

JOHNSTON & AHLSCHEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**EMPLOYEES' RETIREMENT SYSTEM
OF OKLAHOMA COUNTY**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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OF OKLAHOMA COUNTY
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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Trustees
Employees' Retirement System of Oklahoma County
Oklahoma City, Oklahoma

Report of Financial Statements

We were engaged to audit the accompanying financial statements of Employees' Retirement System of Oklahoma County, which comprise the statements of net assets available for benefits as of June 30, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Managements's Responsibility for the Financial Statements

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

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Employees' Retirement System of Oklahoma County as of June 30, 2013 and 2012, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of funding progress, employer contributions, three year trend information and actuarial valuation and assumptions, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of investments at June 30, 2013, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Oklahoma City, Oklahoma
February 19, 2014

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

STATEMENTS OF PLAN NET ASSETS

	June 30	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 5,730,299	\$ 5,312,885
Interest receivable	13,496	23,286
Investments at fair value - Note 3		
Certificate of deposit	475,000	475,000
Judgements	<u>2,545,215</u>	<u>3,835,097</u>
Total investments	<u>3,020,215</u>	<u>4,310,097</u>
Total assets	<u>8,764,010</u>	<u>9,646,268</u>
Liabilities		
Accounts payable	<u>-</u>	<u>-</u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 9.)	<u>\$ 8,764,010</u>	<u>\$ 9,646,268</u>

The accompanying notes are an integral part of the financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	<u>Years Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Additions		
Contributions - employer	<u>\$ 1,126,635</u>	<u>\$ 830,192</u>
Investment income		
Net appreciation in fair value of investments	-	-
Interest	<u>234,218</u>	<u>297,012</u>
Total investment income (loss)	<u>234,218</u>	<u>297,012</u>
Total additions	<u>1,360,853</u>	<u>1,127,204</u>
Deductions		
Benefits	2,232,269	2,304,547
Administrative expense	<u>10,842</u>	<u>5,607</u>
Total deductions	<u>2,243,111</u>	<u>2,310,154</u>
Net increase (decrease)	(882,258)	(1,182,950)
Net assets held in trust for pension benefits		
Beginning of year	<u>9,646,268</u>	<u>10,829,218</u>
End of year	<u>\$ 8,764,010</u>	<u>\$ 9,646,268</u>

The accompanying notes are an integral part of the financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

NOTES TO FINANCIAL STATEMENTS

The Employees' Retirement System of Oklahoma County administers a defined benefit plan and a defined contribution plan for employees of Oklahoma County. In 1991 all employees were given an option to convert from the defined benefit plan to the defined contribution plan. All employees hired after the conversion date of the defined contribution plan are covered under the defined contribution plan.

Note 1 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting. Employer contributions to the plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan trustees to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. If available, quoted market prices are used to value investments. The amounts shown in Note 3 for securities that have no quoted market price represent estimated fair value.

Purchases and sales of securities are recorded on a settlement date basis. Interest income is recorded on the accrual basis.

Note 2 - Plan Description and Contribution Information

Authority

The Board of County Commissioners of Oklahoma County was authorized to establish, control and manage the Plan under Oklahoma statutes, and as such established the Board of Trustees for the Employees Retirement System of Oklahoma County to administer the Plan. The Board of Trustees approves any cost-of-living adjustments to the Plan as well as changes in contribution requirements.

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Plan Description and Contribution Information (continued)

Plan Description

The Plan is a single-employer defined benefit pension plan that covers employees of Oklahoma County, including all departments and agencies, that were employed by the County prior to the conversion date of the defined contribution plan in 1991, and who elected not to convert to the defined contribution plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Membership

Membership of the plan consisted of the following:

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Retirees and beneficiaries receiving benefits	147	163
Terminated plan members entitled to but not yet receiving benefits	19	20
Active plan member	4	4
Total	<u>170</u>	<u>187</u>
Number of participating employers	1	1

Contributions

As specified by the Plan, County officers contribute 6% of the annual compensation of their employees and the County contributes 6% of participating employee's salary to the Plan. If an employee terminates employment with fewer than 8 years of service, he is entitled to receive only his actual contributions. During the years ended June 30, 2013 and 2012, contributions were diverted from the defined contribution plan to the defined benefit plan.

Administrative Costs

Administrative costs paid from the retirement fund include compensation of actuarial consultants, audit fees, bank fees and printing charges.

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments

The following table represents the fair value of investments. Investments, other than U.S. Government Securities, that represent 5% or more of the Plan's net assets are separately identified.

