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State Auditor & Inspector

**Oklahoma City Zoological Trust**  
(A Component Unit of the City of Oklahoma City, Oklahoma)  
Accountants' Reports and Financial Statements  
June 30, 2011 and 2010

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**BKD**<sup>LLP</sup>  
CPAs & Advisors

**Oklahoma City Zoological Trust**  
**June 30, 2011 and 2010**

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

Board of Trustees  
Oklahoma City Zoological Trust  
Oklahoma City, Oklahoma

We have audited the accompanying basic financial statements of the Oklahoma City Zoological Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2011 and 2010, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees  
Oklahoma City Zoological Trust  
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Our audit was conducted for the purpose of forming an opinion on the Trust's basic financial statements. The accompanying supplementary combining account information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*BKD, LLP*

Oklahoma City, Oklahoma  
December 2, 2011

# **Oklahoma City Zoological Trust**

## **Management's Discussion and Analysis**

### **Years Ended June 30, 2011 and 2010**

Within this section of the Oklahoma City Zoological Trust (the Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the Trust's financial activities for the years ended June 30, 2011 and 2010. This should be read in conjunction with the accompanying financial statements of the Trust. The Trust is a component unit of the City of Oklahoma City, Oklahoma (the City).

#### ***Financial Highlights***

Trust assets exceeded liabilities by \$63,867,577 (net assets) for fiscal year 2011. This compares to the previous year when assets exceeded liabilities by \$59,136,552.

Total net assets at June 30, 2011, are comprised of the following:

- Invested in capital assets, net of related debt, of \$60,532,685 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
- Net assets restricted for debt service include investments in trust accounts of \$221,682.
- Unrestricted net assets of \$3,113,210 represent the portion available to maintain the Trust's continuing obligations to citizens and creditors.

Total liabilities of the Trust decreased by \$1,676,240 to \$9,804,015 during the fiscal year.

#### ***Overview of the Financial Statements***

Management's discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: 1) statement of net assets, 2) statement of revenues, expenses and changes in net assets, 3) statement of cash flows and 4) notes to the financial statements. The Trust also includes in this report additional information to supplement the basic financial statements.

#### **Basic Financial Statements**

These statements provide both long- and short-term financial information about the overall status of the Trust. The Trust's financial reporting 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 financial position presenting information that includes all of the Trust'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 Trust as a whole is improving or deteriorating.

The second statement is the statement of revenues, expenses and changes in net assets, which reports how the Trust's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

The statement of cash flows reports the inflows and outflows of trust cash.

## Financial Analysis

The Trust's net assets at June 30, 2011, are \$63,867,577. This is an increase of \$4,731,025 over the amount of net assets at June 30, 2010, of \$59,136,552. The overall financial position of the Trust improved during the 2011 and 2010 fiscal years. The following table provides a summary of net assets:

### Summary of Net Assets

	2011	2010	2009	2011 versus 2010		2010 versus 2009	
				Amount Change	Percent Change	Amount Change	Percent Change
<b>Assets</b>							
Current and other assets	\$ 9,166,908	\$ 12,108,988	\$ 18,575,333	\$ (2,942,080)	-24.3%	\$ (6,466,345)	-34.8%
Capital assets	64,504,684	58,507,819	48,599,641	5,996,865	10.2%	9,908,178	20.4%
Total assets	73,671,592	70,616,807	67,174,974	3,054,785	4.3%	3,441,833	5.1%
<b>Liabilities</b>							
Current liabilities	2,593,369	3,279,937	2,593,677	(686,568)	-20.9%	686,260	26.5%
Noncurrent liabilities	7,210,646	8,200,318	9,321,349	(989,672)	-12.1%	(1,121,031)	-12.0%
Total liabilities	9,804,015	11,480,255	11,915,026	(1,676,240)	-14.6%	(434,771)	-3.6%
<b>Net Assets</b>							
Invested in capital assets, net of related debt	60,532,685	52,914,201	43,037,820	7,618,484	14.4%	9,876,381	22.9%
Restricted for debt service	221,682	91,735	875,142	129,947	141.7%	(783,407)	-89.5%
Restricted for health claims	-	320,129	366,323	(320,129)	-100.0%	(46,194)	-12.6%
Unrestricted	3,113,210	5,810,487	10,980,663	(2,697,277)	-46.4%	(5,170,176)	-47.1%
Total net assets	\$ 63,867,577	\$ 59,136,552	\$ 55,259,948	\$ 4,731,025	8.0%	\$ 3,876,604	7.0%

The decrease in current assets and the increase in capital assets during 2011 and 2010 are primarily due to capital expenditures for the Children's Zoo renovation and construction of the new elephant exhibit. The \$10,000,000 Children's Zoo was opened in Spring 2010 and the \$13,000,000 elephant exhibit opened in Spring 2011.

During fiscal years 2011 and 2010, current liabilities decreased due to accounts payable related to construction projects winding down.

During fiscal years 2011 and 2010, long-term liabilities decreased because of the principal payments on the bonds, the continued amortization of deferred lease revenue and a decrease in the other postemployment benefits (OPEB) obligation.

## Summary of Changes in Net Assets

	2011	2010	2009	2011 versus 2010		2010 versus 2009	
				Amount Change	Percent Change	Amount Change	Percent Change
Operating revenues	\$ 8,778,924	\$ 7,236,100	\$ 7,508,814	\$ 1,542,824	21.3%	\$ (272,714)	-3.6%
Nonoperating revenues							
Sales tax payments from the City	11,792,359	10,691,409	11,297,083	1,100,950	10.3%	(605,674)	-5.4%
OPEB payments from the City	469,677	445,422	51,091	24,255	5.4%	394,331	771.8%
Investment income	15,599	20,456	183,485	(4,857)	-23.7%	(163,029)	-88.9%
Donations	1,245,019	1,361,081	1,064,850	(116,062)	-8.5%	296,231	27.8%
<b>Total revenues</b>	<b>22,301,578</b>	<b>19,754,468</b>	<b>20,105,323</b>	<b>2,547,110</b>	<b>12.9%</b>	<b>(350,855)</b>	<b>-1.7%</b>
Operating expenses	17,323,873	15,616,212	17,258,720	1,707,661	10.9%	(1,642,508)	-9.5%
Nonoperating expenses							
Interest expense	246,680	261,652	256,175	(14,972)	-5.7%	5,477	2.1%
<b>Total expenses</b>	<b>17,570,553</b>	<b>15,877,864</b>	<b>17,514,895</b>	<b>1,692,689</b>	<b>10.7%</b>	<b>(1,637,031)</b>	<b>-9.3%</b>
<b>Change in net assets</b>	<b>4,731,025</b>	<b>3,876,604</b>	<b>2,590,428</b>	<b>854,421</b>	<b>22.0%</b>	<b>1,286,176</b>	<b>49.7%</b>
Net assets							
Beginning of year	59,136,552	55,259,948	52,669,520	3,876,604	7.0%	2,590,428	4.9%
End of year	\$ 63,867,577	\$ 59,136,552	\$ 55,259,948	\$ 4,731,025	8.0%	\$ 3,876,604	7.0%

During 2011, operating revenues increased 21.3% due to a 21.1% increase in attendance. Operating expenses increased 10.9% due to an increase in personnel services, depreciation and utility expenses. Sales tax payments from the City increased 10.3% due to improved economic conditions. OPEB payments from the City increased by 5.4% due to an increased required contribution. Investment income decreased 23.7% due to lower interest rates and lower balances.

