



Oklahoma City Environmental Assistance Trust

A blended component unit enterprise fund of The City of Oklahoma City, Oklahoma
Annual Financial Report | for the Fiscal Year ended June 30, 2020

OKLAHOMA CITY ENVIRONMENTAL ASSISTANCE TRUST

A Blended Component Unit Enterprise Fund of
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Year Ended June 30, 2020

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Angela Pierce CPA, Assistant Finance Director / Controller

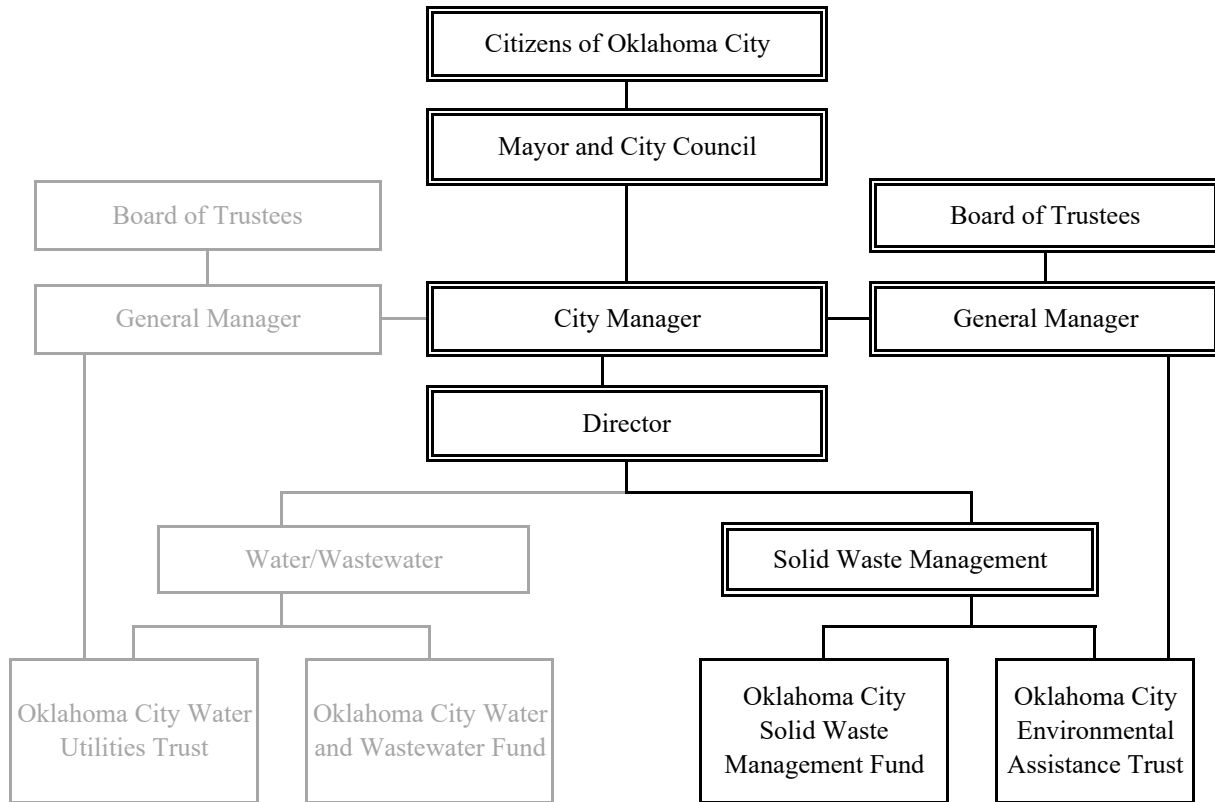
OKLAHOMA CITY ENVIRONMENTAL ASSISTANCE TRUST

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Oklahoma City Environmental Assistance Trust Organization Chart



Introductory Section



The City of
OKLAHOMA CITY

November 20, 2020

The Board of Trustees
Oklahoma City Environmental Assistance Trust

The Oklahoma City Environmental Assistance Trust (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal years ended June 30, 2020 and 2019. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States of America. It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust.

The Trust's annual report includes the reports of independent auditor's, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2020 and 2019, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and required supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a blended component unit of the City of Oklahoma City (City) and, as such, is included within the funds of the City's Comprehensive Annual Financial Report (CAFR).

The Trust was established January 23, 1979, to provide services and activities on behalf of the City that include financing and operation of the City's solid waste activities relating to pollution control and waste disposal, and certain cultural, educational, economic development, and housing activities. The Trust contracts with a private entity to collect approximately sixty percent of the City's residential solid waste with the remainder collected by City employees. The Trust also contracts for the collection of recycling and bulky wastes. Neither the Trust nor the City own or operate landfills. The Trust is an enterprise fund and does not receive tax funding. The Trust is funded by solid waste fees and charges. The City's Mayor and Council serve as Trustees for the Trust, and the City Manager is General Manager.

The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure effective financial oversight.

