

Audited Financial Statements

**OKLAHOMA MUNICIPAL
ASSURANCE GROUP**

June 30, 2013

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

AUDITED FINANCIAL STATEMENTS

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Independent Auditors' Report

The Board of Trustees
Oklahoma Municipal Assurance Group
Edmond, Oklahoma

Report on the Financial Statements

We have audited the accompanying statements of net position of Oklahoma Municipal Assurance Group as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management'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 audits 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 auditors' 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 auditors consider 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 circumstances, 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 Oklahoma Municipal Assurance Group as of June 30, 2013 and 2012, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2013, Oklahoma Municipal Assurance Group adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of GASB No. 63 and 65 required Oklahoma Municipal Assurance Group to retroactively restate its 2012 financial statements upon adoption.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's discussion and analysis and the supplementary information included in schedule 1 - health insurance coverage schedule of ten-year claims development information, schedule 2 - liability insurance coverage schedule of ten-year claims development information, and schedule 3 - property insurance coverage schedule of ten-year claims development information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 4 and 5 – statement of net position information by insurance coverage and schedules 6 and 7 - statement of revenues, expenses, and changes in net position information by insurance coverage is presented for purposes of additional analysis and is not a required part of the basic 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. The information has been subjected to the auditing procedures applied in the audits 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 20, 2013

Oklahoma Municipal Assurance Group Management's Discussion and Analysis

This section of the Oklahoma Municipal Assurance Group (the "Group") annual financial report presents our discussion and analysis of the Group's financial performance during the fiscal years ended June 30, 2013 and 2012. Please review it in conjunction with the Group's financial statements, which immediately follow.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, including the notes to financial statements, and other supplementary information. The financial statements provide both long-term and short-term information about the Group's overall financial status. They also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Group's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental entities, for enterprise funds on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of capital assets is recognized in the statement of revenues, expenses, and changes in net position over their estimated useful lives. All assets and liabilities associated with the operation of the Group are included in the statement of financial position.

Statement of Net Position - The statement of net position reports the Group's assets, deferred outflows, liabilities, and deferred inflows. Net position, the difference between the Group's assets plus deferred outflows and liabilities plus deferred outflows, is one way to measure the financial health or position of the Group (there are no deferred outflows or inflows in the Group's financial statements in 2013 and 2012). The statement of net position is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within twelve months of the statement date.

Statement of Revenues, Expenses, and Changes in Net Position - This statement reflects the Group's revenues and expenses during the year. The major source of operating revenue is premium and administrative services income and the major sources of operating expenses are claims incurred, benefits to policyholders, and costs of reinsurance. The change in net position for an enterprise fund is similar to net profit or loss for an insurance company.

Statement of Cash Flows - This statement is presented on the direct method of reporting which reflects cash flows from operating, capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

**Oklahoma Municipal Assurance Group
Management's Discussion and Analysis (Continued)**

Financial Analysis

Statement of Financial Position Information

The Group's total assets at June 30, 2013 were \$104,007,879, an increase of 1.8% from June 30, 2012. The Group's total assets at June 30, 2012 were \$102,207,712, an increase of 0.4% from June 30, 2011. As of June 30, 2013, total liabilities increased 3.0% to \$42,361,891, and total net position increased 0.9% to \$61,645,988. As of June 30, 2012, total liabilities increased 2.6% to \$41,132,562, and total net position decreased 1.0% to \$61,075,150. (See Table A-1.)

Table A-1
Statement of Net Position Information

	2013	2012	2011	Change from 2012 to 2013	Percent change from 2012 to 2013
Current assets	\$ 98,925,657	\$ 90,801,543	\$ 89,292,891	\$ 8,124,114	8.9%
Noncurrent investments	927,054	7,099,268	10,249,967	(6,172,214)	-86.9%
Capital assets	<u>4,155,168</u>	<u>4,306,901</u>	<u>2,222,106</u>	<u>(151,733)</u>	-3.5%
TOTAL ASSETS	<u>\$ 104,007,879</u>	<u>\$ 102,207,712</u>	<u>\$ 101,764,964</u>	<u>\$ 1,800,167</u>	1.8%
Current liabilities	\$ 18,468,507	\$ 18,958,741	\$ 17,398,139	\$ (490,234)	-2.6%
Long-term liabilities	<u>23,893,384</u>	<u>22,173,821</u>	<u>22,691,864</u>	<u>1,719,563</u>	7.8%
TOTAL LIABILITIES	<u>42,361,891</u>	<u>41,132,562</u>	<u>40,090,003</u>	<u>1,229,329</u>	3.0%
Net position:					
Invested in capital assets	4,155,168	4,306,901	2,222,106	(151,733)	-3.5%
Unrestricted	<u>57,490,820</u>	<u>56,768,249</u>	<u>59,452,855</u>	<u>722,571</u>	1.3%
TOTAL NET POSITION	<u>61,645,988</u>	<u>61,075,150</u>	<u>61,674,961</u>	<u>570,838</u>	0.9%
TOTAL LIABILITIES AND NET POSITION	<u>\$ 104,007,879</u>	<u>\$ 102,207,712</u>	<u>\$ 101,764,964</u>	<u>\$ 1,800,167</u>	1.8%

The Group experienced increased participation in the property coverage of 2.5% in 2013 and 2.0% in 2012 to 364 insureds and 355 insureds, respectively. Participation in the liability coverage increased .4% in 2013 and .8% in 2012 to 474 insureds and 472 insureds, respectively. Life and health coverage was discontinued effective July 1, 2010, following several years of unfavorable financial results.

**Oklahoma Municipal Assurance Group
Management's Discussion and Analysis (Continued)**

Financial Analysis (Continued)

Statement of Financial Position Information (Continued)

Cash and investments comprise the largest portion of total assets totaling \$95,555,048 in 2013 and \$93,726,418 in 2012 and were approximately 91.9% of total assets in 2013 and 91.8% in 2012. During 2013 and 2012, the economy remained in a state of low growth and high unemployment, and the Federal government maintained interest rates at historically low levels in an attempt to spur economic growth. To minimize interest rate risk, the Group continued to invest in cash and equivalents but did move into short term US Treasury Bills by year end. In 2012, this investment strategy resulted in decreased investments and a corresponding increase in cash of approximately \$70 million.

The increase in total assets of \$1,914,710 in 2013 was primarily in cash and investments provided by operating results. The increase in total assets of \$442,748 in 2012 was primarily in capital assets of \$2,084,795, as construction of a new office building for the Group's operations was completed and occupied. This was partially offset by the decline in reinsurance receivable of \$1,481,460 as reimbursement was received from the reinsurer and the severity of new claims diminished.

Total liabilities increased \$1,229,329 in 2013 and increased \$1,042,559 in 2012. In 2013, the increase was primarily in reserves for claims losses and loss adjustment expenses which increased \$1,231,009, with \$625,505 attributable to the liability coverage and \$605,504 to the property coverage. In 2012, the increase was primarily in reserves for claims losses and loss adjustment expenses which increased \$967,507, with \$512,897 attributable to the liability coverage and \$454,610 to the property coverage.

Total net position increased \$685,381 in 2013 and decreased \$589,821 in 2012. In 2013, the increase was a result of increased operating revenues and underwriting results. In 2012, the decrease was a result of a decline in investment income of \$687,246.

Statements of Revenues, Expenses, and Changes in Net Position Information

Operating revenues increased \$2,251,363, or 12.8%, in 2013 and \$4,722, or 0.0%, in 2012, and operating expenses increased \$966,171 in 2013, or 5.3%, and increased \$596,473 in 2012, or 3.4%. (see Table A-2).

