b>	<b>547,806</b>	<b>596,328</b>
<b><u>NON-CURRENT ASSETS</u></b>		
Capital assets:		
Land and construction in progress-----	62,644	43,233
Other capital assets, net of accumulated depreciation-----	2,965,582	3,038,372
<b>Total capital assets-----</b>	<b>3,028,226</b>	<b>3,081,605</b>
<b>Total assets-----</b>	<b>3,576,032</b>	<b>3,677,933</b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable-----	4,102	21,774
Payable to the City of Oklahoma City-----	35,827	37,331
Deferred revenue-----	416	4,164
<b>Total liabilities-----</b>	<b>40,345</b>	<b>63,269</b>
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt-----	3,024,815	3,079,667
Unrestricted-----	510,872	534,997
<b>Total net assets-----</b>	<b>\$3,535,687</b>	<b>\$3,614,664</b>

See accompanying notes to financial statements.

**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30,**

**OKLAHOMA CITY RIVERFRONT**  
**REDEVELOPMENT AUTHORITY**

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
<b><u>PROGRAM EXPENSES</u></b>		
<b><u>RIVERFRONT REDEVELOPMENT</u></b>		
Professional services-----	\$87,302	\$148,694
Payments to Central Oklahoma Transportation and Parking Authority, River Mobility Fund---	50,000	-
Other services and charges-----	78,416	72,034
Depreciation expense-----	83,877	81,472
<b>Total program expenses-----</b>	<b><u>299,595</u></b>	<b><u>302,200</u></b>
<b><u>PROGRAM REVENUES</u></b>		
<b><u>CHARGES FOR SERVICES</u></b>		
Riverfront redevelopment-----	600	600
Payments from Oklahoma City Economic Development Trust-----	-	3,332
<b>Total program revenues-----</b>	<b><u>600</u></b>	<b><u>3,932</u></b>
<b>Net program (expense)-----</b>	<b><u>(298,995)</u></b>	<b><u>(298,268)</u></b>
<b><u>GENERAL REVENUES</u></b>		
Sand mining operations-----	137,005	155,942
Oil and gas royalties-----	82,959	89,438
Investment income-----	54	324
<b>Total general revenues-----</b>	<b><u>220,018</u></b>	<b><u>245,704</u></b>
<b>Changes in net assets-----</b>	<b><u>(78,977)</u></b>	<b><u>(52,564)</u></b>
Beginning of year, as previously reported-----	3,614,664	4,009,644
Prior period adjustment-----	-	(342,416)
Beginning of year, as restated-----	<u>3,614,664</u>	<u>3,667,228</u>
<b>Net assets-ending-----</b>	<b><u>\$3,535,687</u></b>	<b><u>\$3,614,664</u></b>

See accompanying notes to financial statements.

**BALANCE SHEETS**  
**June 30,**

**OKLAHOMA CITY RIVERFRONT  
REDEVELOPMENT AUTHORITY**

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
<b><u>ASSETS</u></b>		
Non-pooled cash-----	\$2	\$910
Investments-----	509,647	547,997
Accounts receivable-----	30,524	40,482
Interest receivable-----	5	4
Prepays-----	7,628	6,935
<b>Total assets-----</b>	<b><u>\$547,806</u></b>	<b><u>\$596,328</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts payable-----	\$4,102	\$21,774
Payable to City of Oklahoma City General Fund-----	35,579	37,300
Payable to City Stormwater Drainage Fund-----	5	31
Payable to Oklahoma City Public Property Authority General Purpose Fund-----	243	-
Deferred revenue-----	7,101	19,395
<b>Total liabilities-----</b>	<b><u>47,030</u></b>	<b><u>78,500</u></b>
<b><u>FUND BALANCES</u></b>		
Non-spendable-----	7,628	6,935
Unrestricted:		
Unassigned-----	493,148	510,893
<b>Total fund balances-----</b>	<b><u>500,776</u></b>	<b><u>517,828</u></b>
<b>Total liabilities and fund balances-----</b>	<b><u>\$547,806</u></b>	<b><u>\$596,328</u></b>
<b><u>RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENTS OF</u></b>		
<b><u>NET ASSETS</u></b>		
Total fund balances-----	\$500,776	\$517,828
Capital assets-----	3,605,490	3,574,992
Accumulated depreciation-----	(577,264)	(493,387)
Deferred revenue earned but unavailable-----	6,685	15,231
<b>Total net assets-----</b>	<b><u>\$3,535,687</u></b>	<b><u>\$3,614,664</u></b>

See accompanying notes to financial statements.



