

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58TH STREET., SUITE 325C - OKLAHOMA CITY, OKLAHOMA 73112 - VOICE & FAX (405) 917-7272

To Management and Board of Trustees
Employees' Retirement System of Oklahoma County
Oklahoma City, Oklahoma

In planning and performing our audit of the financial statements of Employees' Retirement System of Oklahoma County for the year ended June 30, 2012, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency.

We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing any of the recommendations. Our comments are summarized as follows:

Outstanding Reconciling Item Effecting Cash in Bank

We noted that one item has remained on the bank reconciliation for several years in the amount of \$863.70 as an "other reconciling item". We understand that this item was issued to a retiree and was reported as lost by the retiree. Subsequently a stop payment was requested and acknowledged by the bank, but then the same item was cashed by the bank. Our understanding is the bank is not going to refund the payment, nor can the payment be paid back by the retiree. Therefore, we suggest that the amount be expensed and cleared from the bank reconciliation.

Retiree Files

During our examination of documentation within the retiree files we determined that certain items, including copies of marriage certificates, are not being retained in the retirees' and/or survivors' files. We suggest that a checklist be developed for mandatory items to be retained in each file, so that all files have the necessary support for benefits paid.

We wish to thank the staff and management for the courtesy extended to us during the course of our audit.

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



Oklahoma City, Oklahoma
September 4, 2012

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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September 4, 2012

To the Board of Trustees of Employees' Retirement System of Oklahoma County

We have audited the financial statements of Employees' Retirement System of Oklahoma County for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Employees' Retirement System of Oklahoma County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2012. We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were detected during our audit procedures.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have required certain representations from management that are included in the management representation letter dated September 4, 2012.

Management Consultations with Other Independent Accountants

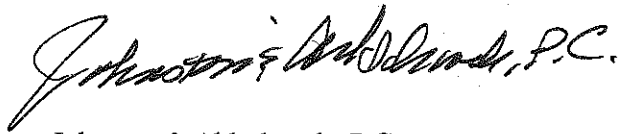
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Employees' Retirement System of Oklahoma County and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Johnston & Ahlschwede, P.C.".

Johnston & Ahlschwede, P.C.

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**EMPLOYEES' RETIREMENT SYSTEM
OF OKLAHOMA COUNTY**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

**EMPLOYEES' RETIREMENT SYSTEM
OF OKLAHOMA COUNTY
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statements of Plan Net Assets	2
Statements of Changes in Plan Net Assets	3
Notes to Financial Statements	4
Supplemental Schedules	
Schedule of Funding Progress	7
Schedule of Employee Contributions	8
Actuarial Valuation and Assumptions	9
Schedule of Investments	10

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

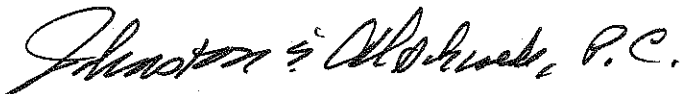
Board of Trustees
Employees' Retirement System of Oklahoma County
Oklahoma City, Oklahoma

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, 2012 and 2011, 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, 2012 and 2011, 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 7 through 10 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
September 4, 2012

EMPLOYEES' RETIREMENT SYSTEM OF OKLAHOMA COUNTY

STATEMENTS OF PLAN NET ASSETS

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 5,312,885	\$ 5,550,907
Interest receivable	23,286	141,819
Investments at fair value - Note 3		
Certificate of deposit	475,000	-
Judgements	<u>3,835,097</u>	<u>5,136,492</u>
Total investments	<u>4,310,097</u>	<u>5,136,492</u>
Total assets	<u>9,646,268</u>	<u>10,829,218</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 8.)	<u>\$ 9,646,268</u>	<u>\$ 10,829,218</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>2012</u>	<u>2011</u>
Additions		
Contributions - employer	\$ 830,192	\$ 831,679
Investment income		
Net appreciation in fair value of investments	-	-
Interest	<u>297,012</u>	<u>317,368</u>
Total investment income (loss)	<u>297,012</u>	<u>317,368</u>
Total additions	<u>1,127,204</u>	<u>1,149,047</u>
Deductions		
Benefits	2,304,547	2,347,970
Administrative expense	<u>5,607</u>	<u>10,700</u>
Total deductions	<u>2,310,154</u>	<u>2,358,670</u>
Net increase (decrease)	(1,182,950)	(1,209,623)
Net assets held in trust for pension benefits		
Beginning of year	<u>10,829,218</u>	<u>12,038,841</u>
End of year	<u>\$ 9,646,268</u>	<u>\$ 10,829,218</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>2012</u>	<u>2011</u>
Retirees and beneficiaries receiving benefits	163	167
Terminated plan members entitled to but not yet receiving benefits	20	24
Active plan member	4	5
Total	<u>187</u>	<u>196</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, 2012 and 2011, 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>2012</u>	<u>2011</u>
Investments at fair value as determined by quoted market price		
Certificates of Deposit	\$ 475,000	\$ -
Investments at estimated fair value Judgements	<u>3,835,097</u>	<u>5,136,492</u>
Total investments	<u>\$ 4,310,097</u>	<u>\$ 5,136,492</u>

Note 4 - Subsequent Events

Management has evaluated all subsequent events through September 4, 2012, the date the financial statements were available to be issued.

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
6/30/02	\$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%
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	53.0%	\$235,296	4,502.5%
6/30/11	\$10,829,218	\$21,261,680	\$10,432,462	51.0%	\$254,120	4,105.3%
6/30/12	\$9,646,268	\$19,165,012	\$9,518,744	49.7%	\$202,984	4,649.4%

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>
6/30/02	\$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%
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%

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	\$745,337	111.4%	\$(3,764,004)

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, 2012
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, 2011 and July 1, 2012. 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, 2012

<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, 12/26/12	\$ 225,000	\$ 225,000
First Security Bank & Trust Co.	Variable, 10/17/12	250,000	250,000
<i>Judgements</i>			
Judgement	5.25%, 12/30/12	8,333	8,333
Judgement	5.25%, 12/15/12	8,333	8,333
Judgement	5.25%, 05/11/13	20,000	20,000
Judgement	5.25%, 05/12/13	66,667	66,667
Judgement	5.25%, 07/30/13	15,000	15,000
Judgement	5.25%, 09/20/13	50,000	50,000
Judgement	5.25%, 09/24/13	500,000	500,000
Judgement	5.25%, 11/01/13	31,667	31,667
Judgement	5.25%, 10/15/13	1,738,430	1,738,430
Judgement	5.25%, 03/17/14	50,000	50,000
Judgement	5.25%, 05/11/14	666,667	666,667
Judgement	5.25%, 06/17/14	50,000	50,000
Judgement	5.25%, 11/21/14	150,000	150,000
Judgement	5.25%, 01/09/15	450,000	450,000
Judgement	5.25%, 04/06/15	<u>30,000</u>	<u>30,000</u>
Total Investments		<u>\$ 4,310,097</u>	<u>\$ 4,310,097</u>