**Oklahoma Municipal Assurance Group
Management's Discussion and Analysis (Continued)**

Financial Analysis (Continued)

Statements of Revenues, Expenses, and Changes in Net Position Information (Continued)

Table A-2
Revenues, Expenses, and Changes in Net Position Information

	2013	2012	2011	Change from 2012 to 2013	Percent change from 2012 to 2013
Operating revenues:					
Premium and administrative services income	\$ 19,379,357	\$ 17,014,693	\$ 16,205,143	\$ 2,364,664	13.9%
Investment income	216,273	377,161	1,064,407	(160,888)	-42.7%
Commission and other income	188,903	141,316	258,898	47,587	33.7%
TOTAL OPERATING REVENUES	19,784,533	17,533,170	17,528,448	2,251,363	12.8%
Operating expenses:					
Claims incurred, net	11,109,926	10,926,157	11,049,245	183,769	1.7%
Benefits to policyholders, net	-	(39,744)	(202,011)	39,744	-100.0%
Cost of reinsurance	2,371,339	1,969,651	1,690,471	401,688	20.4%
Employee compensation and benefits	2,800,914	2,397,184	2,339,528	403,730	16.8%
Claims administration	1,215,857	1,303,361	1,339,211	(87,504)	-6.7%
Other operating expenses	1,601,116	1,576,372	1,320,064	24,744	1.6%
TOTAL OPERATING EXPENSES	19,099,152	18,132,981	17,536,508	966,171	5.3%
Operating income (loss)	685,381	(599,811)	(8,060)	1,285,192	-214.3%
Nonoperating expenses:					
Loss on sale of assets	-	-	183,638	-	100.0%
Change in net position	685,381	(599,811)	(191,698)	1,285,192	-214.3%
Net position, beginning of year	61,075,150	61,674,961	61,866,659	(599,811)	-1.0%
Net position, end of year	\$ 61,760,531	\$ 61,075,150	\$ 61,674,961	\$ 685,381	1.1%

In 2013, total operating revenues increased \$2,251,363, or 12.8%, when compared to the previous year. Liability and property coverage generated \$990,093 and \$1,226,368, respectively, of the overall increase. Of the increase from liability, approximately \$700,000 resulted from increased premiums as a result of increased exposures, and the remainder resulted from decreased dividends. Of the increase from property, approximately \$800,000 resulted from increased premiums as a result of increased exposures and growth in the program, and the remainder resulted from decreased dividends.

**Oklahoma Municipal Assurance Group
Management's Discussion and Analysis (Continued)**

Financial Analysis (Continued)

Statements of Revenues, Expenses, and Changes in Net Position Information (Continued)

In 2012, total operating revenues were essentially unchanged when compared to the previous year; however, premium and administrative services income increased \$809,550 as premiums were increased to cover the increase in costs associated with operating all of the coverages. This was offset by reduced investment income of \$687,246, resulting from continuing low returns in the fixed income market, and a decrease of \$117,582 in commissions and other income.

In 2013, claims incurred were consistent with the level of the prior year as property claims increased by \$1,219,605 and liability claims decreased by \$1,035,836. Cost of reinsurance increased \$401,688 totally in the property coverage as a result of the Group's loss experience and increasing insured values. Employee compensation and benefits increased \$403,730 as a result of adding additional staff and increased benefit costs. In 2012, claims incurred were consistent with the level of the prior year as property claims increased by \$570,901 and liability claims decreased by \$693,989. Cost of reinsurance increased \$279,180 totally in the property coverage as a result of an increase in severity of claims in prior years. Other operating expenses increased \$256,308 as a result of adding additional staff and increased costs associated with moving to the new office location.

Economic Factors

The economy in the United States remains weak with slow growth and high unemployment.

The insurance industry, like most other sectors, has been struggling to compensate for the depressed earnings on investments and the general lack of economic activity. The Group's customer base is composed entirely of local governments, and falling tax revenues have forced municipalities to slash expenditures to balance their budgets. In an effort to alleviate some of the financial pressure on local governments, OMAG made significant reductions in premiums for liability and property coverage during 2011 but began easing reductions for 2012 and 2013. Tax revenues for the State of Oklahoma have shown increases over the prior year, prompting hopes that a return to normal business activity and tax revenues is on the horizon.

Contacting the Group's Financial Management

This financial report is designed to provide our membership, our reinsurance partners, and other interested parties with a general overview of the Group's finances and to demonstrate the Group's accountability for the contributions it receives. If you have questions about this report or need additional financial information, contact the Group's finance department, 3650 S. Boulevard, Edmond, OK 73013-5581.

STATEMENTS OF NET POSITION

OKLAHOMA MUNICIPAL ASSURANCE GROUP

	June 30,	
	2013	2012
		<i>(Restated)</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,634,580	\$ 79,469,763
Investments	47,993,414	7,157,387
Premiums receivable, net	2,071,033	1,678,446
Reinsurance receivable	1,627,467	1,738,422
Accrued interest receivable	13,578	31,800
Other receivables	19,892	41,543
Deposits and prepaid expenses	565,693	569,639
TOTAL CURRENT ASSETS	<u>98,925,657</u>	<u>90,687,000</u>
Noncurrent assets:		
Investments	927,054	7,099,268
Capital assets, net	4,155,168	4,306,901
TOTAL NONCURRENT ASSETS	<u>5,082,222</u>	<u>11,406,169</u>
TOTAL ASSETS	<u>\$ 104,007,879</u>	<u>\$ 102,093,169</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities:		
Reserves for claim losses and loss adjustment expenses, current portion	\$ 7,428,150	\$ 7,322,857
Deposit funding reserves, current portion	5,378,266	5,415,117
Accounts payable and accrued expenses	538,133	1,062,298
Advance premiums	317,551	774,564
Unearned premiums	4,806,407	4,383,905
TOTAL CURRENT LIABILITIES	<u>18,468,507</u>	<u>18,958,741</u>
Noncurrent liabilities:		
Reserves for claim losses and loss adjustment expenses	18,706,727	17,581,011
Deposit funding reserves	5,186,657	4,592,810
TOTAL NONCURRENT LIABILITIES	<u>23,893,384</u>	<u>22,173,821</u>
TOTAL LIABILITIES	42,361,891	41,132,562
NET POSITION		
Invested in capital assets	4,155,168	4,306,901
Unrestricted	57,490,820	56,653,706
TOTAL NET POSITION	<u>61,645,988</u>	<u>60,960,607</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 104,007,879</u>	<u>\$ 102,093,169</u>

See accompanying notes to basic financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OKLAHOMA MUNICIPAL ASSURANCE GROUP

	Year Ended June 30,	
	2013	2012
		<i>(Restated)</i>
OPERATING REVENUES		
Premium and administrative services revenue	\$ 19,379,357	\$ 17,014,693
Investment income	216,273	377,161
Commissions and other revenue	188,903	141,316
TOTAL OPERATING REVENUES	<u>19,784,533</u>	<u>17,533,170</u>
OPERATING EXPENSES		
Claims incurred, net of recoveries	11,109,926	10,926,157
Benefits to policyholders, net of recoveries	-	(39,744)
Cost of reinsurance	2,371,339	1,969,651
Employee compensation and benefits	2,800,914	2,397,184
Claims administration	1,215,857	1,303,361
Commissions and professional services	607,359	621,520
Insurance consultants	75,000	75,000
Other expenses	918,757	869,862
TOTAL OPERATING EXPENSES	<u>19,099,152</u>	<u>18,122,991</u>
OPERATING INCOME (LOSS)	685,381	(589,821)
NET POSITION AT BEGINNING OF YEAR	<u>60,960,607</u>	<u>61,550,428</u>
NET POSITION AT END OF YEAR	<u>\$ 61,645,988</u>	<u>\$ 60,960,607</u>

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA MUNICIPAL ASSURANCE GROUP

	Year Ended June 30,	
	2013	2012
		<i>(Restated)</i>
Cash flows from operating activities:		
Premiums and administrative services received	\$ 18,291,289	\$ 18,098,829
Investment income received	272,578	518,156
Commissions and other operating cash received	210,554	185,951
Claims and benefits inclusive of net excess claim reimbursements of \$110,955 and \$1,538,495 for June 30, 2013 and 2012	(9,767,962)	(8,437,446)
Reinsurance paid	(2,363,044)	(1,975,254)
Compensation and benefits paid	(2,800,914)	(2,397,184)
Claims administration expenses paid	(1,126,736)	(1,374,893)
Professional services paid	(607,359)	(631,510)
Insurance consultants expenses paid	(75,000)	(75,000)
Other operating expenses paid	(705,864)	(842,204)
Deposit funding reserve contributions	9,075,846	6,952,526
Deposit funding reserve payments	(8,518,850)	(8,139,536)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,884,538	1,882,435
Cash flows from capital and related financing activities:		
Purchases of capital assets	(17,825)	(2,196,636)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(17,825)	(2,196,636)
Cash flows from investing activities:		
Proceeds from maturity of investments	139,616	61,068,211
Purchase of investments	(34,841,512)	(552,876)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(34,701,896)	60,515,335
NET CHANGE IN CASH AND CASH EQUIVALENTS	(32,835,183)	60,201,134
Cash and cash equivalents, beginning of year	79,469,763	19,268,629
Cash and cash equivalents, end of year	<u>\$ 46,634,580</u>	<u>\$ 79,469,763</u>