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Investments at fair value as determined by quoted market price		
Certificates of Deposit	\$ 475,000	\$ 475,000
Investments at estimated fair value Judgements	<u>2,545,215</u>	<u>3,835,097</u>
Total investments	<u>\$ 3,020,215</u>	<u>\$ 4,310,097</u>

Note 4 - Fair Value Measurements

The Plan's investments are reported at fair value in the accompanying statement of net assets available for benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Fair value measurement accounting literature establishes a fair value hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Plan, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of the certificates of deposits are on quoted net asset values of the shares held by the Plan at year-end. The fair value and quoted prices in active markets for identical assets were \$475,000 at June 30, 2013 and 2012.

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 4 - Fair Value Measurements (continued)

Level 3 Fair Value Measurements

The judgements purchased from other governmental agencies are not actively traded and significant other observable inputs are not available. Judgements are stated at cost of \$2,545,215 and \$3,835,097 at June 30, 2013 and 2012 respectively.

Note 5- Subsequent Events

Management has evaluated all subsequent events through February 19, 2014, the date the financial statements were available to be issued.

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Net Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as a percentage of Covered Payroll
6/30/04	\$16,933,308	\$25,485,427	\$8,552,119	66.4%	\$655,657	1,304.4%
6/30/05	\$16,501,770	\$24,508,409	\$8,006,639	67.3%	\$665,661	1,202.8%
6/30/06	\$14,755,902	\$24,833,235	\$10,077,333	59.4%	\$659,989	1,526.9%
6/30/07	\$14,872,761	\$22,827,035	\$7,954,274	65.2%	\$609,853	1,304.3%
6/30/08	\$14,141,109	\$23,956,305	\$9,815,196	59.0%	\$605,412	1,621.2%
6/30/09	\$13,219,068	\$22,408,204	\$9,189,136	59.0%	\$340,692	2,697.2%
6/30/10	\$12,038,841	\$22,633,034	\$10,594,193	53.2%	\$235,296	4,502.5%
6/30/11	\$10,829,218	\$21,261,680	\$10,432,462	50.9%	\$254,120	4,105.3%
6/30/12	\$9,646,268	\$19,165,012	\$9,518,744	50.3%	\$202,984	4,689.4%
6/30/13	\$8,763,869	\$19,118,801	\$10,354,932	45.8%	\$214,192	4,834.4%

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Recognized</u>
6/30/04	\$534,783	\$675,876	126.4%
6/30/05	\$750,879	\$1,180,212	157.2%
6/30/06	\$697,165	\$903,750	129.6%
6/30/07	\$833,669	\$1,543,091	185.1%
6/30/08	\$665,111	\$740,281	111.3%
6/30/09	\$770,560	\$863,045	112.0%
6/30/10	\$701,105	\$709,032	101.1%
6/30/11	\$740,206	\$831,679	112.4%
6/30/12	\$692,283	\$830,192	119.9%
6/30/13	\$777,390	\$1,126,635	144.9%

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

THREE YEAR TREND INFORMATION

<u>Fiscal Year End</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost</u>	<u>Percent of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2010	\$747,638	94.8%	\$(3,640,237)
2011	\$792,687	104.9%	\$(3,679,229)
2012	\$841,873	98.6%	\$(3,667,548)
2013	\$740,754	152.1%	\$(4,053,429)

ACTUARIAL VALUATION AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	The unfunded actuarial liability is amortized over 30 years as a level dollar amount as of both July 1, 2012 and July 1, 2013. The Net Pension Obligation is also amortized over 30 years.
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	5.75%
Projected salary increases	5.00%

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

SCHEDULE OF INVESTMENTS

JUNE 30, 2013

<u>Description</u>	<u>Rate of interest, maturity date</u>	<u>Par and Cost</u>	<u>Current Value</u>
<i>Certificates of Deposit</i>			
Midfirst Bank	Variable, 11/27/13	\$ 225,000	\$ 225,000
First Security Bank & Trust Co.	Variable, 10/19/13	250,000	250,000
<i>Judgements</i>			
Judgement	5.25%, 07/30/13	7,500	7,500
Judgement	5.25%, 09/20/13	25,000	25,000
Judgement	5.25%, 09/24/13	250,000	250,000
Judgement	5.25%, 10/15/13	869,215	869,215
Judgement	5.25%, 11/01/13	15,833	15,833
Judgement	5.25%, 03/17/14	25,000	25,000
Judgement	5.25%, 05/11/14	333,333	333,333
Judgement	5.25%, 06/17/14	25,000	25,000
Judgement	5.25%, 11/21/14	100,000	100,000
Judgement	5.25%, 01/09/15	300,000	300,000
Judgement	5.25%, 04/06/15	20,000	20,000
Judgement	5.25%, 06/11/15	166,667	166,667
Judgement	5.25%, 08/22/15	116,667	116,667
Judgement	5.25%, 01/15/16	275,000	275,000
Judgement	5.25%, 04/03/16	10,000	10,000
Judgement	5.25%, 04/29/16	<u>6,000</u>	<u>6,000</u>
Total Investments		<u>\$ 3,020,215</u>	<u>\$ 3,020,215</u>