During 2010, operating revenues decreased 3.6% due to a 2% drop in attendance. Operating expenses decreased 9.5% due to a decrease in personnel services. Sales tax payments from the City decreased 5.4% due to economic conditions. OPEB payments from the City increased by 771.8% due to an increased required contribution. Investment income decreased 88.9% due to lower interest rates and lower balances.

In fiscal year 1991, voters passed a permanent 1/8 cent sales tax increase dedicated to the Trust. In accordance with State Statutes, the state collects the monies and remits them to the City. Monies are paid by the City to the Trust on a monthly basis.

During 2011, the donations from Oklahoma Zoological Society, Inc., decreased by 8.5%. Most of the donations related to renovation of the Children's Zoo and construction of the new elephant exhibit. During 2010, the donations from Oklahoma Zoological Society, Inc., increased by 27.8%. Most of the donations related to renovation of the Children's Zoo and construction of the new elephant exhibit.

## Capital Assets and Debt Administration

The Trust envisions spending approximately \$17,300,000 for an Asia exhibit as the final element of the 2002 Master Plan. The 2010 Master Plan envisions spending \$68,229,791 over a ten-year period. Individual elements of the plan and their estimated costs are: the Veterinary Hospital – \$9,131,457; World Plaza – \$2,513,104; northwest zoo improvements – \$2,482,428; Africa Phase 1 – \$20,530,236; zip line, ropes course, safari boat – \$757,589; northeast zoo improvements – \$27,383,941; signage – \$2,240,974; and parking lot improvements – \$3,190,062.

## Capital Assets, Net of Accumulated Depreciation

	2011	2010	2009	2011 versus 2010		2010 versus 2009	
				Amount Change	Percent Change	Amount Change	Percent Change
<b>Nondepreciable Assets</b>							
Construction in progress	\$ 322,024	\$ 10,258,526	\$ 8,763,941	\$ (9,936,502)	-96.9%	\$ 1,494,585	17.1%
<b>Depreciable Assets</b>							
Buildings and grounds	58,620,209	42,728,503	34,283,737	15,891,706	37.2%	8,444,766	24.6%
Improvements	3,815,004	3,856,577	4,234,631	(41,573)	-1.1%	(378,054)	-8.9%
Equipment and other	1,747,447	1,664,213	1,317,333	83,234	5.0%	346,880	26.3%
<b>Total</b>	<b>\$ 64,504,684</b>	<b>\$ 58,507,819</b>	<b>\$ 48,599,642</b>	<b>\$ 5,996,865</b>	<b>10.2%</b>	<b>\$ 9,908,177</b>	<b>20.4%</b>

## Capital Assets

The Trust's investment in capital assets, net of accumulated depreciation, as of June 30, 2011, was \$64,504,684. The increase of \$5,996,865 or 10.2% from June 30, 2010, is due primarily to capital asset additions of \$8,460,184 offset by depreciation expense of \$2,449,102.

The Trust's investment in capital assets, net of accumulated depreciation, as of June 30, 2010, was \$58,507,819. The increase of \$9,908,177 or 20.4% from June 30, 2009, is due primarily to capital asset additions of \$12,055,395 offset by depreciation expense of \$2,147,217.

## Long-Term Debt

At the end of fiscal years 2011 and 2010, the Trust had total bonded debt outstanding of \$4,715,000 and \$5,210,000, respectively. This debt is collateralized by the sales tax revenues received from the City. See *Note 4* to the financial statements for more information regarding bonded debt.

## Bond Rating

The Trust's bond is rated Aaa by Moody's. This rating is disclosed on the face of the final official statement for the bond. Bond rating has not changed since issuance.

## Outstanding Bonds

	2011	2010	2009	2011 versus 2010		2010 versus 2009	
				Amount Change	Percent Change	Amount Change	Percent Change
Revenue bonds	\$ 4,715,000	\$ 5,210,000	\$ 5,660,000	\$ (495,000)	-9.5%	\$ (450,000)	-8.0%

## Economic Factors

Economic factors significantly affecting Oklahoma City's economic strength is its central location at the intersection of Interstate highways 1-35 and 1-40; a regional transportation hub in Will Rogers World Airport; ample water supplies; and numerous performing arts, entertainment and recreational facilities.

The source for economic data is the Oklahoma State University Center for Applied Economic Research.

## Contacting the Trust's Financial Management

This financial report is designed to provide a general overview of the Trust'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 Zoo Trust Finance Department, 2101 N.E. 50<sup>th</sup>, Oklahoma City, Oklahoma 73111.



**Oklahoma City Zoological Trust**  
**Statements of Net Assets**  
**June 30, 2011 and 2010**

**Assets**

	<b>2011</b>	<b>2010</b>
Cash	\$ 4,081,940	\$ 5,515,954
Receivable from the City	2,784,230	4,574,904
Accounts receivable	485,984	43,947
Inventories	743,022	681,944
Prepaid expenses	6,209	23,040
Cash, restricted	19,788	395,379
Total current assets	8,121,173	11,235,168
<b>Noncurrent Assets</b>		
Investments, restricted	967,192	785,459
Deferred debt expense, net	78,543	88,361
Capital assets		
Construction in progress	322,024	10,258,526
Other capital assets, net of accumulated depreciation	64,182,660	48,249,293
Total noncurrent assets	65,550,419	59,381,639
Total assets	\$ 73,671,592	\$ 70,616,807

**Liabilities**

**Current Liabilities**

Accounts payable	\$ 1,225,863	\$ 2,177,194
Wages and benefits payable	332,638	427,294
Compensated absences	189,066	163,100
Bonds payable, current	500,000	495,000
Bond interest payable	15,971	17,349
Other accrued liabilities	329,831	-
Total current liabilities	2,593,369	3,279,937

**Noncurrent Liabilities**

Bonds payable, net	3,994,631	4,467,085
Deferred lease revenue	2,471,899	2,519,440
Net OPEB obligation	744,116	1,213,793
Total noncurrent liabilities	7,210,646	8,200,318
Total liabilities	\$ 9,804,015	\$ 11,480,255