STATEMENTS OF CASH FLOWS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

	Year Ended June 30,	
	2013	2012
		<i>(Restated)</i>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 685,381	\$ (589,821)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	169,558	111,841
Realized and unrealized losses on investments	38,083	91,121
Changes in operating assets and liabilities:		
Premiums receivable	(392,587)	(348,204)
Reinsurance receivable	110,955	1,481,460
Deposits and prepaids	3,946	(1,030)
Other receivables	21,651	44,635
Reserves for claim losses and loss adjustments	1,231,009	967,507
Accounts payable and accrued expenses	(524,165)	490,692
Advanced premiums	(457,013)	162,184
Unearned premiums	422,502	609,186
Accrued interest receivable	18,222	49,874
Deposit funding reserves	556,996	(1,187,010)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,884,538</u>	<u>\$ 1,882,435</u>
Supplemental disclosure of noncash investing activities:		
Net decrease in fair value of investments in deposit funding reserves	<u>\$ 4,088</u>	<u>\$ 10,520</u>

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE A--SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS

Organization: The Oklahoma Municipal Assurance Group (the "Group") became effective on June 1, 1977. The purpose of the Group is to provide various types of insurance coverage to participating municipalities in the state of Oklahoma. As of June 30, 2013 and 2012, there were 499 and 474 municipalities and agencies, respectively, that were participating members within the Group.

The Group offers insurance coverage for municipal liability and municipal property. The Group also provides administrative services for workers' compensation insurance coverage. The Group offered employee life and health coverage until terminated by the Group, effective July 1, 2010 (see Note E).

The Group is governed by a board of seven trustees elected by and from the members of the Group. Trustee responsibilities include the management of the Group's programs and other services as contemplated by the Group.

The title to all assets acquired by the Group is vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating city pays for all costs, contributions, or other fees attributable to its respective participation in any coverage, policy, or service established under this agreement and is responsible for its obligation under any contract entered into with the Group.

Basis of Accounting: For financial reporting purposes, the Group is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Group's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The Group has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with Governmental Accounting Standards Board ("GASB"). The Group has elected not to apply FASB pronouncements issued after the applicable date.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and such amounts could be significant.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE A--SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS--Continued

Cash and Cash Equivalents: Included in cash and cash equivalents at June 30, 2013 and 2012 is \$46,918,237 and \$79,822,417, respectively, of a federated short-term government fund. Such amounts are commingled trust funds and are allocated on the basis of \$1.00 per share. This fund is composed of short-term U.S. government securities issued or guaranteed by the U.S. government, its agencies, or instrumentalities. Each shareholder in the fund shares the risk of loss on the fund in proportion to its respective investment.

Cash and cash equivalents on deposit with financial institutions are \$1,114,619 and \$1,140,100 at June 30, 2013 and 2012, respectively, (exclusive of reconciling items totaling (\$1,398,276) and (\$1,492,754)). The Group considers all demand deposit accounts, including the federated short-term government fund and investments with original maturities of 90 days or less, to be cash equivalents.

Investments: Investments consist of certain highly rated corporate bonds, government obligations, and mortgage-backed securities and are stated at fair value based on quoted prices with changes in fair value included as investment income in the statements of revenues, expenses, and changes in net position.

Investments are classified as current and noncurrent consistent with the contractual maturities of investments that mature within a year and greater than a year, respectively. Actual maturities of mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Premiums Receivable: Premiums receivable consist of premiums billed to members for insurance coverages and incurred but unpaid deductible funds which are carried at the unpaid balance of the original amount billed. Premiums receivable are considered fully collectible by management, and as a result, no allowance is recorded at June 30, 2013 and 2012. Management determines the allowance for doubtful accounts by identifying troubled accounts, by using historical experience applied to an aging of accounts, and by considering the general economy and the industry as a whole. Premiums receivable are written off when deemed uncollectible. Recoveries of premiums receivable previously written off are credited to the allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE A--SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS--Continued

Reinsurance: In the ordinary course of business, the Group has reinsured portions of its liability and other insurance coverage to limit the amounts of potential losses on individual claims, although it does not discharge the primary responsibility of the Group as direct insurance of the risks reinsured. Reinsurance is ceded on an excess of loss basis. The Group does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

Classification of Revenues: The Group has classified its revenues as either operating or nonoperating revenues. Operating revenues include transactions that constitute the Group's principal ongoing operations, such as member premiums. Nonoperating revenues consists of other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Revenue Recognition: The insurance coverages provided by the Group have been determined to be short-duration contracts, and as such, the premiums are recognized as revenue over the period of the contract in proportion to the amount of coverage provided. Advanced premiums include amounts received in excess of amounts due and for which coverage has not yet been provided.

Administrative services income is recognized over the period of the contract on a pro rata basis.

Interest income on investments and changes in the fair value of investments are recognized in the statements of revenues, expenses, and changes in net position in the year in which they are earned.

Capital Assets: Capital assets are recorded at historical cost and are depreciated using the straight line method with the assets having a useful life of 5 to 40 years.

Deferred Policy Acquisition Costs: Prior to the adoption of GASB Statement No. 65, policy acquisition costs, primarily commissions, were deferred and charged to operations over the periods in which the related premiums were earned. Deferred policy acquisition costs were subject to recoverability testing, which considered anticipated investment income, at the end of each accounting period and were written off if determined to be unrecoverable. GASB Statement No. 65 requires policy acquisition costs to be expensed in the period incurred.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE A--SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS--Continued

Claims Administration Costs and Claim Losses: Claims administration costs and other costs are recorded in the year in which they are incurred. Adjustments to reserves for claim losses and loss adjustment expense and policy and contract claims are charged or credited to expense in the year in which they are incurred. Unpaid loss and loss adjustment expenses are not discounted for expected investment rates of return.

Income Taxes: The Group is a public entity organized under the laws of the state of Oklahoma and, as such, is considered to be an instrumentality of a political subdivision exempt from federal income taxes under Internal Revenue Code Section 115.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the Trust that is applicable to a future reporting period. At June 30, 2013 and 2012, the Group has no deferred inflows of resources.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the Trust that is applicable to a future reporting period. At June 30, 2013 and 2012, the Group has no deferred outflows of resources.

New Accounting Pronouncements: The GASB has issued several new accounting pronouncements which were effective for the group during the fiscal year ended June 30, 2013. A description of the new accounting pronouncements and the Group's consideration of the impact of these pronouncements are described below (only pronouncements that are applicable to the Group):

- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements:* GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The adoption of GASB No. 62 did not have a significant impact on the financial position, activities or cash flows, or its financial statement presentation of the Group.
- *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position:* GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement has required the Group to make changes in its financial statement presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE A--SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS--Continued

- *Statement No. 65, Items Previously Reported as Assets and Liabilities:* GASB No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes as outflows of resources (expenses) or inflows of resources (revenues) certain items that were previously recognized as assets and liabilities. As a result of the adoption of GASB No. 65, the Group's net position as of July 1, 2011 decreased by \$124,533 from amounts previously reported, and the changes in net position for the year ended June 30, 2012 increased by \$9,990. Net position as of June 30, 2012 decreased from \$61,075,150 to \$60,960,607, a decrease of \$114,543.

NOTE B--DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of bank failure, the Group's deposits may not be returned to it. The Group's deposit policy for custodial credit risk requires cash on deposit in financial institutions to be either fully insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations. The Group has cash deposits with commercial banks. All deposits in the commercial banks that exceed the Federal depository insurance coverage are invested in U.S. government obligations or collateralized by U.S. government obligations held by the Federal Home Loan Bank.

At June 30, 2013, cash deposits of the Group totaled \$48,032,856 (exclusive of reconciling items of \$1,398,276). Of this amount \$46,918,237 was invested in short term U.S. government obligations, \$586,101 was covered by collateral held by the Federal Home Loan Bank, and \$250,000 was covered by Federal Deposit Insurance. As of June 30, 2013, \$278,518 was uninsured or under-collateralized. Additional collateral was obtained from Federal Home Loan Bank in September 2013 to adequately collateralize all cash deposits held.