**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Years Ended June 30,**

**OKLAHOMA CITY RIVERFRONT  
REDEVELOPMENT AUTHORITY**

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
<b><u>REVENUES</u></b>		
Sand mining operations-----	\$137,005	\$155,942
Oil and gas royalties-----	91,505	80,472
Investment income-----	54	324
Rental income-----	600	600
Payments from Oklahoma City Economic Development Trust-----	-	3,332
<b>Total revenues-----</b>	<b><u>229,164</u></b>	<b><u>240,670</u></b>
<b><u>EXPENDITURES</u></b>		
<b><u>CURRENT</u></b>		
Professional services-----	87,302	148,694
Payments to Central Oklahoma Transportation and Parking Authority, River Mobility Fund	50,000	-
Other services and charges-----	78,416	72,034
Capital outlay-----	30,498	13,428
<b>Total expenditures-----</b>	<b><u>246,216</u></b>	<b><u>234,156</u></b>
<b>Net changes in fund balances-----</b>	<b>(17,052)</b>	<b>6,514</b>
Fund balances, beginning-----	517,828	511,314
<b>Fund balances, ending-----</b>	<b><u>\$500,776</u></b>	<b><u>\$517,828</u></b>
<b><u>RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES</u></b>		
Net changes in fund balances-----	(\$17,052)	\$6,514
Capital outlay-----	30,498	13,428
Depreciation expense-----	(83,877)	(81,472)
Recognition of earned but unavailable deferred revenue-----	(8,546)	8,966
<b>Change in net deficit-----</b>	<b><u>(\$78,977)</u></b>	<b><u>(\$52,564)</u></b>

See accompanying notes to financial statements.

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# **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 Riverfront Redevelopment Authority (Authority) financial activities for the fiscal years ended June 30, 2012 and 2011.

### I. B. BASIS OF PRESENTATION

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

The Authority was created as a public trust pursuant to Title 60 of the Oklahoma Statutes, section 176, et seq., on March 19, 1985, amended and restated June 2005, with The City of Oklahoma City, Oklahoma (City) named as the beneficiary. The purpose of the Authority is to finance, develop, and maintain the property adjacent to the Oklahoma River (River). The provisions of the trust indenture provide that the Authority will lease or otherwise manage the related property, equipment, and improvements financed by the Authority. Assets are managed by the Director of Development, an Authority consultant.

The Mayor, his appointed surrogate, and three City Council members serve with five other Trustees appointed by the Mayor and confirmed by the City Council. 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 a component unit of the City and is included in the City's financial reporting entity. The financial activity of the Authority is discretely presented in the City's CAFR. CAFR financial statements may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

#### *Authority Administration*

The Authority has no employees. Authority activities are performed by City employees and an Authority consultant.

#### *Related Organizations*

##### **Oklahoma River Foundation Endowment Fund (ORFE)**

On December 13, 2004, the Authority entered into agreement with the Oklahoma City Community Foundation (Foundation) to establish a permanent fund at the Foundation. The purpose of the ORFE is to support the public uses of the Authority leasehold. The ORFE was established with the net proceeds of Downtown Oklahoma City, Incorporated 2004 Holiday Boat Parade; however, the ORFE may receive future donations and investment earnings.

Distributions are recommended by an Advisory Committee composed of three members: the Chairman of the Authority, or a designee; and two members separately appointed by the Trustees of the Foundation and the Mayor of Oklahoma City, respectively. All distributions from the Fund are subject to the final approval of the Foundation Trustees.