**Net Assets**

Invested in capital assets, net of related debt	60,532,685	52,914,201
Restricted for debt service	221,682	91,735
Restricted for health claims	-	320,129
Unrestricted	3,113,210	5,810,487
Total net assets	\$ 63,867,577	\$ 59,136,552

**Oklahoma City Zoological Trust**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>		
Zoo admissions	\$ 2,607,161	\$ 1,946,868
Concessions	2,277,617	1,890,989
Animal sales	-	2,300
Zoo activities	2,929,516	2,391,252
Rent	821,776	827,797
Other	142,854	176,894
	<u>8,778,924</u>	<u>7,236,100</u>
Total operating revenues		
<b>Operating Expenses</b>		
Personnel services	8,841,792	7,948,607
Maintenance, operations and contractual services	2,786,052	2,536,603
Materials and supplies	2,769,043	2,607,201
Depreciation	2,449,096	2,147,217
Animal purchases	3,910	14,435
Other	473,980	362,149
	<u>17,323,873</u>	<u>15,616,212</u>
Total operating expenses		
Operating loss	<u>(8,544,949)</u>	<u>(8,380,112)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Donations	1,245,019	1,361,081
Investment income	15,599	20,456
Interest expense	(246,680)	(261,652)
OPEB payments from the City	469,677	445,422
Sales tax payments from the City	11,792,359	10,691,409
	<u>13,275,974</u>	<u>12,256,716</u>
Total nonoperating revenues (expenses)		
<b>Change in Net Assets</b>	4,731,025	3,876,604
<b>Net Assets, Beginning of Year</b>	<u>59,136,552</u>	<u>55,259,948</u>
<b>Net Assets, End of Year</b>	<u>\$ 63,867,577</u>	<u>\$ 59,136,552</u>

**Oklahoma City Zoological Trust**  
**Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 8,619,177	\$ 7,102,284
Cash payments to suppliers for goods and services	(5,874,468)	(5,551,584)
Cash payments to employees for services	(9,380,159)	(8,326,320)
Net cash used in operating activities	(6,635,450)	(6,775,620)
<b>Cash Flows from Noncapital Financing Activities</b>		
Sales tax payments from the City	13,583,033	11,413,202
OPEB payments from the City	469,677	445,422
Donations received	1,245,019	1,361,081
Net cash provided by noncapital financing activities	15,297,729	13,219,705
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(9,600,050)	(11,328,523)
Principal paid on bonds	(495,000)	(450,000)
Interest paid on bonds	(210,694)	(226,433)
Net cash used in capital and related financing activities	(10,305,744)	(12,004,956)
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(14,924,797)	(35,366)
Proceeds from sale of investments	14,743,064	9,989,163
Investment income	15,599	20,456
Net cash provided by (used in) investing activities	(166,134)	9,974,253
Net increase (decrease) in cash	(1,809,599)	4,413,382
<b>Cash</b>		
Beginning of year	5,911,333	1,497,951
End of year	\$ 4,101,734	\$ 5,911,333
<b>Reconciliation to Cash</b>		
Unrestricted	\$ 4,081,940	\$ 5,515,954
Restricted	19,788	395,379
Total cash	\$ 4,101,728	\$ 5,911,333

	<u>2011</u>	<u>2010</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in)</b>		
<b>Operating Activities</b>		
Operating loss	\$ (8,544,949)	\$ (8,380,112)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	2,449,096	2,147,217
Changes in operating assets and liabilities		
Accounts receivable	(442,037)	169,235
Inventories	(61,078)	31,969
Prepaid expenses	16,831	(6,885)
Accounts payable	202,764	(56,280)
Wages and benefits payable	(94,656)	(22,979)
Compensated absences	25,966	(4,208)
Other accrued liabilities	329,831	-
Deferred lease revenue	(47,541)	(303,051)
Net OPEB obligation	(469,677)	(350,526)
	<u>                    </u>	<u>                    </u>
Net cash used in operating activities	<u>\$ (6,635,450)</u>	<u>\$ (6,775,620)</u>

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

### Note 1: Summary of Significant Accounting Policies

#### ***Nature of Operations and Reporting Entity***

The Oklahoma City Zoological Trust (the Trust) was created by the City of Oklahoma City, Oklahoma (the City), on January 7, 1975, under the laws of the State of Oklahoma (the State) for the purpose of developing, maintaining, operating and managing the Oklahoma City Zoo (the Zoo). Trustees include the Mayor, the City Manager, one member of the City Council and six other persons who are recommended by the Oklahoma Zoological Society, Inc. (the Society) selected by the Mayor and approved by the City Council. The City Council also approves the Trust's sales tax budget. If the Trust terminates, the Trust agreement provides that the assets shall revert to the City. While the Trust is a legally separate entity whose beneficiary is the City, it is a component unit of the City reported as a proprietary fund, and the accompanying financial statements are discretely presented in the City's comprehensive annual financial report, a copy of which may be obtained from the City's Accounting Services Division.

#### ***Organization and Reporting Entity***

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The Society is an Oklahoma not-for-profit organization that was created in 1954 to support and promote the Zoo. The Society does this through membership drives, annual fund-raising, capital campaigns, marketing, special events and public relations. The economic resources received and held by the Society for the benefit of the Trust are not significant to the Trust's overall financial position. As a result, the Society is not considered a component unit of the Trust under the definition of GASB Statement No. 39.

#### ***Measurement Focus and Basis of Accounting***

As a proprietary fund, the Trust is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the related liability is incurred.

The Trust prepares its financial statements in conformity with all applicable GASB pronouncements. Pursuant to GASB No. 20, the Trust has elected to apply the provisions of all relevant Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

The Trust is organized into accounts in order to achieve sound and efficient financial administration and reporting. Each account is considered a separate accounting entity, while all accounts are combined in the basic financial statements. The accounts include:

### **Operating Account**

This account is used to account for the Trust's operations and all financial resources except those accounted for in other funds.

### **Designated Animal Account**

Established by the Lease and Operating Agreement between the City and the Trust dated June 11, 1985, this account receives funds from the sale of zoo animals. These funds may be expended for approved animal purchases or for approved minor zoo improvements.

### **Designated Account**

Established by the Board of Trustees, this account is used to account for the resources received in the settlement of the estate of a donor. The donor placed no restrictions on the use of the funds.

### **Sales Tax Account**

This account is used to account for that portion of the City sales tax, which is earmarked specifically for use by the Trust. This account also includes bond funds, which are used for construction.

When both restricted and unrestricted resources are available for use, it is the Trust's policy to use restricted resources first and then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and liabilities in the financial statements.