The coronavirus pandemic has cast a large shadow over the economic outlook for Oklahoma City and the country as a whole. The economic contraction in the U.S. was unprecedented as local, state and federal leaders worked through impacts of the contraction caused by the measures designed to suppress the transmission of coronavirus. The collapse in oil prices that occurred as a result of the dramatic reduction in global oil demand as a result of the pandemic has had a significant impact on the oil and gas industry worldwide and Oklahoma was no exception. From June of 2019 to June 2020, Oklahoma experienced a 90% reduction in active drilling rigs dropping from 100 active rigs to just 10. Going back just a year more to June 2018, Oklahoma had 140 drilling rigs working in the state. The contraction in the oil and gas industry has been dramatic and the effects will continue to ripple through the economy as firms in every facet of the oil and gas industry continue to cut back on staff and expenses.

Dr. Russel Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, provided his economic forecast to the City Council during the annual budget workshop in February 2020, but that forecast seems like ancient history with all that has transpired since. In a recent update, Dr. Evans estimated that U.S. Gross Domestic Product (GDP) growth over the next couple of years is expected to be stronger than in recent years. However, he projects the U.S. economy will not fully recover the losses incurred in the first half of calendar year 2020 until 2022.

In looking at Oklahoma City specifically, Dr. Evans summer update provided two scenarios for our FY21 sales tax collections. The two scenarios were differentiated by whether additional mild recessionary influences are experienced or whether the local economy continues on its current trajectory of gradual recovery. The two scenarios generated estimated sales tax declines in Oklahoma City of 2.8% to 3.4% in FY21. The City has budgeted for a decline sales tax of 5% in FY21.

Going forward, Oklahoma City has a number of factors in its favor when the threat of coronavirus is lifted. The cost of living and the cost of doing business are consistently rated among the best in the country. In addition, low commuting times, convenient airline travel, and excellent entertainment and sports opportunities make Oklahoma City a great place for businesses and residents. Oklahoma City has dedicated a significant portion of the CARES Act funds the City received to supporting small businesses and even carved out a portion for live performance venues in an effort to support local businesses and continued quality of life.

Oklahoma City is being recognized more and more as a great place to work, live and visit. As evidence, the Oklahoma City metropolitan area became the 25th largest metro area in the United States this year. Zillow ranked Oklahoma City No. 1 out of 42 large metro areas nationwide for tech companies and start-ups to expand. The study focused on these five factors: housing affordability, market “hotness,” demographics & labor, tech availability and livability. Oklahoma City was named to Travel+Leisure's Top 50 Destinations worldwide in 2020 and was one of only seven destinations in the United States.

By City Council resolution, public trusts of which the City is the beneficiary are encouraged to use the independent auditors competitively selected by the City. In compliance with that resolution, the Trust engaged AGH, L.C. to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted,



Chris Browning
Director Utilities Department
City of Oklahoma City



Brent Bryant
Finance Director
City of Oklahoma City



Angela Pierce, CPA
Assistant Finance Director / Controller
City of Oklahoma City

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma City Environmental Assistance Trust
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma City Environmental Assistance Trust (Trust), a blended component unit of The City of Oklahoma City, Oklahoma (City), as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the 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 the Trust as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a 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 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The introductory section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2020
Wichita, KS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Environmental Assistance Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2020 and 2019. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust reports services for which the Trust charges customers a fee. Services are provided to City residents for solid waste management services. The Trust is a blended component unit of the City of Oklahoma City (City).

Financial Summary

- Trust assets exceeded liabilities by \$72,297,435 (net position) for 2020. This compares to the previous year when assets exceeded liabilities by \$61,858,849.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$9,645,544 and \$11,635,853 for June 30, 2020 and 2019, respectively, includes property and equipment, net of accumulated depreciation and related debt.
 - (2) Net position at June 30, 2020 and 2019, of \$1,077,917 and \$1,286,791, respectively, is restricted for constraints imposed by debt covenants.
 - (3) Unrestricted net position is \$61,573,974 for 2020 and \$48,936,205 for 2019.

Overview of the Financial Statements

This discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: (1) statement of net position, (2) statement of revenues, expenses, and changes in net position, (3) statement of cash flows, and (4) notes to the financial statements.

Financial Statements

The Trust's annual report includes three financial statements. These statements provide both long-term and short-term information about the overall status of the Trust and are presented to demonstrate the extent to which the Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Trust can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these statements is the statement of net position. This statement presents information that includes all of the Trust's assets and liabilities, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Trust as a whole is improving or deteriorating, identify financial strengths and weaknesses, and be used to assess liquidity.

The second statement is the statement of revenues, expenses, and changes in net position which reports how the Trust's net position changed during the current fiscal year. This statement can be used to assess the Trust's operating results and analyze how the Trust's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

The third statement is the statement of cash flows which reports the inflows and outflows of Trust cash.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to gain a full understanding of the Trust's financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis

The Trust's net position at June 30, 2020 and 2019, is \$72,297,435 and \$61,858,849, respectively. The overall financial condition improved in fiscal year 2020.