**Central Oklahoma Transportation and Parking Authority (COTPA)**

COTPA is a discrete component unit of the City. On January 13, 2006, the COTPA Trustees approved a resolution accepting an administrative role in developing and operating the water transport system as part of a joint Oklahoma River Water Mobility System Plan (System Plan). On June 20, 2006, the City Council approved a joint resolution with the Authority and COTPA regarding the assignment and acceptance of responsibilities. Per the resolution, COTPA is primarily responsible for operations and finance issues, while the Authority provides support in areas of planning, development, and marketing.

**OCRRA Leases**

The Authority has entered into an agreement to lease the "String of Pearls" park system along the course of the North Canadian River in Oklahoma City. The park system includes the Oklahoma River Rowing and Canoe/Kayak Racecourse (the Racecourse). The lease payment is nominal. The initial term of the lease is 25 years and the lease can be extended for additional periods if sub lessors under the lease extend their options under the subleases. The lease agree with the City covers the properties mineral rights and the related sand mining revenues and oil and gas royalties received under this arrangement constitute the majority of the Authority's revenues.

The Authority has entered into various subleases under its String of Pearls lease agreement with the City. The purposes of these subleases are generally to provide access to land to various parties to allow them to build boat houses and other facilities along the Racecourse. These subleases are generally for nominal dollar amounts and have initial terms of 25 years with options to renew for additional periods.

**I. B. 2. BASIC FINANCIAL STATEMENTS**

The basic financial statements include the statement of net assets, the statement of activities, balance sheet, and statement of revenues, expenditures, and changes in fund balances. These statements report financial information for the Authority as a whole.

***Authority-Wide Financial Statements***

The statement of net assets reports both short and long-term assets and liabilities, specifically including capital assets, acquired by the Authority.

The statement of activities reports the revenues and expenses of the Authority's riverfront redevelopment function. Program revenue includes operating and capital grants as well as contributions. All other revenues of the Authority are included as general revenues.

***Fund Financial Statements***

The balance sheet and statement of revenues, expenditures, and changes in fund balances are also included in the basic financial statements. These statements report current assets and liabilities and sources and uses of these resources.

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

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The statement of net assets and statement of activities report using the economic resources measurement focus and the accrual 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. Capital assets are recorded when purchased or constructed and depreciated over their useful lives.

The remaining two 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 liability is incurred.

**I. C. BUDGET LAW AND PRACTICE**

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

**I. D. POLICIES RELATED TO ASSETS AND LIABILITIES**

**I. D. 1. CASH AND INVESTMENTS**

The Authority participates in the investment policy approved by the City Council. Unrestricted investments are managed by the City Treasurer. The Authority's governing board has formally adopted the City's deposit and investment policy. Where applicable, deposit and investment policies are specified in the respective bond indentures.

Investments are carried at fair value determined by quoted market prices. Cash equivalents are reported with investments. Cash deposits are reported at carrying amount, which approximates fair value.

**I. D. 2. PREPAIDS**

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

### I. D. 3. CAPITAL ASSETS AND DEPRECIATION

Property and equipment are stated at actual or estimated historical cost. The Authority generally capitalizes assets with cost of \$7,500 or more as purchases and construction outlays occur. Capital assets are reported in the statement of net assets and depreciated using the straight-line method with estimated useful lives ranging from 5 to 50 years from the date placed in service. 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.

	<u>Estimated Useful life</u>
Buildings	10 - 50
Infrastructure and improvements other than buildings	10 - 50
Mobile equipment, furniture, machinery, and equipment	5 - 20

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

Maintenance and repairs are charged to operations, while renewals and betterments are capitalized.

### I. D. 4. RETAINAGES

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

### I. D. 5. 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 which has not been classified within the above mentioned categories.

### **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 Assets***

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

### **Net Assets Invested in Capital Assets, Net of Related Debt**

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

### **Restricted Net Assets**

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

## **I. E. 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. F. RISK MANAGEMENT**

The Authority's risk management activities are administered by the City Risk Management Fund and the Oklahoma City Municipal Facility Authority (OCMFA) OCMFA Services Fund. These funds administer the property and liability insurance programs for the City and related Trusts, Authorities and System. The Trust pays premiums to the City to cover its estimated share of the current costs incurred by the insurance programs.