### ***Operating and Nonoperating Revenues and Expenses***

Operating income or loss includes revenues and expenses related to the primary, continuing operations of the Trust. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

### ***Cash and Investments***

The Board of Trustees formally adopted the City's deposit and investment policy for unrestricted accounts in addition to policies specified in the Zoo bond indenture applicable to the Trust's sales tax fund as restricted by the indenture.

Cash includes only cash deposits in order to appropriately report investment activity. Investments are comprised of funds deposited into trustee banks in accordance with the investment policy specified in the bond indenture for restricted deposits and investments.

Investments are reported at fair value based on quoted market prices.

### ***Receivable from the City of Oklahoma City***

During the year ended June 30, 1991, voters passed a sales tax increase, which was earmarked specifically for the purpose of funding certain Zoo activities. In accordance with State Statutes, the State collects the monies and remits them to the City, who accounts for the receipt of the sales taxes and interest earned on related deposits in a separate limited-purpose fund. The Trust records such amounts as Receivable from the City at the time the City earns the taxes. In accordance with the City Ordinance authorizing the tax, the Trust records such activity in a separate fund, the Sales Tax Fund. Monies are paid by the State to the City on a monthly basis. Funds are transferred upon request from the Trust. The funds are invested in the City's investment pool and are reported in the City's comprehensive annual financial report.

### ***Accounts Receivable***

Management believes all accounts are collectible; therefore, an allowance for uncollectible receivables has not been provided for the years ended June 30, 2011 and 2010.

### ***Inventories***

Inventories consist of gift shop merchandise, concession food, animal food and certain operating supplies and are valued at the lower of cost or market value on the first-in, first-out method.

### ***Capital Assets and Depreciation***

Capital assets are stated at actual or estimated historical cost, net of accumulated depreciation. Donated capital assets are stated at fair market value at the date of donation. Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. Capital assets consist of only those items acquired since the formation of the Trust whose cost is greater than or equal to \$7,500. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings and grounds	5–50 years
Improvements	2–20 years
Equipment and other	3–10 years

Individual animals are expensed when purchased.

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

Maintenance and repairs to property and equipment are charged to operations, while renewals and betterments are capitalized. When property or equipment are disposed of or sold, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

### ***Interest Capitalization***

Interest costs related to revenue bonds are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time to get them ready for their intended purpose. 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. There was no interest capitalized for the years ended June 30, 2011 and 2010.

### ***Revenue Recognition***

Operating revenues are recorded when goods and services are provided.

### ***Deferred Debt Expense and Bond Discount***

The costs of issuing revenue bonds and the related bond discounts and premiums have been capitalized and are being amortized over the term of the bonds using a method which approximates the effective interest method.

### ***Compensated Absences***

Employees are granted paid time off (PTO) benefits in varying amounts depending on tenure with the Trust. These benefits accumulate pro rata by two-week periods and must be taken within the calendar year. Employees can elect to carry over a maximum of 40 hours into the next calendar year. PTO benefits are accrued as earned.

Sick leave benefits accrue to employees at the rate of five hours per two-week pay period to a maximum accrual of 520 hours. Employees are not entitled to payment of their sick leave balance at termination; therefore, no liability related to sick leave is recorded in the accompanying basic financial statements.

### ***Deferred Lease Revenue***

Deferred lease revenue from the Remington Park Race Track facility owned by Global Gaming RP, LLC is being amortized over the initial lease term and the five renewal option periods for a term of 75 years. (See Note 7.)

### ***Income Tax***

The Trust is exempt from federal income tax under Section 115 of the Internal Revenue Code.



**Oklahoma City Zoological Trust**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

***Reclassifications***

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on earnings.

**Note 2: Deposits and Investments**

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The City/Trust policy requires deposits to be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation 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- 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 an evaluation committee and/or the City Treasurer.

At June 30, 2011, all bank balances of Trust accounts were insured or collateralized with securities held by the Trust or collateralized with securities held by the trustee bank's trust department in the Trust's name.

***Investments***

The general bond indenture for the Oklahoma City Zoological Trust Sales Tax and Revenue Bonds (Bond Indenture) requires the use of trust accounts. The bond account is used to segregate resources accumulated for debt service payments over the next 12 months. The bond reserve account is used for proceeds of revenue bond issuances set aside to make up potential future deficiencies in the bond account or to make the last bond principal and interest payments.

**Oklahoma City Zoological Trust**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

As of June 30, 2011 and 2010, the Trust had the following investments and maturities:

Types of Investments	Fair Value/ Carrying Amount	Cost	Ratings (1)	Weighted- Average Days to Maturity (2)
Money market funds				
2011	\$ 967,192	\$ 967,192	AAAm/Aaa	44
2010	\$ 785,459	\$ 785,459	AAAm/Aaa	44

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

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

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes and the City Charter. City/Trust funds may be invested in: 1) direct obligations of the United States government, its agencies or instrumentalities to the payment of which the full faith and credit of the government of the United States 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 evidence of deposits at banks, savings 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 United States government, its agencies and instrumentalities; 5) money market funds regulated by the Securities and Exchange Commission and which investments consist of the authorized investments (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 City/Trust 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** – 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 overconcentration 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.

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. Cumulatively, portfolios 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. U.S. government securities, SLGS and City judgments are excluded from these restrictions.

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

Except in instances of specifically matched cash flows, the portfolio is structured as follows:

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

The City/Trust 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 10 years.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City/Trust policy provides that investment collateral is held by a third-party custodian with whom the City has a current custodial agreement in the City’s name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma.

City policy is more restrictive than the requirements of Oklahoma law found in Title 62 of the Oklahoma Statutes as follows: Statutes allow investment in any agencies or instrumentalities of the U.S. government; negotiable certificates of deposit are permitted investments without collateralization restrictions (limited to 10% of investable funds and not more than half of the 10% may be invested in any one financial institution); prime banker’s acceptances are acceptable investment instruments (limited to 270 days maturity or less and may comprise no more than 10% of investable funds with no more than half of the 10% in any one commercial bank); prime commercial paper is also permitted (restricted to 180 days maturity or less and may not comprise more than 10% of the outstanding paper of an issuing corporation with no more than 7.5% of investable funds permitted to be in commercial paper); purchase of municipal direct debt is not limited to Oklahoma City direct debt and may include Oklahoma counties and school districts.

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

The Sales Tax and Revenue Bond Indenture prescribes authorized investments for accounts restricted under the indenture as follows:

- (1) Direct obligations unconditionally guaranteed by the United States of America
- (2) Bonds or debentures payable in cash issued by following federal agencies:
  - Export Import Bank of the United States
  - Federal Financing Bank
  - Farmers Home Administration
  - Federal Housing Administration
  - Maritime Administration
  - Public Housing Authorities
  - Government National Mortgage Association
- (3) Investments fully insured by Federal Deposit Insurance Corporation (FDIC), including:
  - Certificates of deposit
  - Savings accounts
  - Deposit accounts
  - Depository receipts
- (4) Certificates of deposit in excess of FDIC insurance properly secured by collateral security consisting of obligations described in (1) and (2) above
- (5) Commercial paper
- (6) Money market funds
- (7) Investment agreements

The bond indenture provides 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 (bond, operating and maintenance, construction, etc.).