	Summary of Net Position						
	<u>2020</u>	<u>2019</u>	2020-2019 Amount of <u>Change</u>	2020-2019 % <u>Change</u>	<u>2018</u>	2019-2018 Amount of <u>Change</u>	2019-2018 % <u>Change</u>
Assets							
Current assets	\$78,978,676	\$68,488,899	\$10,489,777	15.3%	\$58,132,262	\$10,356,637	17.8%
Capital assets, net	21,794,854	24,287,610	(2,492,756)	(10.3)	25,211,442	(923,832)	(3.7)
Other non-current assets	<u>1,324,621</u>	<u>1,333,575</u>	<u>(8,954)</u>	(0.7)	<u>1,322,443</u>	<u>11,132</u>	0.8
Total assets	<u>102,098,151</u>	<u>94,110,084</u>	<u>7,988,067</u>	8.5	<u>84,666,147</u>	<u>9,443,937</u>	11.2
Deferred outflows	<u>15,330</u>	<u>18,346</u>	<u>(3,016)</u>	(16.4)	<u>21,363</u>	<u>(3,017)</u>	(14.1)
Liabilities							
Current liabilities	7,779,573	9,281,979	(1,502,406)	(16.2)	5,605,740	3,676,239	65.6
Non-current liabilities	<u>22,036,473</u>	<u>22,987,602</u>	<u>(951,129)</u>	(4.1)	<u>26,386,060</u>	<u>(3,398,458)</u>	(12.9)
Total liabilities	<u>29,816,046</u>	<u>32,269,581</u>	<u>(2,453,535)</u>	(7.6)	<u>31,991,800</u>	<u>277,781</u>	0.9
Net position							
Net investment in							
capital assets	9,645,544	11,635,853	(1,990,309)	(17.1)	13,258,870	(1,623,017)	(12.2)
Restricted for capital projects	-	-	-	0.0	22,596	(22,596)	(100.0)
Restricted for debt service	1,077,917	1,286,791	(208,874)	(16.2)	987,808	298,983	30.3
Unrestricted	<u>61,573,974</u>	<u>48,936,205</u>	<u>12,637,769</u>	25.8	<u>38,426,436</u>	<u>10,509,769</u>	27.4
Total net position	<u>\$72,297,435</u>	<u>\$61,858,849</u>	<u>\$10,438,586</u>	16.9	<u>\$52,695,710</u>	<u>\$9,163,139</u>	17.4

Current assets as of June 30, 2020 increased by \$10.49 million, primarily due to a \$8.24 million increase in investments, an increase of \$951 thousand in non-pooled cash, an increase of \$526 thousand in accounts receivable related to alternative tax credits and an increase of \$626 thousand in receivables from the City of Oklahoma City related to cost reimbursement. Current assets for 2019 increased by \$10.36 million. This was primarily due to a \$10.64 million increase in cash and investments.

Capital assets decreased by \$2.49 million, primarily due to normal depreciation of \$3.72 million, offset by construction and capital purchases of \$1.23 million. Capital assets in 2019 decreased by \$924 thousand primarily due to normal depreciation of \$4.35 million, offset by construction and capital purchases of \$3.45 million.

Other non-current assets as of June 30, 2020 decreased by \$9 thousand due to a decrease in non-current investments. Other non-current assets increased in 2019 by \$11 thousand due to an increase in investments.

Current liabilities decreased \$1.50 million as of June 30, 2020. This is primarily due to a decrease of \$885 thousand in payable to the City for operational transfers to the City's Solid Waste Management Fund, and a decrease in accounts payable of \$646 thousand due to timing of purchases and contract billings. Current liabilities increased \$3.68 million in 2019 primarily due to an increase of \$1.82 million in payable to the City for operational transfers to the City's Solid Waste Management Fund, and an increase in accounts payable of \$1.83 million due to timing of purchases and contract billings.

Non-current liabilities as of June 30, 2020 decreased by \$951 thousand, primarily due to a decrease of \$1.10 million in bonds payable for normal debt service, offset by an increase of \$159 thousand in payable to the City for operational transfers to the City's Solid Waste Management Fund. At June 30, 2019, non-current liabilities decreased by \$3.40 million, primarily due to a decrease of \$2.33 million in payable to the City for operational transfers to the City's Solid Waste Management Fund, and a decrease in bonds payable of \$1.01 million for normal debt service.

	Summary of Changes in Net Position						
	2020	2019	2020-2019 Amount of Change	2020-2019 %	2018	2019-2018 Amount of Change	2019-2018 %
Operating revenues							
Charges for services	\$61,632,950	\$58,346,450	\$3,286,500	5.6%	\$55,973,662	\$2,372,788	4.2%
Operating expenses							
Solid waste	<u>53,244,032</u>	<u>49,637,641</u>	<u>3,606,391</u>	7.3	<u>47,462,372</u>	<u>2,175,269</u>	4.6
Operating income	8,388,918	8,708,809	(319,891)	(3.7)	8,511,290	197,519	2.3
Non-operating revenues (expenses)	<u>2,049,668</u>	<u>454,330</u>	<u>1,595,338</u>	351.1	<u>(860,711)</u>	<u>1,315,041</u>	(152.8)
Changes in net position	10,438,586	9,163,139	1,275,447	13.9	7,650,579	1,512,560	19.8
Beginning net position	<u>61,858,849</u>	<u>52,695,710</u>	<u>9,163,139</u>	17.4	<u>45,045,131</u>	<u>7,650,579</u>	17.0
Ending net position	<u>\$72,297,435</u>	<u>\$61,858,849</u>	<u>\$10,438,586</u>	16.9	<u>\$52,695,710</u>	<u>\$9,163,139</u>	17.4

Charges for services as of June 30, 2020 and June 30, 2019 increased by \$3.29 million and \$2.37 million, respectively, primarily due to annual rate increases in collection service fees.