At June 30, 2012, cash deposits of the Group totaled \$80,962,517 (exclusive of reconciling items of \$1,492,754). Of this amount \$486,635 was covered by Federal depository insurance under the Dodd-Frank Act whereby non-interest bearing transaction accounts are 100% guaranteed by the FDIC through December 31, 2012, \$79,822,417 was invested in short term U.S. government obligations, and \$653,465 was covered by collateral held by the Federal Home Loan Bank.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments: The composition of investments and maturity schedule, stated at fair value at June 30, 2013, is summarized as follows:

	Maturities (in Years)				
	Fair value	<1	1-5	6-10	>10
U.S. treasury strips	\$ 1,999,080	\$ 1,999,080	\$ -	\$ -	\$ -
Federal agencies	45,994,334	45,994,334	-	-	-
Mortgage backed securities	927,054	-	-	-	927,054
	<u>\$ 48,920,468</u>	<u>\$ 47,993,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 927,054</u>

Custodial Credit Risk - Investments: For an investment, custodial credit risk is the risk that the Group will not be able to recover the value of its investments that are in the possession of its safekeeping custodians. All of the Group's investments are held by its agent in the Group's name. Accordingly, no investments are subject to custodial credit risk.

Credit Risk: The Group's Board approved investment policy limits investments to those securities allowed by Oklahoma statutes for municipalities.

Federal agency and mortgage backed securities may contain provisions that they are callable before maturity at the option of the issuer with call dates of less than one year. The Group assumes all investments will be held to their stated maturity regardless of any call or prepayment provisions. The balance of the Group's bond portfolio, as of June 30, 2013, of \$48,920,884 is considered U.S. government bonds with no credit rating provided by the Group's Trust Company.

Concentration of Credit Risk: The Board approved policy places no limit on the amount the Group may invest in any one issuer. More than five percent of the Group's investments were in the following securities (U.S. government and its federal agency obligations, which are explicitly guaranteed by the U.S. government, are exempt from this policy):

	2013	2012
Federal National Mortgage Association	*	28%
Governmental National Mortgage Association	*	8%
JP Morgan Chase	*	14%

* - Does not represent more than 5% of investments for the year presented.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Interest Rate Risk: The Group does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Board approved investment policy sets forth a general strategy to manage interest rate risk by investing in short or long term securities depending on whether interest rates are rising or falling. Additionally, maturities are limited to a maximum of twenty (20) years for individual securities, except for certificates of deposit which are limited to four (4) years.

Investment Income: The composition of investment income is summarized as follows as of June 30:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 254,356	\$ 468,282
Unrealized losses	(199,217)	(5,975)
Realized gains (losses)	<u>161,134</u>	<u>(85,146)</u>
	<u>\$ 216,273</u>	<u>\$ 377,161</u>

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

NOTE C--CAPITAL ASSETS

Capital assets consist of the following at June 30, 2013 and 2012:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Capital assets:				
Office building	\$ 3,507,893	\$ -	\$ -	\$ 3,507,893
Land	464,026	-	-	464,026
Construction in process	-	-	-	-
Furnishings and equipment	<u>651,040</u>	<u>17,825</u>	<u>(76,912)</u>	<u>591,953</u>
TOTAL CAPITAL ASSETS	<u>4,622,959</u>	<u>17,825</u>	<u>(76,912)</u>	<u>4,563,872</u>
Accumulated depreciation:				
Office building	47,503	87,698	-	135,201
Furnishings and equipment	<u>268,555</u>	<u>81,860</u>	<u>(76,912)</u>	<u>273,503</u>
TOTAL ACCUMULATED DEPRECIATION	<u>316,058</u>	<u>169,558</u>	<u>(76,912)</u>	<u>408,704</u>
Capital assets, net	<u>\$ 4,306,901</u>	<u>\$ (151,733)</u>	<u>\$ -</u>	<u>\$ 4,155,168</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE C--CAPITAL ASSETS--Continued

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Capital assets:				
Office building	\$ -	\$ 3,507,893	\$ -	\$ 3,507,893
Land	-	464,026	-	464,026
Construction in process	2,116,596	(2,116,596)	-	-
Furnishings and equipment	<u>326,535</u>	<u>341,313</u>	<u>(16,808)</u>	<u>651,040</u>
TOTAL CAPITAL ASSETS	<u>2,443,131</u>	<u>2,196,636</u>	<u>(16,808)</u>	<u>4,622,959</u>
Accumulated depreciation:				
Office building	-	47,503	-	47,503
Furnishings and equipment	<u>221,025</u>	<u>64,338</u>	<u>(16,808)</u>	<u>268,555</u>
TOTAL ACCUMULATED DEPRECIATION	<u>221,025</u>	<u>111,841</u>	<u>(16,808)</u>	<u>316,058</u>
Capital assets, net	<u>\$ 2,222,106</u>	<u>\$ 2,084,795</u>	<u>\$ -</u>	<u>\$ 4,306,901</u>

NOTE D--RESERVES FOR CLAIM LOSSES AND LOSS ADJUSTMENT EXPENSES

The Group estimates losses and loss adjustment expenses based on historical experience and payment and reporting patterns. These estimates are based on data available at the time of the estimate and are reviewed by the Group's independent consulting actuary.

Reserves for claim losses and loss adjustment expenses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported, limited by aggregate and individual loss levels as specified by the Group's reinsurance contracts. These reinsurance credits, if any, represent contingent liabilities of the Group if the reinsurer was unable to meet its obligation under the reinsurance agreement.

Actual claims incurred and an estimate of claims incurred but not reported are reflected in incurred claim losses in the statements of revenues, expenses, and changes in net position. The estimate of claims incurred but not reported is based on a composite of the Group's experience and that of the general property and casualty insurance industry.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE D--RESERVES FOR CLAIM LOSSES AND LOSS ADJUSTMENT EXPENSES--Continued

Management believes that the reserves for claim losses and loss adjustment expenses at June 30, 2013 and 2012 are adequate to cover the ultimate net cost of claim losses and loss adjustment expenses to date. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical statistics that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Although these estimates are the Group's best estimate of the ultimate value, the actual results may vary from these values and may do so in the near term.

The Group established a reserve for both reported and unreported insured events, which include estimates of both future payments of claim losses and related allocated and unallocated loss adjustment expenses. The reserve for unallocated loss adjustment expenses included in reserves for claim losses and loss adjustment expenses was \$3,990,358 and \$3,867,868 at June 30, 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE D--RESERVES FOR CLAIM LOSSES AND LOSS ADJUSTMENT EXPENSES--Continued

The following represents changes in those liabilities for the Group during 2013, 2012, and 2011:

	2013		2012		2011	
	Liability	Property	Liability	Property	Liability	Property
Reserves for claim losses and loss adjustment expenses, beginning of year	\$ 23,623,222	\$ 1,798,285	\$ 23,235,325	\$ 2,771,233	\$ 20,215,380	\$ 1,968,760
Less: reinsurance recoverables	(20,000)	(497,639)	(145,000)	(1,925,197)	(125,000)	(1,038,911)
Net balance, beginning of year	23,603,222	1,300,646	23,090,325	846,036	20,090,380	929,849
Incurred claim losses and loss adjustment expenses:						
Provision for insured events of the current year	8,475,988	3,277,693	9,318,451	2,900,762	8,626,500	2,119,617
Changes in provision for insured events of prior years	(1,339,059)	695,304	(1,145,686)	(147,370)	240,254	62,874
Total incurred claim losses and loss adjustment expenses	7,136,929	3,972,997	8,172,765	2,753,392	8,866,754	2,182,491
Payments:						
Claim payments and loss adjustment expenses attributable to insured events of the current year	(1,670,988)	(1,811,199)	(2,577,451)	(1,740,641)	(1,883,500)	(1,234,047)
Claim payments and loss adjustment expenses attributable to insured events of prior years	(4,840,436)	(1,556,294)	(5,082,417)	(558,141)	(3,983,309)	(1,032,257)
Total payments	(6,511,424)	(3,367,493)	(7,659,868)	(2,298,782)	(5,866,809)	(2,266,304)
Net reserve for claim losses and loss adjustment expenses, end of year	24,228,727	1,906,150	23,603,222	1,300,646	23,090,325	846,036
Plus reinsurance recoverables	-	1,145,366	20,000	497,639	145,000	1,925,197
Reserve for claim losses and loss adjustment expenses, end of year	\$ 24,228,727	\$ 3,051,516	\$ 23,623,222	\$ 1,798,285	\$ 23,235,325	\$ 2,771,233

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE D--RESERVES FOR CLAIM LOSSES AND LOSS ADJUSTMENT EXPENSES--Continued

As a result of changes in estimates of insured events in prior years, the provision for liability claim losses and loss adjustment expenses decreased by approximately \$1,339,000 in 2013 and \$1,146,000 in 2012 due to favorable development on case basis reserves and less-than-anticipated incurred but not reported losses and loss adjustment expenses. The provision for liability claim losses and loss adjustment expenses increased by approximately \$240,000 in 2011 due to unfavorable development on case basis reserves and more-than-anticipated incurred but not reported losses and loss adjustment expenses.