Trust investment policy is more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Uniform Prudent Management of Institutional Funds Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 of the 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's portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

Trust investments were restricted for the following purposes at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Refunding Series bond issue		
Bond reserve account	\$ 637,084	\$ 637,013
Bond principal account	<u>330,108</u>	<u>148,446</u>
	<u>\$ 967,192</u>	<u>\$ 785,459</u>

### **Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	<u>2011</u>	<u>2010</u>
Carrying value		
Deposits	\$ 4,101,728	\$ 5,911,333
Investments	<u>967,192</u>	<u>785,459</u>
	<u>\$ 5,068,920</u>	<u>\$ 6,696,792</u>
Included in the following balance sheet captions		
Cash	\$ 4,081,940	\$ 5,515,954
Cash, restricted	19,788	395,379
Noncurrent restricted investments	<u>967,192</u>	<u>785,459</u>
	<u>\$ 5,068,920</u>	<u>\$ 6,696,792</u>

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

### Note 3: Capital Assets

Capital assets consist of the following:

	Balance, July 01, 2010	Additions	Deletions	Transfers	Balance, June 30, 2011
Depreciable capital assets					
Buildings and grounds	\$ 59,966,837	\$ -	\$ (159,287)	\$ 17,502,635	\$ 77,310,185
Improvements	9,500,427	9,856	(274,547)	32,120	9,267,856
Equipment and other	5,804,780	431,612	(713,756)	406,240	5,928,876
Total depreciable capital assets	<u>75,272,044</u>	<u>441,468</u>	<u>(1,147,590)</u>	<u>17,940,995</u>	<u>92,506,917</u>
Less accumulated depreciation					
Buildings and grounds	17,238,334	1,610,929	(159,287)	-	18,689,976
Improvements	5,643,850	83,549	(274,547)	-	5,452,852
Equipment and other	4,140,567	754,618	(713,756)	-	4,181,429
Total accumulated depreciation	<u>27,022,751</u>	<u>2,449,096</u>	<u>(1,147,590)</u>	<u>-</u>	<u>28,324,257</u>
Depreciable capital assets net of accumulated depreciation	<u>\$ 48,249,293</u>	<u>\$ (2,007,628)</u>	<u>\$ -</u>	<u>\$ 17,940,995</u>	<u>\$ 64,182,660</u>
Nondepreciable capital assets					
Construction in progress	<u>\$ 10,258,526</u>	<u>\$ 8,018,710</u>	<u>\$ (14,217)</u>	<u>\$ (17,940,995)</u>	<u>\$ 322,024</u>
	Balance, July 01, 2009	Additions	Deletions	Transfers	Balance, June 30, 2010
Depreciable capital assets					
Buildings and grounds	\$ 50,164,553	\$ 417,639	\$ -	\$ 9,384,645	\$ 59,966,837
Improvements	9,417,126	34,000	-	49,301	9,500,427
Equipment and other	5,162,791	505,597	(33,236)	169,628	5,804,780
Total depreciable capital assets	<u>64,744,470</u>	<u>957,236</u>	<u>(33,236)</u>	<u>9,603,574</u>	<u>75,272,044</u>
Less accumulated depreciation					
Buildings and grounds	15,880,816	1,357,518	-	-	17,238,334
Improvements	5,182,495	461,355	-	-	5,643,850
Equipment and other	3,845,459	328,344	(33,236)	-	4,140,567
Total accumulated depreciation	<u>24,908,770</u>	<u>2,147,217</u>	<u>(33,236)</u>	<u>-</u>	<u>27,022,751</u>
Depreciable capital assets net of accumulated depreciation	<u>\$ 39,835,700</u>	<u>\$ (1,189,981)</u>	<u>\$ -</u>	<u>\$ 9,603,574</u>	<u>\$ 48,249,293</u>
Nondepreciable capital assets					
Construction in progress	<u>\$ 8,763,941</u>	<u>\$ 11,098,159</u>	<u>\$ -</u>	<u>\$ (9,603,574)</u>	<u>\$ 10,258,526</u>

**Oklahoma City Zoological Trust**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Note 4: Long-Term Obligations**

The following is a summary of long-term obligation transactions for the years ended June 30, 2011 and 2010:

Description and Purpose	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>2011</b>					
Revenue bonds	\$ 5,210,000	\$ -	\$ 495,000	\$ 4,715,000	\$ 500,000
Net OPEB obligation	1,213,793	-	469,677	744,116	-
	<u>\$ 6,423,793</u>	<u>\$ -</u>	<u>\$ 964,677</u>	<u>\$ 5,459,116</u>	<u>\$ 500,000</u>
<b>2010</b>					
Revenue bonds	\$ 5,660,000	\$ -	\$ 450,000	\$ 5,210,000	\$ 495,000
Net OPEB obligation	1,564,319	-	350,526	1,213,793	-
	<u>\$ 7,224,319</u>	<u>\$ -</u>	<u>\$ 800,526</u>	<u>\$ 6,423,793</u>	<u>\$ 495,000</u>

**Revenue Bonds Payable**

On June 30, 1999, the Trust issued \$8,500,000 of revenue bonds, which mature through 2019 (Series 1999 Bonds), for the purpose of financing the construction of certain facilities and the improvement of existing facilities. The bonds are collateralized by the sales tax revenues received from the City pursuant to the Sales Tax and Revenue Bond Indenture (the Indenture).

During 2005, a portion of the 1999 bonds were refunded by issuing \$5,660,000 in revenue bonds. As a result of this refunding, the Trust recognized a deferred amount on refunding which is being amortized over 14 years, the remaining life of the refunded debt. Revenue bonds payable are reflected net of deferred amounts on refunding of \$271,560 and \$305,505 and unamortized premiums of \$51,191 and \$57,590 at June 30, 2011 and 2010, respectively. The amount of unamortized deferred debt expense at June 30, 2011 and 2010, was \$78,543 and \$88,361, respectively.

The Indenture requires the use of a project account, an interest account, a principal account and a bond fund reserve account. These accounts are held by a trustee bank and managed pursuant to the terms of the Indenture. The Indenture provides that sales tax revenue will be deposited into a revenue fund, and transfers will be made to the respective accounts for current requirements on a monthly basis.

Proceeds from tax-exempt bonds issued after September 1, 1996, are subject to the 1996 Tax Reform Act. The Trust complies with Internal Revenue Service regulations in order to maintain tax-exempt status on the bonds. The Trust had no arbitrage rebate liability at June 30, 2011 or 2010.