The \$3.61 million increase in operating expenses as of June 30, 2020 is primarily due to an increase of \$2.74 million in maintenance, operations, and contractual services for trash pickup, and an increase of \$1.69 million primarily for increases in poly cart replacement and vehicle repair components. This was offset by a decrease in normal depreciation of \$631 thousand. The \$2.18 million increase in operating expenses for the fiscal year ended June 30, 2019 was primarily due to an increase of \$1.77 million in maintenance, operations, and contractual services for maintaining trash pickup equipment, and an increase of normal depreciation of \$1.01 million. This was offset by a decrease in advertising and promotional materials of \$610 thousand.

The \$1.60 million increase in non-operating revenue (expenses) as of June 30, 2020 is primarily due to an increase in investment revenue of \$410 thousand and an increase in other revenue of \$1.25 million. \$723 thousand of the increased other revenue is alternative tax fuel credit receivables. For fiscal year ended June 30, 2019 the non-operating revenues (expenses) increased by \$1.32 million. This was due to an increase in investment revenue of \$1.63 million, offset by a decrease in other revenue of \$331 thousand due to grant operating expenses of \$153 thousand in 2019 and City property sold in the prior year of \$179 thousand.

Capital Assets and Debt Administration

Capital Assets

The Trust's capital assets, net of accumulated depreciation, as of 2020 and 2019 were \$21,794,854 and \$24,287,610, respectively.

	Capital Assets, Net of Accumulated Depreciation						
	2020	2019	2020-2019 Amount of Change	2020-2019 %	2018	2019-2018 Amount of Change	2019-2018 %
Non-Depreciable Assets							
Construction in progress	\$ -	\$1,671,295	(\$1,671,295)	(100.0%)	\$567,823	\$1,103,472	194.3%
Depreciable Assets							
Buildings	3,541,418	1,949,676	1,591,742	81.6	1,719,347	230,329	13.4
Infrastructure	899,691	985,518	(85,827)	(8.7)	1,168,716	(183,198)	(15.7)
Equipment	<u>17,353,745</u>	<u>19,681,121</u>	<u>(2,327,376)</u>	(11.8)	<u>21,755,556</u>	<u>(2,074,435)</u>	(9.5)
Total depreciable assets	<u>21,794,854</u>	<u>22,616,315</u>	<u>(821,461)</u>	(3.6)	<u>24,643,619</u>	<u>(2,027,304)</u>	(8.2)
	<u>\$21,794,854</u>	<u>\$24,287,610</u>	<u>(\$2,492,756)</u>	(10.3)	<u>\$25,211,442</u>	<u>(\$923,832)</u>	(3.7)

Capital assets decreased by \$2.49 million in 2020. This was primarily due to normal depreciation of \$3.72 million, offset by the purchases of \$1.23 million for equipment and vehicle replacement. Capital assets decreased \$924 thousand in 2019. This was primarily due to normal depreciation of \$4.35 million, offset by purchases of \$1.84 million for equipment and vehicle replacement, construction of \$1.39 million for two additional bays to the fleet shop. See Note II. C. for more information regarding capital assets.

Long-term debt

At the end of 2020 and 2019 the Trust had total long-term debt outstanding of \$12,800,000 and \$13,810,000, respectively.

Revenue Bonds

On April 6, 2017, the Trust issued revenue bonds for \$14.97 million. The bonds provided funds to defease \$1.74 million of outstanding Series 2005 debt and finance the cost of expanding maintenance bays and purchasing residential recycling carts. At June 30, 2020 and 2019, the Trust had outstanding bond debt of \$12.80 million and \$13.81 million, respectively. The bonds are payable solely from the Trust. See Note III. A. for more information regarding revenue bonds

	Outstanding Long-term Debt						
	2020	2019	2020 - 2019 Amount of Change	2020 - 2019 %	2018	2019 - 2018 Amount of Change	2019 - 2018 %
Revenue bonds	<u>\$12,800,000</u>	<u>\$13,810,000</u>	<u>(\$1,010,000)</u>	(7.3%)	<u>\$14,775,000</u>	<u>(\$965,000)</u>	(6.5%)

The change in outstanding debt for June 30, 2020 and 2019, respectively, is a result of scheduled debt service payments. See Note III. B. for more information regarding changes in long-term debt.

Bond Ratings

As of June 30, 2020 and 2019, Standard and Poor's Rating Services reported a credit rating on the Trust's debt of AAA.

Economic Factors and Rates

Economic Factors

The coronavirus pandemic has cast a large shadow over the economic outlook for Oklahoma City and the country as a whole. The economic contraction in the U.S. was unprecedented as local, state and federal leaders worked through impacts of the contraction caused by the measures designed to suppress the transmission of coronavirus. The collapse in oil prices that occurred as a result of the dramatic reduction in global oil demand as a result of the pandemic has had a significant impact on the oil and gas industry worldwide and Oklahoma was no exception. From June of 2019 to June 2020, Oklahoma experienced a 90% reduction in active drilling rigs dropping from 100 active rigs to just 10. Going back just a year more to June 2018, Oklahoma had 140 drilling rigs working in the state. The contraction in the oil and gas industry has been dramatic and the effects will continue to ripple through the economy as firms in every facet of the oil and gas industry continue to cut back on staff and expenses.

Utility Rates

In September 2016 the City Council approved an ordinance that adjusts collection service fees by 3.5 percent annually each October 1, 2016 through October 1, 2019. The last adjustment was made October 1, 2019. The Trust decided to temporarily put a hold on rate increases and will be participating in an upcoming cost of service and rate study. This study will assist in the development of Solid Waste fees taking City growth and operating expenses into consideration.