Significant losses are covered by commercial insurance for the property and liability programs. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Authority does not recognize any separate liabilities related to risk management.

## **I. G. MAJOR REVENUES**

Revenues are primarily from investment activities, contributions, oil and gas royalties, and sand mining. Program revenues include rental income and contributions from the City and related organizations.

**I. H. 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.

**II. ASSETS AND LIABILITIES**

**II. A. ASSETS**

**II. A. 1. DEPOSITS AND INVESTMENTS**

*Deposits*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority policy requires deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal deposit insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Treasurer.

At June 30, 2012 and 2011 the Authority's cash is collateralized with securities held by the pledging financial institution in the name of the Authority, 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.

<b>June 30, 2012</b>				
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Rating (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Money market funds	<u>\$509,647</u>	<u>\$509,647</u>	AAA/Aaa	1.80
<b>June 30, 2011</b>				
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Rating (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Money market funds	<u>\$547,997</u>	<u>\$547,997</u>	AAA/Aaa	1.43

- (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) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in the City when secured by appropriate collateral; (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) State and Local Government Series (SLGS); and (7) 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.

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 Authority's 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 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 managed by the City Treasurer may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total portfolio may be placed with any single financial institution with the exception of repurchase agreements and money market funds. U.S. government securities, SLGS, and City judgments are excluded from these restrictions.

**Portfolio Structure (1)**

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100%	0-1 year	100%
U.S. Treasury securities (3)	100	1-3 years	90
Certificates of deposit	50	3-5 years	90
Money market funds	100		
Savings account	100		
U.S. non-callable agencies securities	100		
Judgments	5		

(1) Specifically matched cash flows are excluded.

(2) For investments listed, there is no minimum percentage specified under the policy.

(3) Includes SLGS.

(4) For maturities limited to 0-1 year, the minimum percentages allowed under the policy are 5-25%.

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

**Investments Held by Others**

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

**Compliance with State Restrictions**

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

**II. A. 2. ACCOUNTS RECEIVABLE**

Receivables include amounts due for sand mining operations of \$10,268, at June 30, 2012 and \$16,360 for 2011, and oil and gas royalties of \$20,256 at June 30, 2012 and \$24,122, at 2011. Sand mining receivable is an estimate based on current months receipts. Oil and gas receivables are based on the prior quarters receipts. There are no accounts receivable past due more than 90 days.

**II. A. 3. PREPAIDS**

Prepaid expenses at June 30, 2012 and 2011 includes amounts paid in advance for the consultant contract of \$7,628 for May through June, 2012 and \$6,935 for July 1, 2011 through April 30, 2012 year.