**Oklahoma City Zoological Trust**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Annual debt service requirements to maturity for revenue bonds are as follows:

Fiscal Year	Interest Rate Percentage	Outstanding Principal	Interest	Total
2012	3.75%	\$ 500,000	\$ 190,090	\$ 690,090
2013	3.38%	530,000	171,412	701,412
2014	5.00%	545,000	152,744	697,744
2015	5.00%	575,000	125,369	700,369
2016	3.75%	605,000	97,124	702,124
2017-2019	3.80%-4.00%	<u>1,960,000</u>	<u>149,554</u>	<u>2,109,554</u>
		<u>\$ 4,715,000</u>	<u>\$ 886,293</u>	<u>\$ 5,601,293</u>

**Note 5: Employee Retirement Plan**

All full-time employees of the Trust are eligible to participate in the City's Employee Retirement System (ERS), a single-employer defined benefit public employee retirement system. The executive director and division directors can elect to participate in a 401(a) plan instead of the City's ERS. The Trust's covered payroll approximated \$4,670,671 and \$4,508,000 for the years ended June 30, 2011 and 2010, respectively. The total payroll for all trust employees approximated \$6,460,875 and \$5,943,000 for the years ended June 30, 2011 and 2010, respectively.

Actuarial valuations are performed annually. Unless otherwise indicated, information in this note is provided as of the latest actuarial valuation, December 31, 2010.

***Eligibility, Contribution Methods and Benefit Provisions***

Year established and governing authority	1958; City Council ordinance
Determination of contribution requirements	Actuarially determined
Employer contributions	8.56% of covered payroll
Plan member contributions	6.00% of covered payroll
Eligible to participate	Full-time trust employees
Funding of administrative costs	Investment earnings
Period required vesting	Five years
Eligibility for distribution	30 years credited service regardless of age, or age 60 with ten years (pre-March 1967 hires), or 25 years credited service regardless of age, or age 65 with five years (post-March 1967 hires), or age 55 with five years on a reduced basis, or five years service, with benefits to begin at age 65 (60 with 10 years if pre-March 1967 hire)



**Oklahoma City Zoological Trust**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Postretirement benefit increases	Cost of living adjustments, compounded annually, increases must be approved by the ERS Board
Provisions for disability benefits	Yes
Provisions for death benefits	Yes

***Plan Membership***

	<u>2011</u>	<u>2010</u>
Nonvested active members	692	763
Fully vested active members	1,612	1,617
Retirees and beneficiaries currently receiving benefits	1,283	1,218
Terminated plan members entitled to but not yet receiving benefits	81	73
	<u>\$ 3,668</u>	<u>\$ 3,671</u>

***Plan Assets***

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.

***Pension Cost and Net Pension Obligation***

Annual required contributions (ARC) were made for all years shown. There were no net pension obligations outstanding for the current year or previous three years. Three-year trend information of the City's annual pension cost and net pension obligations to the ERS is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 7,132,772	100%	\$ -
2010	5,586,000	100%	-
2009	5,464,000	100%	-

**Oklahoma City Zoological Trust**  
**Notes to Financial Statements**  
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Actuarial methods and assumptions used to determine the ARC are as follows:

Valuation date	December 31, 2010
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll
Amortization period (1)	25 years, closed
Actuarial asset valuation method	Four-year smoothed market
Actuarial assumptions	
Investment rate of return	8.0%
Projected salary increases	4.5%–8.3%
Postretirement benefit increases (maximum)	4.0%
Inflation	4.5%
Other	1994 group annuity table set forward one year for women and three years for men

(1) The actuarial report for the ERS as a whole dated December 31, 2010, changed the amortization period from 26 years to 25 years.

Employer contribution rates are determined by City Council. The ERS issues a separate stand-alone report which can be obtained from the City's Accounting Services Division at 100 N. Walker, Oklahoma City, Oklahoma 73102.

***Related-Party Transactions***

As of June 30, 2011 and 2010, the ERS held judgments in the amount of \$2,488,410 and \$3,250,614, respectively. The judgments earn interest of 5.25%. State Statutes permit the ERS to purchase judgments rendered against the City throughout the year. In October of each year, the City (through the property tax levy process) pays the ERS for the principal amount and earned interest for each purchased judgment.

***Funding Status***

The required schedule of funding progress as of the last actuarial date was as follows:

Actuarial accrued liability (AAL)	\$	566,834,000
Actuarial value of plan assets (AVA)	\$	524,731,000
Unfunded actuarial accrued liability (UAAL)	\$	42,103,000
Funded ratio (AVA/AAL)		93%
Covered payroll (Active Plan Members)	\$	102,915,000
UAAL as a percentage of covered payroll		41%

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

### Note 6: Other Postemployment Benefits (OPEB)

#### ***Plan Description***

The City provides postemployment health care benefits for retired employees and their dependents through the City of Oklahoma City Post-Retirement Medical Plan (OPEBT), a single-employer defined benefit health care plan. 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. OPEBT issues a separate report that can be obtained from the City's Human Resource Department at 420 W. Main, Suite 110, Oklahoma City, Oklahoma 73102.

#### ***Benefits Provided***

The City provides postretirement health care benefits to its retirees. OPEBT covers all current retirees who elected postretirement medical coverage and future retired general employees.

The City provides subsidized 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 OPEBT 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.

#### ***Funding Policy***

The City contributes 70% of the premium as a subsidy toward medical coverage of retirees and their dependents. The retirees and their dependents are responsible for paying the remaining 30% of the premium. The City also intends to make additional contributions to the irrevocable trust that has been established for the funding of OPEBT's postretirement benefit obligation.

#### ***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the City 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 the City and plan members to that point. The actuarial methods and assumptions used include 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 the calculations.

The projected unit credit actuarial cost method was used to develop the Actuarial Accrued Liability (AAL), and market value of assets was used to develop the Actuarial Value of Plan Assets (AVA). The discount rate changed from 4.5% to 4.91%. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open 30-year period basis.