Contacting the Trust's Financial Management

This financial report is designed to provide a general overview of the Trust's finances, comply with finance-related laws and regulations and demonstrate the Trust's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

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Basic Financial Statements

Proprietary Fund Financial Statements

Provide both long-term and short-term information about the Trust's overall status using full accrual accounting.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

STATEMENT OF NET POSITION
June 30,

OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Non-pooled cash-----	\$2,677,441	\$1,726,251
Investments-----	63,871,221	55,633,349
Accounts receivable, net-----	9,499,234	8,972,975
Interest receivable-----	306,572	244,444
Receivable from City of Oklahoma City-----	1,005,193	378,877
Receivable from component units-----	21,993	31,942
Intergovernmental receivables-----	800,818	800,818
Inventories-----	796,204	700,243
Total current assets-----	<u>78,978,676</u>	<u>68,488,899</u>
<u>NON-CURRENT ASSETS</u>		
Investments-----	1,324,621	1,333,575
Capital assets:		
Land and construction in progress-----	-	1,671,295
Other capital assets, net of accumulated depreciation-----	21,794,854	22,616,315
Total capital assets-----	<u>21,794,854</u>	<u>24,287,610</u>
Total non-current assets-----	<u>23,119,475</u>	<u>25,621,185</u>
Total assets-----	<u>102,098,151</u>	<u>94,110,084</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	<u>15,330</u>	<u>18,346</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable-----	5,310,245	5,956,310
Payable to City of Oklahoma City-----	1,200,464	2,085,505
Payable to component units-----	5,351	-
Bond interest payable-----	208,513	230,164
Bonds payable-----	1,055,000	1,010,000
Total current liabilities-----	<u>7,779,573</u>	<u>9,281,979</u>
<u>NON-CURRENT LIABILITIES</u>		
Payable to City of Oklahoma City-----	10,043,227	9,884,539
Bonds payable:		
Bonds payable-----	11,745,000	12,800,000
Unamortized bond discount/premium-----	248,246	303,063
Bonds payable, net-----	<u>11,993,246</u>	<u>13,103,063</u>
Total non-current liabilities-----	<u>22,036,473</u>	<u>22,987,602</u>
Total liabilities-----	<u>29,816,046</u>	<u>32,269,581</u>
<u>NET POSITION</u>		
Net investment in capital assets-----	9,645,544	11,635,853
Restricted for:		
Debt service-----	1,077,917	1,286,791
Unrestricted-----	61,573,974	48,936,205
Total net position-----	<u><u>\$72,297,435</u></u>	<u><u>\$61,858,849</u></u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30,**

**OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST**

	<u>2020</u>	<u>2019</u>
<u>OPERATING REVENUES</u>		
Solid waste charges-----	\$61,632,950	\$58,346,450
<u>OPERATING EXPENSES</u>		
Personal services-----	7,805,269	7,480,027
Maintenance, operations, and contractual services-----	37,853,273	35,114,155
Materials and supplies-----	3,864,089	2,690,893
Depreciation-----	3,721,401	4,352,566
Total operating expenses-----	<u>53,244,032</u>	<u>49,637,641</u>
Operating income-----	<u>8,388,918</u>	<u>8,708,809</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Investment income-----	2,318,989	1,909,248
Interest on bonds and leases-----	(365,224)	(374,376)
Payments to City of Oklahoma City-----	(1,172,367)	(1,100,153)
Other revenue-----	1,268,270	19,611
Net non-operating revenue-----	<u>2,049,668</u>	<u>454,330</u>
Changes in net position-----	<u>10,438,586</u>	<u>9,163,139</u>
Total net position, beginning-----	61,858,849	52,695,710
Total net position, ending-----	<u><u>\$72,297,435</u></u>	<u><u>\$61,858,849</u></u>

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
For the Years Ended June 30,

OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers-----	\$62,289,195	\$58,527,189
Cash payments to suppliers for goods and services-----	(38,405,889)	(30,900,898)
Cash payments for internal services-----	(4,156,393)	(3,842,306)
Operating payments to City of Oklahoma City-----	(1,172,367)	(1,100,152)
Cost reimbursements from (to) other funds-----	(9,615,000)	(9,000,000)
Net cash provided by operating activities-----	<u>\$8,939,546</u>	<u>13,683,833</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Cash received from operating grants-----	-	21,756
Net cash provided by non-capital financing activities-----	<u>-</u>	<u>21,756</u>
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u>		
Payments for acquisition and construction of capital assets-----	(669,291)	(4,075,155)
Principal paid on long-term debt-----	(1,010,000)	(965,000)
Interest paid on long-term debt-----	(438,675)	(481,000)
Proceeds from sale of assets-----	155,508	28,522
Net cash used by capital and capital related financing activities-----	<u>(1,962,458)</u>	<u>(5,492,633)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments-----	(68,359,135)	(62,768,987)
Proceeds from sale of investments-----	61,189,800	53,059,399
Investment income received-----	1,128,464	848,431
Purchased interest-----	14,973	(26,665)
Net cash used by investing activities-----	<u>(6,025,898)</u>	<u>(8,887,822)</u>
Net increase (decrease) in cash-----	951,190	(674,866)
Cash, beginning-----	1,726,251	2,401,117
Cash, ending-----	<u>\$2,677,441</u>	<u>\$1,726,251</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>		
<u>PROVIDED BY OPERATING ACTIVITIES</u>		
Operating income-----	\$8,388,918	\$8,708,809
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH</u>		
<u>PROVIDED BY OPERATING ACTIVITIES</u>		
Depreciation-----	3,721,401	4,352,566
Non-operating revenue (expense)-----	1,112,762	166,096
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable-----	(526,259)	(600,592)
(Increase) decrease in receivable from component units-----	9,949	(23,960)
(Increase) decrease in receivable from City of Oklahoma City-----	(626,316)	21,107
(Increase) decrease in inventories-----	(95,961)	121,915
Increase (decrease) in accounts payable-----	(1,205,415)	2,483,899
Increase (decrease) in payable to component unit-----	5,351	(2,047)
Increase (decrease) in payable to City of Oklahoma City-----	(1,844,884)	(1,543,960)
Total adjustments-----	<u>550,628</u>	<u>4,975,024</u>
Net cash provided by operating activities-----	<u>\$8,939,546</u>	<u>\$13,683,833</u>
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING</u>		
<u>ACTIVITIES</u>		
Net increase (decrease) in fair value of investments-----	\$1,059,583	\$936,618
Total non-cash investing, capital, and financing activities-----	<u>\$1,059,583</u>	<u>\$936,618</u>

See accompanying notes to financial statements

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remaining notes are organized to provide explanations, including required disclosures, of the Oklahoma City Environmental Assistance Trust (Trust) financial activities for the fiscal years ended 2020 and 2019.

I. B. BASIS OF PRESENTATION

I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY, OKLAHOMA

Due to restrictions of the State constitution relating to the issuance of municipal debt, Oklahoma City (City) created public trusts to finance City services with revenue bonds or other non-general obligation financing, and to provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government although retaining separate legal identity.

The Trust is a public trust created pursuant to Title 60 of the Oklahoma Statutes, section 176, et seq. on January 23, 1979, with the City named as the beneficiary. The purposes of the Trust are to encourage, promote, and finance pollution control, waste disposal and pretreatment, as well as cultural, educational, and housing activities. The Trust was financially inactive until fiscal year 1988. During fiscal year 1989 the Trust entered into significant agreements with several independent contractors to provide services such as refuse collection, street sweeping, and landfill disposal for certain sectors of the City. City employees had previously provided these services. Bids were solicited in an effort by the Trustees to foster competition in the performance of these vital services and, ultimately, to lower the cost of providing these services to the ratepayers.

The Mayor and members of the City Council serve as the Trustees for the Trust. The City Manager serves as the General Manager. The Trust does not have the power to levy taxes. The City has no obligation for debt issued by the Trust.

Method of Reporting in the City's Comprehensive Annual Financial Report (CAFR)

The Trust is presented as a blended component unit of the City and is included in the City's financial reporting entity. The Trust meets the requirements for blending because the Trust's governing body is identical to the City's elected governing board (City Council). In addition, the Trust is managed as a department of the City under the direction of the City Manager using City employees.

The CAFR financial statement may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

Trust Administration

The Trust has no employees. Trust activities are performed by City employees. The Trust has chosen to provide for the operations, maintenance, and improvements of the Solid Waste Management system through the City's Solid Waste Management Fund. Accordingly, operations are performed by the City employees. The Trust reimburses the City for the cost of solid waste operations including amounts classified as personal services. Those expenses are removed from the City's Solid Waste Management Fund and included in expenses of the Trust.

I. B. 2. BASIC FINANCIAL STATEMENTS

The basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements report financial information for the Trust as a whole.

I. B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Financial Statements

The Trust reports using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income includes revenues and expenses related to the continuing operations of the fund. Principal operating revenues are charges to customers for solid waste disposal. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

I. C. BUDGET LAW AND PRACTICE

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, the Trust's budget is submitted to its governing body for approval. Appropriations are recorded and available to pay expenses as revenue is received in cash. Budgetary control is exercised on a project-length basis. Therefore, appropriations are carried forward each year until projects are completed. Management's policy prohibits expenditures/expenses to exceed appropriations at the detail, line item level for capital projects. Management may transfer appropriations without governing body approval.

I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY.

I. D. 1. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In May of 2020, the Governmental Accounting Standards Board (GASB) issued statement number 95, Postponement of the Effective Dates of Certain Authoritative Guidance, effective immediately to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Certain Statements that first became effective after June 15, 2018 and later have been postponed by one year up to 18 months depending upon the pronouncement. The Trust has elected to postpone implementation of GASB statement number 84 Fiduciary Activities and GASB statement number 90 Majority Equity Interests to fiscal year 2021.

I. D. 2. CASH AND INVESTMENTS

The Trust participates in the investment policy approved by the City Council. The Trust's governing board formally adopted the City's updated deposit and investment policy in November 2017. Where applicable, deposit and investment policies for restricted funds are specified in the respective bond indentures.

Investments are carried at fair value determined by quoted market prices. Management of restricted investments is performed in accordance with applicable bond indentures and at the direction of the trustee bank. Cash deposits are reported at carrying amount which approximates fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable.

