

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**EMPLOYEES' RETIREMENT SYSTEM
OF OKLAHOMA COUNTY**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

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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

We have audited the accompanying statements of plan net assets of the defined benefit pension plan of the Employees' Retirement System of Oklahoma County as of June 30, 2006 and 2005, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in 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 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 status of the Plan as of June 30, 2006 and 2005, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules contained on pages 8 through 11 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the procedures applied in the audits 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.



Oklahoma City, Oklahoma
July 27, 2006

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

STATEMENTS OF PLAN NET ASSETS

	June 30	
	<u>2006</u>	<u>2005</u>
Assets		
Cash	\$ 453,596	\$ 250,335
Accounts receivable	903	2,310
Interest receivable	172,441	200,101
Investments at fair value - Note 3		
U.S. Government securities	13,222,276	14,451,216
Corporate bond	304,959	554,341
Judgements	<u>601,727</u>	<u>1,172,467</u>
Total investments	<u>14,128,962</u>	<u>16,178,024</u>
Total assets	<u>14,755,902</u>	<u>16,630,770</u>
Liabilities		
Retirement benefits payable	<u>-</u>	<u>129,000</u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 8.)	<u>\$ 14,755,902</u>	<u>\$ 16,501,770</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>2006</u>	<u>2005</u>
Additions		
Contributions - employer	\$ 903,750	\$ 1,180,212
Investment income		
Net appreciation (depreciation) in fair value of investments	(789,133)	(119,033)
Interest	<u>776,996</u>	<u>1,257,853</u>
Total investment income (loss)	<u>(12,137)</u>	<u>1,138,820</u>
Total additions	<u>891,613</u>	<u>2,319,032</u>
Deductions		
Benefits	2,625,875	2,739,390
Administrative expense	<u>11,606</u>	<u>11,180</u>
Total deductions	<u>2,637,481</u>	<u>2,750,570</u>
Net increase (decrease)	(1,745,868)	(431,538)
Net assets held in trust for pension benefits		
Beginning of year	<u>16,501,770</u>	<u>16,933,308</u>
End of year	<u>\$ 14,755,902</u>	<u>\$ 16,501,770</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>2006</u>	<u>2005</u>
Retirees and beneficiaries receiving benefits	207	215
Terminated plan members entitled to but not yet receiving benefits	32	31
Active plan member	19	20
Total	<u>258</u>	<u>266</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, 2006 and 2005, 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>2006</u>	<u>2005</u>
Investments at fair value as determined by quoted market price		
U.S. Government securities	\$ 13,222,276	\$ 14,451,216
Municipal bond(s)	-	-
Corporate bonds		
OG&E consumer loan receivables trust 2002-1 asset backed notes	304,959	554,341
Investments at estimated fair value Judgements	<u>601,727</u>	<u>1,172,467</u>
Total investments	<u>\$ 14,128,962</u>	<u>\$ 16,178,024</u>

SUPPLEMENTAL SCHEDULES

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
6/30/92	\$30,118,077	\$23,706,426	\$(6,411,651)	127.05%	\$2,199,643	(291.5%)
6/30/93	29,790,940	25,298,446	(4,492,494)	117.8%	1,362,842	(329.6%)
6/30/94	24,855,088	25,108,772	253,684	99.0%	1,314,897	19.3%
6/30/95	24,078,454	25,554,660	1,476,206	94.2%	1,202,660	122.8%
6/30/96	22,713,595	25,561,074	2,847,479	88.9%	1,136,421	250.6%
6/30/97	21,680,369	27,993,719	6,313,350	77.4%	1,077,213	586.1%
6/30/98	20,610,303	27,126,262	6,515,959	76.0%	960,494	678.4%
6/30/99	20,034,089	25,157,408	5,123,319	79.6%	832,030	615.8%
6/30/00	18,923,707	24,015,691	5,091,984	73.09%	705,588	724.7%
6/30/01	19,446,909	22,380,545	2,933,636	86.9%	746,100	393.2%
6/30/02	19,494,214	21,815,347	2,321,133	89.4%	672,180	345.3%
6/30/03	18,777,186	22,182,270	3,405,084	84.6%	661,652	514.6%
6/30/04	16,933,308	25,485,427	8,552,119	66.4%	655,657	1,304.0%
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%

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>
6/30/92	2,799,228	1,292,352	46.2%
6/30/93	319,402	190,261	59.6%
6/30/94	197,791	158,108	79.9%
6/30/95	190,581	166,929	87.6%
6/30/96	263,570	143,883	54.6%
6/30/97	355,430	142,974	40.2%
6/30/98	581,372	113,797	19.6%
6/30/99	561,347	1,046,670	186.5%
6/30/00	463,796	1,509,986	325.6%
6/30/01	689,797	1,235,705	179.1%
6/30/02	466,124	1,254,881	269.2%
6/30/03	373,375	80,182	21.5 %
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%

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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, 2006
Actuarial cost method	Entry Age Normal
Amortization method	The unfunded actuarial liability is amortized over the present value of future service, 30 years as of both July 1, 2005 and July 1, 2006. The Net Pension Obligation is amortized over the expected future working lifetime of current active members.
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	6.5% (7.0% before July 1, 2005)
Projected salary increases	5.0% (5.5% before July 1, 2005)