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

### **Annual OPEB Costs and Net OPEB Obligation**

The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the Plan and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligation
June 30, 2011	\$ 39,786,634	\$ 18,746,938	47.4%	\$ 77,444,366
June 30, 2010	\$ 35,775,474	\$ 19,424,748	54.3%	\$ 56,404,670
June 30, 2009	\$ 47,644,577	\$ 18,688,224	39.2%	\$ 40,053,944

The net OPEB obligation as of June 30, 2011 and 2010, was calculated as follows:

	2011		2010	
	OPEBT (1)	Trust	OPEBT	Trust
Annual required contribution	\$ 39,559,528	\$ 331,656	\$ 35,614,202	\$ 816,657
Interest on net OPEB obligation	2,769,469	23,218	1,966,649	45,097
Adjustment to annual required contribution	(2,542,363)	(667,320)	(1,805,377)	(766,858)
Annual OPEB cost	39,786,634	(312,446)	35,775,474	94,896
Contributions made	(18,746,938)	(157,231)	(19,424,748)	(445,422)
Increase (decrease) in net OPEB obligation	21,039,696	(469,677)	16,350,726	(350,526)
Net OPEB obligation, beginning of year	56,404,670	1,213,793	40,053,944	1,564,319
Net OPEB obligation, end of year	<u>\$ 77,444,366</u>	<u>\$ 744,116</u>	<u>\$ 56,404,670</u>	<u>\$ 1,213,793</u>

(1) In fiscal year 2011, the ratio used to distribute OPEB costs to participating funds was changed from full-time employees to full-time eligible employees.

**Oklahoma City Zoological Trust**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

***Funded Status and Funding Progress***

The funded status of the Plan as of July 1, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 517,681,810
Actuarial value of plan assets (AVA)	\$ 11,565,753
Unfunded actuarial accrued liability (UAAL)	\$ 506,116,057
Funded ratio (AVA/AAL)	2.2%
Covered payroll (active plan members)	\$ 175,293,051
UAAL as a percentage of covered payroll	288.7%

The OPEB Trust (OPEBT) issues a publicly available Comprehensive Annual Financial Report (CAFR) which may be obtained from the City's Accounting Services Division at 100 N. Walker, Oklahoma City, Oklahoma 73102. The CAFR includes the financial statements and required supplementary information of the OPEBT.

**Note 7: Leases**

The Trust has various agreements whereby land is leased by the Trust from the City, from the Society (both discussed in *Note 8*) and from the City of Nichols Hills. The Nichols Hills lease is a 25-year renewable operating lease at an expense of \$21,480 per year. This leased property is subleased under an operating lease to Global Gaming RP, LLC through December 31, 2013, with 5 renewal options for 10 years each through calendar year 2063. The Trust received an advance rental of \$4,000,000 and incurred initial costs of \$557,249. The net amount, less income earned to date, is recorded as deferred lease revenue and is being amortized to income over the term of the lease period, including the renewal options.

Minimum annual future rental payments to the Trust, net of amounts payable by the Trust to the Society and the City of Nichols Hills, are approximately \$1,263,000 for calendar years 2011 through 2013. In addition, the Trust is entitled to receive one-half of 1% of Global Gaming RP, LLC's total annual handle, as defined in the agreement, that exceeds \$187 million and 1% of the gross gaming revenues in excess of \$60 million each year. Contingent rental revenue earned during the years ended June 30, 2011 and 2010, approximated \$203,000 and \$91,000, respectively.

The Trust entered into an amended and restated lease and operating agreement dated as of June 19, 1990, whereby the City leased to the Trust its presently existing and hereafter acquired Zoo facilities until December 31, 2063, or to such later date as all bonds or any indebtedness of the Trust, secured by revenues of the Zoo, is paid or provisions for payment made.

On December 19, 2007, the Trust entered into a sublease agreement with Facility Management Group, Inc. (FMG) in which FMG will lease and operate the Zoo Amphitheatre for five years. The contract stipulates that FMG pay the Trust \$200,000 per year in years one and two, \$225,000 per year in years three and four and \$250,000 in year five.

**Oklahoma City Zoological Trust**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

The future minimum lease receipts (payments) at June 30, 2011, were:

	<u>Lease Receipts</u>	<u>Lease Payments</u>	<u>Net Lease Receipts</u>
2012	\$ 923,949	\$ (65,480)	\$ 858,469
2013	673,949	(65,480)	608,469
2014	673,949	(65,480)	608,469
2015	673,949	(65,480)	608,469
2016	673,949	(65,480)	608,469
Thereafter	32,349,532	(3,143,040)	29,206,492
	<u>\$ 35,969,277</u>	<u>\$ (3,470,440)</u>	<u>\$ 32,498,837</u>

Net rental income for all operating leases consisted of:

	<u>2011</u>	<u>2010</u>
Minimum rental expense	\$ (96,301)	\$ (96,301)
Contingent rental expense	(21,814)	(17,555)
Sublease rental income	692,878	810,878
Sublease contingent rental income	203,295	91,397
Other rental income	43,718	39,378
	<u>\$ 821,776</u>	<u>\$ 827,797</u>

**Note 8: Related-Party Transactions**

During the years ended June 30, 2011 and 2010, the Trust recorded payments from the City derived from sales tax receipts approximating \$11,789,000 and \$10,649,000, respectively, and from investment income on related deposits of approximately \$4,000 and \$43,000, respectively.

The City leases to the Trust real and personal property of the Zoo at no cost to the Trust. This agreement gives the Trust the right to operate and realize the revenues of the Zoo. The City also leases to the Trust the main portion of the Remington Park Race Track site at no cost to the Trust.

The City provides certain services to the Trust. Charges for those services for the years ended June 30, 2011 and 2010, approximated \$644,000 and \$655,000, respectively, and include administrative, insurance, printing, postage and workers' compensation expenses.

The Society leases a small portion of the Remington Park Race Track site to the Trust for \$74,821 per year expiring in 2013, with additional 50-year renewal options in the increment of 25 years each. Also, for fiscal years 2011 and 2010, the Society provided Zoo support and donated approximately \$1,449,000 and \$1,542,000, respectively, in Society membership dues, purchase of admission tickets, catering and other payments used to support Zoo operations and activities recognized in different revenue categories in the Trust's financial statements. As of June 30, 2011, the Trust had a receivable from the Society of approximately \$363,000.

# Oklahoma City Zoological Trust

## Notes to Financial Statements

June 30, 2011 and 2010

### Note 9: Risk Management

The Zoo is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Zoo pays an insurance premium to the City for property loss and workers' compensation insurance coverage. Significant losses are covered by commercial insurance policies for all other programs except employee health, dental and life insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Substantially all of the Zoo's employees and their dependents are eligible to participate in the Zoo's employee health insurance plan, which includes dental and life insurance. The Zoo is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$1,026,697. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Zoo's estimate will change by a material amount in the near term.

Activity in the Zoo's accrued employee health claims liability, included in accounts payable on the statements of net assets, during 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 75,250	\$ 143,746
Current year claims incurred and changes in estimates for claims incurred in prior years	773,158	473,710
Claims and expenses paid	<u>(773,158)</u>	<u>(542,206)</u>
Balance, end of year	<u>\$ 75,250</u>	<u>\$ 75,250</u>

### Note 10: Commitments

On September 11, 2006, the Trust entered into a contract with Moore Iacofano Goltsman, Inc., to provide design services relating to the construction of the Children's Zoo approximating \$1,072,000. Remaining commitments as of June 30, 2011, approximated 27,000.