Level 3 - Significant unobservable prices or inputs.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

I. D. 3. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Significant receivables include amounts due from customers for solid waste disposal services. Accounts receivable are reported net of an allowance for uncollectible accounts, and revenues are reported net of estimated uncollectibles. The allowance amount is estimated using accounts receivable past due more than 90 days. Receivables include unbilled amounts for commercial solid waste disposal fees.

I. D. 4. INVENTORIES AND PREPAIDS

Inventories are recorded at the lower of cost or market on a daily weighted average basis and consist primarily of waste containers provided to citizens.

Prepays are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Non-current prepaids benefit periods beyond the following 12 month period. Payments to vendors that are less than \$5,000 are considered de minimus and are reported as expenses in the year of payment.

I. D. 5. RESTRICTED ASSETS

Certain assets are restricted for capital projects funded through long-term debt and debt service reserves. Restricted deposits and investments are legally restricted for the payment of currently maturing debt service.

When both restricted and unrestricted resources are available for use, it is the Trust's policy to use restricted resources first, then unrestricted resources as needed.

I. D. 6. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported at historical cost. The Trust generally capitalizes assets costing \$10,000 or more as purchase and construction outlays occur. Depreciation is computed on the straight line method over the estimated useful life of the assets as follows in years:

Buildings	10 - 50
Infrastructure and improvements other than buildings	10 - 50
Mobile equipment, furniture, machinery, and equipment	5 - 20

Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When the Trust disposes of assets, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in non-operating revenue (expenses).

I. D. 7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of position may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represents an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

I. D. 8. BOND PREMIUM

Bond premium related to the bond issuance is capitalized and amortized over the term of the respective bonds using a method that approximates the effective interest method.

I. D. 9. FUND EQUITY

Net Position

Net position invested in capital assets, net of related debt, and legally restricted amounts are separated from unrestricted net position.

Net Investment in Capital Assets

The amount reported is calculated as total capital assets less accumulated depreciation and outstanding debt used to purchase the assets net of unspent portions. Unspent portions of debt, along with any amounts used to fund debt reserves, are included with restricted net position.

Restricted Net Position

Amounts reported as restricted for debt service include those amounts held in restricted accounts as required by the debt instrument. Restricted amounts held to pay bond interest are reduced by accrued interest payable. Net position restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net position also includes purpose restrictions from enabling legislation and other external sources.

I. E. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

I. F. RISK MANAGEMENT

The Trust's risk management activities are recorded in the City Risk Management Fund and the Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund. The purpose of these funds is to administer property and liability insurance programs of the City, in which the Trust participates. These funds account for the risk financing activities of the Trust and constitute a transfer of risk from the Trust. The Trust pays premiums through the City Solid Waste Management Fund and has no other costs or liabilities related to risk management activities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund and the OCMFA Services Fund.

Significant losses are covered by commercial insurance for the property and liability programs. The City offers several different employee health and life options which, except for the indemnity health plan are fully insured. The self-insured indemnity health plan is covered by stop-loss coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the Trust's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Trust's operations. However, if the pandemic continues to evolve it is likely to have a negative impact on revenue from utility services.

I. G. MAJOR REVENUES

The Trust's only revenue source is charges to customers for solid waste disposal.

I. H. TAX STATUS

The Trust is exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code for any trade or business related to the Trust's tax exempt purpose or function.

I. I. RETAINAGES

It is the policy of the Trust to retain a percentage of construction contracts until a completed project has been accepted by the Trustees. Contractors may request to opt out of this retainage by providing a certificate of deposit with the City. The City holds the certificate of deposit and the Trust retains the risk of incurring costs related to a contractor's failure to perform. However, in the event of non-performance, the City calls the certificate and pays the proceeds to the Trust to cover any costs incurred. The City does not record the effect of holding the certificates of deposit.

II. ASSETS AND DEFERRED OUTFLOWS

II. A. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The Trust's policy requires deposits to be 110 percent secured by collateral valued at market less the amount of the Federal depository insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health, as determined by the bank's institutional rating provided by commercially available bank rating services or on performance evaluations conducted pursuant to the Federal Community Reinvestment Act, 12 United States Code, Section 2901. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation by the City Treasurer of the institutions' financial strength in accordance with the investment policy.

The general bond indenture requires the use of trust accounts. The principal, interest, and debt service accounts are used to segregate resources accumulated for debt service payments over the next twelve months.

At June 30, 2020 and 2019, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less the Federal depository insurance.