II. A. 4. CAPITAL ASSETS

*Changes in Capital Assets*

	2012						
	Capital Assets, not depreciated			Capital Assets, depreciated			
	Land	Construction In Progress	Total Capital Assets, not depreciated	Infrastructure	Equipment	Total Capital Assets, depreciated	Total Capital Assets, net
<b>CAPITAL ASSETS</b>							
Balance, June 30, 2011	\$32,144	\$11,089	\$43,233	\$3,338,603	\$193,156	\$3,531,759	\$3,574,992
Increases	-	19,411	19,411	11,087	-	11,087	30,498
Balance, June 30, 2012	<u>32,144</u>	<u>30,500</u>	<u>62,644</u>	<u>3,349,690</u>	<u>193,156</u>	<u>3,542,846</u>	<u>3,605,490</u>
<b>ACCUMULATED DEPRECIATION</b>							
Balance, June 30, 2011				432,011	61,376	493,387	493,387
Increases				63,201	20,676	83,877	83,877
Balance, June 30, 2012				<u>495,212</u>	<u>82,052</u>	<u>577,264</u>	<u>577,264</u>
<b>Capital Assets, Net</b>	<b><u>\$32,144</u></b>	<b><u>\$30,500</u></b>	<b><u>\$62,644</u></b>	<b><u>\$2,854,478</u></b>	<b><u>\$111,104</u></b>	<b><u>\$2,965,582</u></b>	<b><u>\$3,028,226</u></b>
	2011 (Restated)						
	Capital Assets, not depreciated			Capital Assets, depreciated			
	Land	Construction In Progress	Total Capital Assets, not depreciated	Infrastructure	Equipment	Total Capital Assets, depreciated	Total Capital Assets, net
<b>CAPITAL ASSETS</b>							
Balance, June 30, 2010							
As previously reported	\$22,544	\$9,600	\$32,144	\$3,336,264	\$551,498	\$3,887,762	\$3,919,906
Prior period adjustment	-	-	-	-	(358,342)	(358,342)	(358,342)
As restated	22,544	9,600	32,144	3,336,264	193,156	3,529,420	3,561,564
Increases	9,600	13,428	23,028	2,339	-	2,339	25,367
Decreases	-	(11,939)	(11,939)	-	-	-	(11,939)
Balance, June 30, 2011	<u>32,144</u>	<u>11,089</u>	<u>43,233</u>	<u>3,338,603</u>	<u>193,156</u>	<u>3,531,759</u>	<u>3,574,992</u>
<b>ACCUMULATED DEPRECIATION</b>							
Balance, June 30, 2010							
As previously reported				370,066	57,775	\$427,841	427,841
Prior period adjustment				-	(15,926)	(15,926)	(15,926)
As restated				370,066	41,849	411,915	411,915
Increases				61,945	19,527	81,472	81,472
Balance, June 30, 2011				<u>432,011</u>	<u>61,376</u>	<u>493,387</u>	<u>493,387</u>
<b>Capital Assets, Net</b>	<b><u>\$32,144</u></b>	<b><u>\$11,089</u></b>	<b><u>\$43,233</u></b>	<b><u>\$2,906,592</u></b>	<b><u>\$131,780</u></b>	<b><u>\$3,038,372</u></b>	<b><u>\$3,081,605</u></b>

*Depreciation Expense*

Depreciation expense of \$83,877 in 2012 and \$81,472 in 2011 was charged to the Authority's riverfront redevelopment activities.

**II. B. UNEARNED REVENUES**

During 2009, the City Drainage Fund transferred \$112,120 to the Authority to expedite the design and construction of the City River Maintenance Facility 2007 general obligation bond project, next to the COTPA River Cruiser Maintenance Facility. The Authority paid for related costs of \$108,373 prior to June 30, 2011. The amount not yet spent at June 30, 2011 of \$3,747 was deferred. All amounts were expended prior to June 30, 2012 therefore no amount has been deferred.

The Authority also has received revenues for future lease payments on two leases. One of the lease terms begins in April 2012 and ends in March 2013, unearned revenue on this lease as of June 30, 2012 was \$103. The second lease begins in March 2012 and expires on February 28, 2013 and unearned revenues on this lease as of June 30, 2012 was \$313. The deferred lease amounts remain unchanged from June 30, 2011.

In 2012, the Authority had deferred revenues of \$6,685 related to receivable but unavailable oil and gas royalties. The Authority reported receivable but unavailable oil and gas revenues of \$15,231 in 2011.

**II. C. INTERFUND RECEIVABLE/PAYABLE**

*Receivable/Payable from the City*

**City General Fund**

In 2012 and 2011, the Authority had payables to the City General Fund of \$35,827 and \$37,331, respectively, for mowing chargebacks from the parks department.

**III. FUND EQUITY**

*Prior Period Adjustment*

In 2008, the Authority and the Oklahoma City Boathouse Foundation (OCBF) entered into a memorandum of understanding in which the cost of improvements and upgrades to the Oklahoma River Rowing and Canoe/Kayak Racecourse would be split by the OCBF and the Authority but would remain the sole, exclusive property of the City. The assets acquired by the OCBF were subsequently donated to the City and the Authority recorded them erroneously as donated assets of the Authority. A prior period adjustment has been made to remove the Oklahoma River Racecourse from the Authority's capital assets in the amount of \$358,342, net of accumulated depreciation of \$15,926. The prior period adjustment resulted in a change in beginning net assets as of July 1, 2010 of \$342,416. The effect of the prior period adjustment reduced previously reported 2011 changes in net assets by \$23,889 and previously reported invested in capital assets, net of related debt, as of June 30, 2011 of \$318,527.