On December 19, 2007, the Trust entered into a contract with Torre Design Consortium, LTD to provide design services relating to the construction of the Zoo's Asia Exhibit approximating \$3,809,000. Remaining commitments as of June 30, 2011, approximated \$950,000.

On June 30, 2009, the Trust entered into a contract with Lippert Brothers, Inc., to provide services relating to the construction of the Zoo's Asia Exhibit approximating \$13,518,000. Remaining commitments as of June 30, 2011, approximated \$54,000.

## **Supplementary Information**



**Oklahoma City Zoological Trust**  
**Combining Schedule of Net Assets**  
**June 30, 2011**

	Operating Account	Designated Animal Account	Designated Account	Sales Tax Account	Total
<b>Assets</b>					
Cash	\$ 1,300,960	\$ 280	\$ 11,768	\$ 2,768,932	\$ 4,081,940
Receivable from the City	-	-	-	2,784,230	2,784,230
Accounts receivable	485,509	475	-	-	485,984
Inventories	743,022	-	-	-	743,022
Prepaid expenses	6,209	-	-	-	6,209
Cash, restricted	19,788	-	-	-	19,788
	<u>2,555,488</u>	<u>755</u>	<u>11,768</u>	<u>5,553,162</u>	<u>8,121,173</u>
<b>Total current assets</b>					
<b>Noncurrent Assets</b>					
Investments, restricted	-	-	-	967,192	967,192
Deferred debt expense, net	78,543	-	-	-	78,543
<b>Capital assets</b>					
Construction in progress	12,678	-	-	309,346	322,024
Other capital assets, net of accumulated depreciation	5,789,037	71,327	-	58,322,296	64,182,660
	<u>5,880,258</u>	<u>71,327</u>	<u>-</u>	<u>59,598,834</u>	<u>65,550,419</u>
<b>Total noncurrent assets</b>					
<b>Total assets</b>					
	<u>\$ 8,435,746</u>	<u>\$ 72,082</u>	<u>\$ 11,768</u>	<u>\$ 65,151,996</u>	<u>\$ 73,671,592</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 932,579	\$ -	\$ -	\$ 293,284	\$ 1,225,863
Wages and benefits payable	332,638	-	-	-	332,638
Compensated absences	189,066	-	-	-	189,066
Bonds payable, current	-	-	-	500,000	500,000
Bond interest payable	-	-	-	15,971	15,971
	<u>1,454,283</u>	<u>-</u>	<u>-</u>	<u>809,255</u>	<u>2,263,538</u>
<b>Total current liabilities</b>					
<b>Noncurrent Liabilities</b>					
Bonds payable, net	-	-	-	3,994,631	3,994,631
Deferred lease revenue	2,801,730	-	-	-	2,801,730
Net OPEB obligation	744,116	-	-	-	744,116
	<u>3,545,846</u>	<u>-</u>	<u>-</u>	<u>3,994,631</u>	<u>7,540,477</u>
<b>Total noncurrent liabilities</b>					
<b>Total liabilities</b>					
	<u>\$ 5,000,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,803,886</u>	<u>\$ 9,804,015</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	\$ 5,801,715	\$ 71,327	\$ -	\$ 54,659,643	\$ 60,532,685
Restricted for debt service	-	-	-	221,682	221,682
Unrestricted	<u>(2,366,098)</u>	<u>755</u>	<u>11,768</u>	<u>5,466,785</u>	<u>3,113,210</u>
<b>Total net assets</b>					
	<u>\$ 3,435,617</u>	<u>\$ 72,082</u>	<u>\$ 11,768</u>	<u>\$ 60,348,110</u>	<u>\$ 63,867,577</u>

**Oklahoma City Zoological Trust**  
**Combining Schedule of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2011**

	Operating Account	Designated Animal Account	Designated Account	Sales Tax Account	Total
<b>Operating Revenues</b>					
Zoo admissions	\$ 2,607,161	\$ -	\$ -	\$ -	\$ 2,607,161
Concessions	2,277,617	-	-	-	2,277,617
Zoo activities	2,929,516	-	-	-	2,929,516
Rent	821,776	-	-	-	821,776
Other	142,854	-	-	-	142,854
	<u>8,778,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,778,924</u>
Total operating revenues	8,778,924	-	-	-	8,778,924
<b>Operating Expenses</b>					
Personnel services	8,841,792	-	-	-	8,841,792
Maintenance, operations and contractual services	2,786,052	-	-	-	2,786,052
Materials and supplies	2,728,158	16,705	-	24,180	2,769,043
Depreciation	335,427	3,830	-	2,109,839	2,449,096
Animal purchases	-	3,910	-	-	3,910
Other	473,980	-	-	-	473,980
	<u>15,165,409</u>	<u>24,445</u>	<u>-</u>	<u>2,134,019</u>	<u>17,323,873</u>
Total operating expenses	15,165,409	24,445	-	2,134,019	17,323,873
Operating loss	<u>(6,386,485)</u>	<u>(24,445)</u>	<u>-</u>	<u>(2,134,019)</u>	<u>(8,544,949)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Donations	1,240,417	-	4,602	-	1,245,019
Investment income	12,580	-	2,900	119	15,599
Interest expense	-	-	-	(246,680)	(246,680)
OPEB payments from the City	469,677	-	-	-	469,677
Sales tax payments from the City	-	-	-	11,792,359	11,792,359
	<u>1,722,674</u>	<u>-</u>	<u>7,502</u>	<u>11,545,798</u>	<u>13,275,974</u>
Total nonoperating revenues (expenses)	1,722,674	-	7,502	11,545,798	13,275,974
Change in net assets before transfer	(4,663,811)	(24,445)	7,502	9,411,779	4,731,025
<b>Transfers Between Accounts</b>					
	<u>5,494,592</u>	<u>20,533</u>	<u>-</u>	<u>(5,515,125)</u>	<u>-</u>
Change in net assets	830,781	(3,912)	7,502	3,896,654	4,731,025
<b>Net Assets, Beginning of Year</b>	<u>2,604,836</u>	<u>75,994</u>	<u>4,266</u>	<u>56,451,456</u>	<u>59,136,552</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,435,617</u>	<u>\$ 72,082</u>	<u>\$ 11,768</u>	<u>\$ 60,348,110</u>	<u>\$ 63,867,577</u>

**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 Zoological Trust  
Oklahoma City, Oklahoma

We have audited the basic financial statements of the Oklahoma City Zoological Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. 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**

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

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

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

Board of Trustees  
Oklahoma City Zoological Trust

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust'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 noted certain matters that we reported to the Trust's management in a separate letter dated December 2, 2011.

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.

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

**BKD, LLP**

December 2, 2011