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

**SCHEDULE OF INVESTMENTS
JUNE 30, 2006**

<u>Description</u>	<u>Par, rate of interest, maturity date</u>	<u>Cost</u>	<u>Current Value</u>
<i>US Government Securities</i>			
FHLMC	Par \$517,000, 6.0%, 8/22/22	\$ 517,000	\$ 496,062
FHLMC	Par \$500,000, 6.0%, 8/22/22	500,000	479,750
FHLMC	Par \$1,000,000, 5.68%, 10/10/13	999,063	956,400
FHLMC	Par \$1,000,000, 5.0%, 11/14/14	990,000	949,400
FHLMC	Par \$500,000, 5.125%, 2/27/18	498,750	466,400
FHLMC	Par \$500,000, 4.25%, 5/15/18	500,000	437,850
FHLMC	Par \$400,000, 5.0%, 12/09/22	400,000	356,640
FHLMC	Par \$490,000, 4.75%, 6/02/17	490,000	448,350
FHLMC	Par \$1,500,000, 5.0%, 6/11/21	1,500,000	1,350,300
FHLMC	Par \$180,000, 5.349%, 7/09/21	180,000	161,856
FHLMC	Par \$667,000, 5.0%, 1/28/19	667,000	642,321
FHLB	Par \$1,000,000, 4.0%, 6/26/18	1,000,000	909,500
FHLB	Par \$250,000, 4.27%, 1/16/15	248,750	226,000
FHLB	Par \$320,000, 4.265%, 7/08/15	320,000	287,744
FHLB	Par \$500,000, 2.0%, 4/22/08	498,750	489,500
FHLB	Par \$500,000, 3.125%, 4/30/09	500,000	495,600
FHLB	Par \$1,000,000, 4.0%, 2/26/16	1,000,000	957,800
FNMA	Par \$500,000, 5.25%, 3/19/18	500,000	462,600
FNMA	Par \$500,000, 4.5%, 12/10/15	500,000	453,900
FNMA	Par \$450,000, 5.125%, 7/16/18	450,000	411,840
GS FST Government Fund	Par \$1,782,463, var%	<u>1,782,463</u>	<u>1,782,463</u>
		<u>14,041,776</u>	<u>13,222,276</u>
<i>Corporate Bonds</i>			
OG & E Consumer Loan	Par \$304,959, 5.25%, 6/15/09	<u>304,959</u>	<u>304,959</u>

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

**SCHEDULE OF INVESTMENTS
JUNE 30, 2006**

<u>Description</u>	<u>Par, rate of interest, maturity date</u>	<u>Cost</u>	<u>Current Value</u>
<i>Judgements</i>			
Judgement	Par \$4,855, 9.25%, 10/30/05	\$ 4,855	\$ 4,855
Judgement	Par \$8,000, 9.25%, 6/05/06	8,000	8,000
Judgement	Par \$8,333, 9.25%, 6/25/06	8,333	8,333
Judgement	Par \$1,667, 9.25%, 7/11/06	1,667	1,667
Judgement	Par \$11,667, 9.25%, 1/22/07	11,667	11,667
Judgement	Par \$13,333, 9.25%, 1/23/07	13,333	13,333
Judgement	Par \$4,600, 9.25%, 2/27/07	4,600	4,600
Judgement	Par \$19,000, 9.25%, 5/11/07	19,000	19,000
Judgement	Par \$16,667, 9.25%, 5/17/07	16,667	16,667
Judgement	Par \$5,467, 9.25%, 6/17/07	5,467	5,467
Judgement	Par \$4,667, 9.25%, 6/29/07	4,667	4,667
Judgement	Par \$16,333, 9.25%, 7/13/07	16,333	16,333
Judgement	Par \$2,000, 9.25%, 8/10/07	2,000	2,000
Judgement	Par \$99,450, 9.25%, 9/02/07	99,450	99,450
Judgement	Par \$20,000, 9.25%, 12/3/07	20,000	20,000
Judgement	Par \$40,000, 9.25%, 3/4/08	40,000	40,000
Judgement	Par \$2,500, 9.25%, 3/21/08	2,500	2,500
Judgement	Par \$8,500, 9.25%, 4/12/08	8,500	8,500
Judgement	Par \$43,731, 9.25%, 4/26/08	43,731	43,731
Judgement	Par \$41,294, 9.25%, 4/26/08	41,294	41,294
Judgement	Par \$35,000, 9.25%, 5/27/08	35,000	35,000
Judgement	Par \$20,000, 9.25%, 9/06/08	20,000	20,000
Judgement	Par \$20,000, 9.25%, 12/15/08	20,000	20,000
Judgement	Par \$28,663, 9.25%, 2/06/09	28,663	28,663
Judgement	Par \$41,000, 9.25%, 2/07/09	41,000	41,000
Judgement	Par \$30,000, 9.25%, 5/18/09	30,000	30,000
Judgement	Par \$40,000, 9.25%, 5/18/09	40,000	40,000
Judgement	Par \$15,000, 9.25%, 5/22/09	15,000	15,000
		<u>601,727</u>	<u>601,727</u>
		<u>\$ 14,948,462</u>	<u>\$ 14,128,962</u>
	Total Investments		