**Effect on the Statement of Net Assets**

Capital assets	(358,342)
Accumulated depreciation	<u>15,926</u>
<b>Total prior period adjustment</b>	<b><u>(\$342,416)</u></b>

**III. A. FUND BALANCE**

*Non-Spendable Fund Balance*

	<u>2012</u>	<u>2011</u>
Prepays	<u>\$7,628</u>	<u>\$6,935</u>

*Unassigned*

	<u>2012</u>	<u>2011</u>
Unassigned	<u>\$493,148</u>	<u>\$510,893</u>

**III. B. NET ASSETS**

*Invested in Capital Assets, Net of Related Debt*

	<u>2012</u>	<u>2011</u>
Capital assets, net	\$3,028,226	\$3,081,605
Capital related accounts payable	(3,411)	(1,938)
	<u>\$3,024,815</u>	<u>\$3,079,667</u>

*Unrestricted*

	<u>2012</u>	<u>2011</u>
Unrestricted	<u>\$510,872</u>	<u>\$534,997</u>

**IV. INTERFUND PAYMENTS**

*Payment from the City and Component Units*

**Oklahoma City Economic Development Trust (OCEDT)**

OCEDT contributed \$3,332 in fiscal year 2011 to the Authority for the Shoreline Improvements Boathouse Row Project. There were no contributions received in 2012.

*Payments to the City and Component Units*

**COTPA River Mobility Fund**

In 2012, the Authority paid to COTPA \$50,000 for the Authority's share of the annual marketing campaign.

**IV. CONTRACT COMMITMENTS**

The Authority has entered into contracts with management consulting services, auditing services, and engineering services required for the planning, development, operation and maintenance of projects related to the Oklahoma River Corridor and a signage master plan. Each of these contracts was at various stages of completion at June 30, 2012.

The Authority has outstanding commitments under these contracts at June 30, 2012 and 2011 of \$134,160 and \$161,808, respectively.

**V. RELATED PARTY TRANSACTIONS**

***ORFE***

As of June 30, 2012 and 2011, the market value of the ORFE investment was \$589,374 and \$571,543, respectively. In accordance with the Foundation's policy and distribution formula, the balance available to the Authority at June 30, 2012 and 2011 was \$5,678 and \$5,678, respectively.

***City Administrative and Management Support***

City employees perform all administrative and management functions of the Authority. The Authority does not reimburse the City for these costs.



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

Board of Trustees  
Oklahoma City River Redevelopment Authority  
Oklahoma City, Oklahoma

We have audited the financial statements of the Oklahoma City Riverfront Redevelopment Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012, which includes an explanatory paragraph disclosing that the 2011 financial statements have been restated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 12-01 to be a material weakness.

### **Compliance and Other Matters**

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

We also noted certain matters that we reported to the Authority's management in a separate letter dated December 12, 2012.

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

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

**BKD, LLP**

December 12, 2012

**Oklahoma City River Redevelopment Authority**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

<b>Reference Number</b>	<b>Finding</b>
12-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – It was determined during the current year, certain fixed assets had been recorded on the books of the Authority in previous years that the Authority did not own. These assets had been formally accepted by the Authority; however, an agreement between the City and the Authority specifically identified these as assets of the City. This matter required a restatement of the 2011 financial statements.</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 – Material misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner, resulting in a restatement of the 2011 financial statements.</p> <p>Cause – The addition of capital assets was not properly monitored in prior years.</p> <p>Recommendation – We recommend management familiarize themselves with all legal agreements which may define or limit the ownership of capital assets before such assets are recorded in the Authority’s accounts.</p> <p>Views of Responsible Officials and Planned Corrective Actions – After review of the circumstances surrounding the original treatment of this transaction, we agree with the recommended treatment and have adjusted the accounting records. We have a process to review all contracts and agreements the Authority approves.</p>