As a result of changes in estimates of insured events in prior years, the provision for property claim losses and loss adjustment expenses increased by approximately \$695,000 in 2013 due to unfavorable development on case basis reserves and more-than-anticipated incurred but not reported losses and loss adjustment expenses. The provision for property claim losses and loss adjustment expenses decreased by approximately \$147,000 in 2012 due to favorable development on case basis reserves and less-than-anticipated incurred but not reported losses and loss adjustment expenses. The provision for property claim losses and loss adjustment expenses increased by approximately \$63,000 in 2011 due to unfavorable development on case basis reserves and more-than-anticipated incurred but not reported losses and loss adjustment expenses.

The Group estimates current and noncurrent reserve for claim losses and loss adjustment expenses based on historical paid losses and loss adjustment expenses.

NOTE E--POLICY AND CONTRACT CLAIMS

The Group's policy and contract claims are provided on municipalities for which the Group has insured health coverage risk and include provision for reported claims and an estimate of claims incurred but not reported. The reserves are based on the estimated ultimate cost of settling the claims, including the effects of general economic conditions, and were determined using paid claims data for claims paid subsequent to June 30 and the Group's historical claims experience. Although the reserves are the Group's best estimate of the ultimate value, the actual results may vary from these values and may do so in the near term.

Effective July 1, 2010, the Group elected to terminate the Life and Health coverage administered by the Group. The Group contracted with Blue Cross Blue Shield to provide health coverage for Group members effective July 1, 2010. For the placement of the participants, OMAG receives a fee equal to 2.5% of annual premium placed, approximately \$45,000 and \$21,000 in 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE E--POLICY AND CONTRACT CLAIMS--Continued

The following represents changes in those liabilities during 2013, 2012, and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Policy and contract claims, beginning of year	\$ -	\$ -	\$ 2,363,578
Incurred claims:			
Provision for insured events of the current year	-	-	-
Changes in provision for insured events of prior years	-	(39,744)	(202,011)
	<u>-</u>	<u>(39,744)</u>	<u>(202,011)</u>
Payments:			
Claims attributable to insured events of the current year	-	-	-
Claims attributable to insured events of the prior years	-	39,744	(2,161,567)
	<u>-</u>	<u>39,744</u>	<u>(2,161,567)</u>
Policy and contract claims, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The provision for policy and contract claims related to prior years decreased approximately \$40,000 and \$202,000 in 2012 and 2011, respectively, due to favorable development on case basis reserves, claims recoveries, and less-than-anticipated incurred but not reported claims. The contracts claims were fully developed during the year ended June 30, 2012, and there was no activity for the year ended June 30, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE F--REINSURANCE

The Group's liability insurance agreements are also reinsured for excess losses. A summary of the significant components of the reinsurance contracts for the years ended June 30, 2013 and 2012 is as follows:

<u>Responsibility for individual losses</u>			<u>Aggregate deductible and plan limits</u>	<u>Cost of reinsurance</u>
<u>Group</u>	<u>Reinsurer</u>	<u>Insured</u>		
<u>June 30, 2013</u>				
Up to \$300,000	\$300,000 to \$1,000,000	Excess over \$1,000,000	\$300,000 self-insured retentions; plan limit of \$1,000,000 for personal injury and errors and omissions.	\$595,000 for policy year ended October 31, 2012 \$595,000 for policy year ended October 31, 2013.

<u>Responsibility for individual losses</u>			<u>Aggregate deductible and plan limits</u>	<u>Cost of reinsurance</u>
<u>Group</u>	<u>Reinsurer</u>	<u>Insured</u>		
<u>June 30, 2012</u>				
Up to \$300,000	\$300,000 to \$1,000,000	Excess over \$1,000,000	\$300,000 self-insured retentions; plan limit of \$1,000,000 for personal injury and errors and omissions.	\$595,000 for policy year ended October 31, 2011 \$595,000 for policy year ended October 31, 2012.

The Group's property insurance agreements are also reinsured for excess losses. The Group is reinsured for property losses in excess of \$150,000, except for wind and hail losses (\$400,000), with limits ranging from \$150,000 to \$100,000,000 per member per occurrence with maximum all risk per occurrence ranging up to \$1,000,000,000, depending on the property reinsured, at a cost of approximately \$1,776,000 and \$1,375,000 for the years ended June 30, 2013 and 2012, respectively.

The Group's reinsurance arrangements minimize the Group's losses arising from large risks or from hazards of an unusual nature. Although the ceding of insurance does not discharge the Group from its primary responsibility to its policyholders, the insurance company that assumes the coverage assumes the related liability, and it is the practice of insurers for accounting purposes to treat insured risks, to the extent of the coverage ceded, as though they were risks for which the original insurer is not liable. Failure of the reinsurer to honor its obligation could result in losses to the Group. The Group evaluates the financial condition of its reinsurer to minimize its exposure to significant losses. Management believes that the reinsurers presently used are financially sound and will be able to meet their contractual obligations.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE G--WORKERS' COMPENSATION INSURANCE

The Group acts in an agency capacity with respect to workers' compensation coverage provided to participating municipalities. Municipalities remit contributions to the Group, which are based on the estimated ultimate costs of settling workers' compensation claims, limited to specific retention levels of each participating municipality. The Group collects premiums for excess stop-loss coverage from the municipalities and remits them directly to the excess stop-loss carrier. If benefits paid exceed funded contributions, the excess stop-loss carrier provides coverage. To the extent that funded contributions are in excess of benefits paid, amounts are refundable to the respective municipality or used to reduce future contributions.

Such amounts, including allocations for interest earnings, are reflected as deposit funding reserves in the accompanying statements of net position (see Note H). As such, the Group retains no insurance risk on the workers' compensation coverage and has not reflected contributions collected and benefits paid in the accompanying statements of revenues, expenses, and changes in net position; however, charges for administrative costs and other expenses associated with workers' compensation are included in the accompanying statements of revenues, expenses, and changes in net position.

NOTE H--DEPOSIT FUNDING RESERVES

The following summarizes the deposit funding reserves for municipalities with workers' compensation coverage (see note G) for the years ended June 30, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Deposit funding reserve, beginning of year	\$ 10,007,927	\$ 11,194,937
Contributions	9,070,089	6,917,411
Allocation of investment income and changes in fair value of investments	5,756	35,115
Claims paid, net of recoveries	(7,685,242)	(7,376,079)
Return to municipalities	<u>(833,607)</u>	<u>(763,457)</u>
Deposit funding reserve, end of year	<u>\$ 10,564,923</u>	<u>\$ 10,007,927</u>

The Group estimates current and noncurrent deposit funding reserves based on the estimated deposit to be returned to the municipalities over the next 12 months or utilized for claims based on historical claims experience.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

NOTE I--RETIREMENT PLAN

The Group's employees participate in the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (the "Plan"). The Plan is a retirement program for cities, towns, and municipal agencies in Oklahoma. Substantially all employees, including part-time employees, are eligible for this defined contribution plan immediately upon employment. The Group contributes 17% of total covered compensation to the Plan. Contributions made by the Group are 100% vested after five years of service, except for part-time employees which vest immediately. The Plan Committee intends to continue to participate in the plan indefinitely; however, they do reserve the right to amend or terminate the plan if it becomes necessary. Contributions to the plan were approximately \$358,000 and \$296,000 for the years ended June 30, 2013 and 2012, respectively. There were approximately \$0 and \$7,000 forfeitures utilized to offset contributions during the years ended June 30, 2013 and 2012, respectively.

Employer contributions are recognized in the period that the contributions are due. All contributions are made to the Plan, which is a separate entity from the Group. Accordingly, the assets and liabilities of the Plan are not reflected in the Group's financial statements.

Retirees of the Group are eligible to receive health benefits from the Group by paying their health premiums after retirement. Given the nature of the health plan and the overall immateriality of the benefits, no amounts are accrued in the financial statements.

SCHEDULE 1--REQUIRED SUPPLEMENTARY INFORMATION--CLAIMS DEVELOPMENT COVERAGE

HEALTH INSURANCE COVERAGE

OKLAHOMA MUNICIPAL ASSURANCE GROUP

The table below illustrates how the Group's earned premium revenues and investment income (net of reinsurance) compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Group as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each of the fiscal year's earned premium revenues and investments revenues, net of costs for reinsurance.
- (2) This line shows each fiscal year's other administrative costs of the Group including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Group's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows how each policy year's incurred claims increase or decrease as of the end of successive years. This annual reestimation results from new information received on known claims, as well as emergence of new claims not previously known. Due to the nature of the Group's business, there is no further development after one year.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimate and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	Years ended June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
(1) Premiums and investment revenue:										
Earned	\$ -	\$ (32,064)	\$ (63,973)	\$ 10,682,925	\$ 14,034,610	\$ 15,116,115	\$ 14,197,279	\$ 18,236,816	\$ 19,762,263	\$ 16,229,120
Ceded	-	-	-	758,586	797,978	1,046,222	344,971	384,243	286,151	396,756
Net earned	-	(32,064)	(63,973)	9,924,339	13,236,632	14,069,893	13,852,308	17,852,573	19,476,112	15,832,364
(2) Administrative Expense	-	-	20,731	693,653	1,020,637	1,091,148	1,228,282	1,271,227	1,336,836	1,254,223
(3) Estimated incurred claims, both paid and accrued, end of policy year:										
Incurred	-	-	-	11,153,163	16,292,953	16,225,416	13,671,336	21,131,091	19,570,335	16,052,568
Ceded	-	-	-	1,190,930	1,924,515	984,076	291,841	817,811	522,581	8,136
Net incurred	-	-	-	9,962,233	14,368,438	15,241,340	13,379,495	20,313,280	19,047,754	16,044,432
(4) Payments as of:										
End of policy year	-	-	-	8,731,079	11,535,109	12,820,873	11,966,249	17,643,280	16,377,754	12,585,432
One year later	-	-	-	10,892,646	14,315,401	14,765,391	13,503,255	19,546,933	18,932,947	15,640,216
(5) Reestimated incurred claims:										
End of policy year	-	-	-	9,962,233	14,368,438	15,241,360	13,379,495	20,313,280	19,047,754	16,044,432
One year later	-	-	-	9,760,222	14,872,455	14,765,411	14,078,625	19,546,933	18,932,947	15,640,216
(6) (Decrease) increase in estimated incurred claims from end of policy year	-	-	-	(202,011)	504,017	(475,949)	699,130	(766,347)	(114,807)	(404,216)

See accompanying independent auditors' report.

SCHEDULE 2--REQUIRED SUPPLEMENTARY INFORMATION--CLAIMS DEVELOPMENT COVERAGE

LIABILITY INSURANCE COVERAGE

OKLAHOMA MUNICIPAL ASSURANCE GROUP

The following table illustrates how the Group's earned premium revenues and investment income (net of reinsurance) compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Group as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each of the fiscal year's earned premium revenues and investment revenues, net of costs for reinsurance.
- (2) This line shows each fiscal year's other administrative costs of the Group including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Group's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each policy year.
- (6) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously reported.
- (7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

See accompanying independent auditors' report.

SCHEDULE 2--REQUIRED SUPPLEMENTARY INFORMATION--CLAIMS DEVELOPMENT COVERAGE--Continued

LIABILITY INSURANCE COVERAGE

OKLAHOMA MUNICIPAL ASSURANCE GROUP

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
(1) Premiums and investment revenue, as originally reported at end of policy year:										
Earned	\$ 11,785,922	\$ 10,941,698	\$ 11,593,862	\$ 12,997,838	\$ 14,899,992	\$ 16,620,966	\$ 15,262,592	\$ 13,096,066	\$ 12,494,476	\$ 10,223,202
Ceded	595,000	595,000	595,000	607,500	632,917	812,941	907,367	820,670	766,834	832,339
Net earned	11,190,922	10,346,698	10,998,862	12,390,338	14,267,075	15,808,025	14,355,225	12,275,396	11,727,642	9,390,863
(2) Unallocated expenses, as originally reported at end of policy year	2,904,139	2,881,400	2,537,290	2,420,364	2,440,134	2,548,632	2,218,300	2,275,033	2,288,537	2,310,721
(3) Estimated losses and expenses, end of policy year:										
Incurred	8,475,988	9,318,451	8,626,500	8,414,307	7,749,359	10,417,878	8,594,010	8,553,210	7,981,450	7,556,320
Ceded	-	-	-	20,000	-	450,000	-	-	-	-
Net incurred	8,475,988	9,318,451	8,626,500	8,394,307	7,749,359	9,967,878	8,594,010	8,553,210	7,981,450	7,556,320
(4) Net paid (cumulative) as of:										
End of policy year	1,670,988	2,577,451	1,883,500	1,628,307	1,750,334	2,631,879	1,385,010	1,788,210	1,233,855	1,535,677
One year later		3,907,862	3,070,803	3,587,843	2,700,340	3,719,938	2,632,856	3,310,541	2,684,321	2,509,492
Two years later			4,478,824	5,786,729	3,189,262	5,974,873	4,068,227	4,879,016	3,932,459	4,175,630
Three years later				6,758,797	3,958,902	6,686,882	4,894,497	6,451,981	4,869,762	5,099,992
Four years later					4,447,658	7,056,470	5,370,028	7,385,400	5,379,154	5,550,903
Five years later						7,153,950	5,696,327	7,605,781	5,484,748	5,605,357
Six years later							5,759,965	7,610,944	5,572,542	5,644,553
Seven years later								7,603,576	5,714,660	5,644,595
Eight years later									6,196,887	5,646,034
Nine years later										5,647,090
(5) Reestimated ceded losses and expenses	-	-	-	(20,000)	-	450,000	-	-	-	-
(6) Reestimated net incurred losses and expenses:										
End of policy year	8,475,988	9,318,451	8,626,500	8,394,307	7,749,359	9,967,878	8,594,010	8,553,210	7,981,450	7,556,320
One year later		9,107,861	8,403,803	9,363,843	5,429,340	9,908,938	8,056,856	8,321,541	7,631,321	6,237,492
Two years later			7,716,824	9,409,729	5,463,418	9,116,873	7,830,227	8,384,016	7,686,459	7,160,630
Three years later				8,752,797	5,354,902	8,728,726	6,836,497	8,372,981	6,905,762	6,496,992
Four years later					5,278,658	8,351,470	6,648,028	7,935,151	6,440,154	6,040,903
Five years later						8,175,950	6,488,327	7,775,781	6,072,351	5,991,357
Six years later							6,402,977	7,693,944	5,956,542	5,929,553
Seven years later								7,667,576	5,948,660	5,795,595
Eight years later									6,472,887	5,730,034
Nine years later										5,650,090
(7) (Decrease) increase in estimated net incurred losses and expenses from end of policy year	-	(210,590)	(909,676)	358,490	(2,470,701)	(1,791,928)	(2,191,033)	(885,634)	(1,508,563)	(1,906,230)

SCHEDULE 3--REQUIRED SUPPLEMENTARY INFORMATION--CLAIMS DEVELOPMENT COVERAGE

PROPERTY INSURANCE COVERAGE

OKLAHOMA MUNICIPAL ASSURANCE GROUP

The following table illustrates how the Group's earned premium revenues and investment income (net of reinsurance) compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Group as of the end of each of the last seven years. The rows of the table are defined as follows:

- (1) This line shows the total of each of the fiscal year's earned premium revenues, commissions, and investment revenues, net of costs for reinsurance.
- (2) This line shows each fiscal year's other administrative costs of the Group including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Group's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each policy year.
- (6) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously reported.
- (7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

See accompanying independent auditors' report.

SCHEDULE 3--REQUIRED SUPPLEMENTARY INFORMATION--CLAIMS DEVELOPMENT COVERAGE--Continued

PROPERTY INSURANCE COVERAGE

OKLAHOMA MUNICIPAL ASSURANCE GROUP

	Years ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
(1) Premiums and investment revenue, as originally reported at end of policy year:										
Earned	\$ 6,194,183	\$ 4,994,237	\$ 4,648,266	\$ 4,978,367	\$ 5,354,560	\$ 5,948,739	\$ 6,036,217	\$ 5,736,981	\$ 4,875,233	\$ 4,318,563
Ceded	<u>1,776,339</u>	<u>1,374,651</u>	<u>1,095,471</u>	<u>869,489</u>	<u>730,879</u>	<u>658,184</u>	<u>679,445</u>	<u>781,626</u>	<u>1,043,249</u>	<u>1,132,080</u>
Net earned	4,417,844	3,619,586	3,552,795	4,108,878	4,623,681	5,290,555	5,356,772	4,955,355	3,831,984	3,186,483
(2) Unallocated expenses, as originally reported at end of policy year	979,408	1,005,903	771,302	799,490	848,541	858,852	871,790	920,709	962,443	917,464
(3) Estimated losses and expenses, end of policy year:										
Incurred	3,767,693	3,166,747	4,468,532	2,720,016	1,672,215	3,208,669	1,932,276	1,731,762	829,813	925,684
Ceded	<u>490,000</u>	<u>265,985</u>	<u>2,348,915</u>	<u>963,987</u>	<u>222,268</u>	<u>556,193</u>	<u>610,398</u>	<u>317,370</u>	-	-
Net incurred	3,277,693	2,900,762	2,119,617	1,756,029	1,449,947	2,652,476	1,321,878	1,414,392	829,813	925,684
(4) Net paid (cumulative) as of:										
End of policy year	1,811,199	1,740,641	1,234,047	964,534	904,428	1,456,798	845,567	770,500	393,879	337,672
One year later		3,479,944	2,203,094	1,914,771	1,433,310	2,304,209	1,298,275	1,368,667	989,370	885,435
Two years later			3,248,904	1,645,296	1,522,456	2,837,827	1,269,576	1,390,684	981,345	968,673
Three years later				1,435,377	1,545,705	2,778,924	1,242,673	1,355,859	981,401	950,024
Four years later					1,637,041	2,672,430	1,296,486	1,353,860	980,401	950,024
Five years later						2,672,430	1,297,127	1,353,860	980,401	950,024
Six years later							1,297,127	1,351,861	980,401	950,024
Seven years later								1,351,861	980,401	950,024
Eight years later									980,401	950,024
Nine years later										950,024
(5) Reestimated ceded losses and expenses	490,000	265,985	2,671,210	2,631,308	528,626	432,210	828,804	241,144	80,940	1,361,527
(6) Reestimated net incurred losses and expenses:										
End of policy year	3,277,693	2,900,762	2,119,617	1,756,029	1,449,947	2,652,476	1,321,878	1,414,392	829,813	925,684
One year later		3,947,019	2,314,304	1,904,819	1,558,348	2,614,983	1,321,233	1,441,573	981,326	1,039,453
Two years later			2,191,807	1,622,695	1,527,620	2,986,998	1,269,576	1,409,830	981,469	944,267
Three years later				1,394,104	1,568,908	2,744,178	1,241,455	1,358,184	981,401	950,024
Four years later					1,569,043	2,672,430	1,296,486	1,353,860	980,401	950,024
Five years later						2,672,430	1,297,127	1,353,860	980,401	950,024
Six years later							1,297,127	1,351,860	980,401	950,024
Seven years later								1,351,860	980,401	950,024
Eight years later									980,401	950,024
Nine years later										950,024
(7) (Decrease) increase in estimated net incurred losses and expenses from end of policy year	-	1,046,257	72,190	(361,925)	119,096	19,954	(24,751)	(62,532)	150,588	24,340

SCHEDULE 4 -- SUPPLEMENTARY INFORMATION
STATEMENT OF NET POSITION - INFORMATION BY INSURANCE COVERAGE

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

	Liability	Life and Health	Property	Workers' Compensation	Operating	Eliminations	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 2,027,637	\$ -	\$ 2,233,512	\$ 1,503,164	\$ 40,870,267	\$ -	\$ 46,634,580
Investments	-	-	-	-	47,993,414	-	47,993,414
Premiums receivable, net	1,209,851	-	842,143	19,039	-	-	2,071,033
Reinsurance receivable	-	-	1,167,271	460,196	-	-	1,627,467
Accrued interest receivable	-	-	-	-	13,578	-	13,578
Other receivables	-	-	-	-	19,892	-	19,892
Deferred policy acquisition costs	-	-	-	-	-	-	-
Deposits and prepaid expenses	502,083	-	-	25,925	66,785	(29,100)	565,693
TOTAL CURRENT ASSETS	3,739,571	-	4,242,926	2,008,324	88,963,936	(29,100)	98,925,657
Noncurrent assets:							
Investments	-	-	-	-	927,054	-	927,054
Capital assets, net	-	-	-	-	4,155,168	-	4,155,168
Interplan receivable	61,427,942	-	15,234,395	9,563,383	-	(86,225,720)	-
TOTAL NONCURRENT ASSETS	61,427,942	-	15,234,395	9,563,383	5,082,222	(86,225,720)	5,082,222
TOTAL ASSETS	\$ 65,167,513	\$ -	\$ 19,477,321	\$ 11,571,707	\$ 94,046,158	\$ (86,254,820)	\$ 104,007,879
LIABILITIES AND NET POSITION							
Current liabilities:							
Reserves for claim losses and loss adjustment expenses, current portion	\$ 5,522,000	\$ -	\$ 1,906,150	\$ -	\$ -	\$ -	\$ 7,428,150
Policy and contract claims	-	-	-	-	-	-	-
Deposit funding reserves, current portion	-	-	-	5,378,266	-	-	5,378,266
Accounts payable and accrued expenses	143,512	-	29,509	151,290	213,822	-	538,133
Advance premiums	175,970	-	141,581	-	-	-	317,551
Unearned premiums	2,888,661	-	1,946,846	-	-	(29,100)	4,806,407
TOTAL CURRENT LIABILITIES	8,730,143	-	4,024,086	5,529,556	213,822	(29,100)	18,468,507
Noncurrent liabilities:							
Reserves for claim losses and loss adjustment expenses	18,706,727	-	-	-	-	-	18,706,727
Deposit funding reserves	-	-	-	5,186,657	-	-	5,186,657
Interplan payable	-	-	-	-	86,225,720	(86,225,720)	-
TOTAL NONCURRENT LIABILITIES	18,706,727	-	-	5,186,657	86,225,720	(86,225,720)	23,893,384
TOTAL LIABILITIES	27,436,870	-	4,024,086	10,716,213	86,439,542	(86,254,820)	42,361,891
NET POSITION							
Invested in capital assets	-	-	-	-	4,155,168	-	4,155,168
Unrestricted	37,730,643	-	15,453,235	855,494	3,451,448	-	57,490,820
TOTAL NET POSITION	37,730,643	-	15,453,235	855,494	7,606,616	-	61,645,988
TOTAL LIABILITIES AND NET POSITION	\$ 65,167,513	\$ -	\$ 19,477,321	\$ 11,571,707	\$ 94,046,158	\$ (86,254,820)	\$ 104,007,879

See accompanying independent auditors' report

SCHEDULE 5 -- SUPPLEMENTARY INFORMATION

STATEMENT OF NET POSITION - INFORMATION BY INSURANCE COVERAGE (RESTATED)

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2012

	Liability	Life and Health	Property	Workers' Compensation	Operating	Eliminations	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 602,016	\$ -	\$ 3,176,057	\$ 119,861	\$ 75,571,829	\$ -	\$ 79,469,763
Investments	-	-	-	-	7,157,387	-	7,157,387
Premiums receivable, net	1,043,454	-	613,793	21,199	-	-	1,678,446
Reinsurance receivable	-	-	1,194,573	543,849	-	-	1,738,422
Accrued interest receivable	-	-	-	-	31,800	-	31,800
Other receivables	41,543	-	-	-	-	-	41,543
Deposits and prepaid expenses	502,083	-	-	25,925	59,052	(17,421)	569,639
	<u>2,189,096</u>	<u>-</u>	<u>4,984,423</u>	<u>710,834</u>	<u>82,820,068</u>	<u>(17,421)</u>	<u>90,687,000</u>
Noncurrent assets:							
Investments	-	-	-	-	7,099,268	-	7,099,268
Capital assets, net	-	-	-	-	4,306,901	-	4,306,901
Interplan receivable	61,327,592	-	14,225,134	10,558,132	-	(86,110,858)	-
	<u>61,327,592</u>	<u>-</u>	<u>14,225,134</u>	<u>10,558,132</u>	<u>11,406,169</u>	<u>(86,110,858)</u>	<u>11,406,169</u>
TOTAL CURRENT ASSETS	2,189,096	-	4,984,423	710,834	82,820,068	(17,421)	90,687,000
TOTAL NONCURRENT ASSETS	61,327,592	-	14,225,134	10,558,132	11,406,169	(86,110,858)	11,406,169
TOTAL ASSETS	\$ 63,516,688	\$ -	\$ 19,209,557	\$ 11,268,966	\$ 94,226,237	\$ (86,128,279)	\$ 102,093,169
LIABILITIES AND NET POSITION							
Current liabilities:							
Reserves for claim losses and loss adjustment expenses, current portion	\$ 6,021,000	\$ -	\$ 1,301,857	\$ -	\$ -	\$ -	\$ 7,322,857
Policy and contract claims	-	-	-	-	-	-	-
Deposit funding reserves, current portion	-	-	-	5,415,117	-	-	5,415,117
Accounts payable and accrued expenses	58,964	-	18,938	754,665	229,731	-	1,062,298
Advance premiums	443,255	-	331,309	-	-	-	774,564
Unearned premiums	2,830,458	-	1,570,868	-	-	(17,421)	4,383,905
	<u>9,353,677</u>	<u>-</u>	<u>3,222,972</u>	<u>6,169,782</u>	<u>229,731</u>	<u>(17,421)</u>	<u>18,958,741</u>
TOTAL CURRENT LIABILITIES	9,353,677	-	3,222,972	6,169,782	229,731	(17,421)	18,958,741
Noncurrent liabilities:							
Reserves for claim losses and loss adjustment expenses	17,582,222	-	(1,211)	-	-	-	17,581,011
Deposit funding reserves	-	-	-	4,592,810	-	-	4,592,810
Interplan payable	-	-	-	-	86,110,858	(86,110,858)	-
	<u>17,582,222</u>	<u>-</u>	<u>(1,211)</u>	<u>4,592,810</u>	<u>86,110,858</u>	<u>(86,110,858)</u>	<u>22,173,821</u>
TOTAL NONCURRENT LIABILITIES	17,582,222	-	(1,211)	4,592,810	86,110,858	(86,110,858)	22,173,821
TOTAL LIABILITIES	26,935,899	-	3,221,761	10,762,592	86,340,589	(86,128,279)	41,132,562
NET POSITION							
Invested in capital assets	-	-	-	-	4,306,901	-	4,306,901
Unrestricted	36,580,789	-	15,987,796	506,374	3,578,747	-	56,653,706
	<u>36,580,789</u>	<u>-</u>	<u>15,987,796</u>	<u>506,374</u>	<u>7,885,648</u>	<u>-</u>	<u>60,960,607</u>
TOTAL NET POSITION	36,580,789	-	15,987,796	506,374	7,885,648	-	60,960,607
TOTAL LIABILITIES AND NET POSITION	\$ 63,516,688	\$ -	\$ 19,209,557	\$ 11,268,966	\$ 94,226,237	\$ (86,128,279)	\$ 102,093,169

See accompanying independent auditors' report

SCHEDULE 6 -- SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - INFORMATION BY INSURANCE COVERAGE

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2013

	<u>Liability</u>	<u>Life and Health</u>	<u>Property</u>	<u>Workers' Compensation</u>	<u>Operating</u>	<u>Eliminations</u>	<u>Total</u>
OPERATING REVENUES							
Premium and administrative services revenue	\$ 11,675,629	\$ -	\$ 6,137,036	\$ 1,645,441	\$ -	\$ (78,749)	\$ 19,379,357
Investment income	110,293	-	27,377	11,700	66,903	-	216,273
Management fee	-	-	-	-	3,225,000	(3,225,000)	-
Commissions and other revenue	-	-	29,770	-	159,133	-	188,903
TOTAL OPERATING REVENUES	11,785,922	-	6,194,183	1,657,141	3,451,036	(3,303,749)	19,784,533
OPERATING EXPENSES							
Claims incurred, net of recoveries	7,136,929	-	3,972,997	-	-	-	11,109,926
Benefits to policyholders, net of recoveries	-	-	-	-	-	-	-
Cost of reinsurance	595,000	-	1,776,339	-	-	-	2,371,339
Employee compensation and benefits	-	-	-	-	2,800,914	-	2,800,914
Trust administration	1,750,000	-	700,000	775,000	-	(3,225,000)	-
Claims administration	629,401	-	70,455	516,001	-	-	1,215,857
Commissions and professional services	308,728	-	141,641	-	156,990	-	607,359
Insurance consultants	75,000	-	-	-	-	-	75,000
Other expenses	141,010	-	67,312	17,020	772,164	(78,749)	918,757
TOTAL OPERATING EXPENSES	10,636,068	-	6,728,744	1,308,021	3,730,068	(3,303,749)	19,099,152
OPERATING INCOME (LOSS)	1,149,854	-	(534,561)	349,120	(279,032)	-	685,381
NET POSITION AT BEGINNING OF YEAR	36,580,789	-	15,987,796	506,374	7,885,648	-	60,960,607
NET POSITION AT END OF YEAR	\$ 37,730,643	\$ -	\$ 15,453,235	\$ 855,494	\$ 7,606,616	\$ -	\$ 61,645,988

See accompanying independent auditors' report

SCHEDULE 7 -- SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - INFORMATION BY INSURANCE COVERAGE (RESTATED)

OKLAHOMA MUNICIPAL ASSURANCE GROUP

June 30, 2012

	<u>Liability</u>	<u>Life and Health</u>	<u>Property</u>	<u>Workers' Compensation</u>	<u>Operating</u>	<u>Eliminations</u>	<u>Total</u>
OPERATING REVENUES							
Premium and administrative services revenue	\$ 10,685,536	\$ -	\$ 4,910,668	\$ 1,477,872	\$ -	\$ (59,383)	\$ 17,014,693
Investment income	256,162	(32,064)	53,201	3,543	96,321	(2)	377,161
Management fee	-	-	-	-	3,225,000	(3,225,000)	-
Commissions and other revenue	-	-	30,368	-	110,948	-	141,316
TOTAL OPERATING REVENUES	10,941,698	(32,064)	4,994,237	1,481,415	3,432,269	(3,284,385)	17,533,170
OPERATING EXPENSES							
Claims incurred, net of recoveries	8,172,765	-	2,753,392	-	-	-	10,926,157
Benefits to policyholders, net of recoveries	-	(39,744)	-	-	-	-	(39,744)
Cost of reinsurance	595,000	-	1,374,651	-	-	-	1,969,651
Employee compensation and benefits	-	-	-	-	2,397,184	-	2,397,184
Trust administration	1,750,000	-	700,000	775,000	-	(3,225,000)	-
Claims administration	646,896	-	98,088	558,377	-	-	1,303,361
Commissions and professional services	299,053	-	140,499	-	181,968	-	621,520
Insurance consultants	75,000	-	-	-	-	-	75,000
Interest expense	-	-	-	-	2	(2)	-
Other expenses	110,451	-	67,316	585	750,893	(59,383)	869,862
TOTAL OPERATING EXPENSES	11,649,165	(39,744)	5,133,946	1,333,962	3,330,047	(3,284,385)	18,122,991
OPERATING INCOME (LOSS)	(707,467)	7,680	(139,709)	147,453	102,222	-	(589,821)
TRANSFERS	(11,836,274)	7,573,854	-	-	4,262,420	-	-
CHANGE IN NET POSITION	(12,543,741)	7,581,534	(139,709)	147,453	4,364,642	-	(589,821)
NET POSITION AT BEGINNING OF YEAR	49,124,530	(7,581,534)	16,127,505	358,921	3,521,006	-	61,550,428
NET POSITION AT END OF YEAR	\$ 36,580,789	\$ -	\$ 15,987,796	\$ 506,374	\$ 7,885,648	\$ -	\$ 60,960,607

See accompanying independent auditors' report