Investments

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

		2020						
	<u>Cost</u>	Fair Value/ Carrying <u>Amount</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	Measured at <u>NAV (1)</u>	Average Credit Quality/ <u>Ratings (2)</u>	Weighted Average <u>(months) (3)</u>
Federal								
obligations	\$26,755,671	\$27,208,123	\$ -	\$27,208,123	\$ -	\$ -	AA/Aaa	22.21
Fannie Mae	5,893,601	6,105,017	-	6,105,017	-	-	AA/Aaa	14.44
Money								
market (4)(5)	9,817,328	9,817,328	9,817,328	-	-	-	AAA/Aaa	1.30
U.S. Treasury								
bills	<u>21,345,489</u>	<u>22,065,374</u>	<u>-</u>	<u>22,065,374</u>	<u>-</u>	<u>-</u>	AAA/Aaa	30.44
	<u>\$63,812,089</u>	<u>\$65,195,842</u>	<u>\$9,817,328</u>	<u>\$55,378,514</u>	<u>\$-</u>	<u>\$-</u>		
		2019						
	<u>Cost</u>	Fair Value/ Carrying <u>Amount</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	Measured at <u>NAV (1)</u>	Average Credit Quality/ <u>Ratings (2)</u>	Weighted Average <u>(months) (3)</u>
Federal								
obligations	\$27,173,395	\$27,253,095	\$ -	\$27,253,095	\$ -	\$ -	AA/Aaa	23.53
Fannie Mae	7,876,724	7,971,250	-	7,971,250	-	-	AA/Aaa	21.70
Money								
market (4)(5)	7,676,055	7,676,055	7,676,055	-	-	-	AAA/Aaa	0.83
U.S. Treasury								
bills	<u>13,916,579</u>	<u>14,066,524</u>	<u>-</u>	<u>14,066,524</u>	<u>-</u>	<u>-</u>	AAA/Aaa	29.73
	<u>\$56,642,753</u>	<u>\$56,966,924</u>	<u>\$7,676,055</u>	<u>\$49,290,869</u>	<u>\$-</u>	<u>\$-</u>		

- (1) The net asset value (NAV) is a practical expedient to estimate fair value.
- (2) Ratings are provided where applicable to indicate associated credit risk.
- (3) Interest rate risk is estimated using weighted average months to maturity.
- (4) Cost approximates fair value.
- (5) Consists solely of U.S. Treasury securities.

Fair Value Measurement

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above. There have been no changes in the methodologies used at June 30, 2020 and 2019.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Federal obligations, Fannie Mae notes, U.S. Treasury notes, and U.S. Treasury bills use pricing models that maximize the use of observable inputs for similar securities and are valued at level 2.

Money market funds are reported at cost which approximates fair value, are traded on active markets at quoted prices, and are valued at level 1.

Investment policy

The Trust's investment policy is maintained by the City Treasurer. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Trust funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged; (2) Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those insured by or fully guaranteed as principal and interest by Federal agencies or U.S. government-sponsored enterprises; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in Oklahoma when secured by appropriate collateral or fully insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located outside of Oklahoma; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) savings accounts or certificates of savings and loan associations, banks, and credit unions, to the extent the accounts are fully insured by Federal depository insurance; (7) State and Local Government Series (SLGS); (8) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment; and (9) prime commercial paper with a maturity date less than 180 days which represents less than 10% of the outstanding paper of an issuing corporation.

Under the policy, the Trust may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. Cumulatively, portfolios of the Trust may not be invested in any given financial institution in excess of 5% of such institution's total assets excluding U.S. government securities and those issued by government sponsored enterprises, SLGS, and City judgments. Additionally, no more than 5% of the total Trust portfolio may be placed with any single financial institution excluding U.S. government securities and those issued by government sponsored enterprises, savings, money market funds, SLGS, City judgments, and repurchase agreements.

Portfolio Structure (1)

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	Maximum % (2)		Maximum % (4)
Repurchase agreements	100.0%	0-1 year	100%
U.S. Treasury securities (3)	100.0	1-3 years	90
Certificates of deposit	50.0	3-5 years	90
Money market funds	100.0		
Savings accounts	100.0		
U.S. noncallable agencies securities	100.0		
U.S. callable agency securities	20.0		
Prime commercial paper	7.5		
City judgments	5.0		

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

The policy also allows surplus cash, certificates of deposit, and repurchase agreements to be collateralized with securities with longer maturities if such maturity does not exceed ten years.

Bond Indenture Restrictions

The Trust's bond indenture restricts investments to the: (1) direct obligations of the Department of the Treasury of the U.S.; (2) obligations of any of the following Federal agencies which obligations represent full faith and credit of the U.S. including: (a) Export – Import Bank, (b) Farmers Home Administration, (c) General Services Administration, (d) U.S. Maritime Administration, (e) Small Business Administration, (f) Government National Mortgage Association (GNMA), (g) U.S. Department of Housing & Urban Development Public Housing Authorities (PHA's), and (h) Federal Housing Administration; (3) bonds, notes or other evidences or indebtedness rated AAA by Standard & Poor's Corporation and Aaa by Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (4) U.S. dollar denominated deposit accounts, Federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by Standard & Poor's Corporation and P-1 by Moody's Investors Service and maturing no more than 360 days after the date of purchase; (5) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by Standard & Poor's and P-1 by Moody's Investors Service and which matures not more than 270 days after the date of purchase; (6) investments in a money market fund rated in the highest rating categories by Standard & Poor's Corporation and Moody's Investors Service; (7) certain pre-refunded municipal obligations; (8) investment agreements supported by appropriate opinions of counsel as to enforceability; and (9) certificates of deposit properly secured at all times by collateral security restricted to investments described in (1) or (2) above. Such certificates of deposit are only acceptable with commercial banks, savings and loan associations, and mutual savings banks.

Investments Held by Others

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name or held in the name of both parties by the Federal Reserve Bank servicing Oklahoma. Investments of the Trust are insured or collateralized with securities held by the City, the Trust, or its agent in the Trust's or City's name.

Compliance with State Restrictions

Trust investment policy is more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the Trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

Restricted Deposits and Investments

	<u>2020</u>	<u>2019</u>
Bond principal and interest accounts	\$1,269,692	\$1,491,261
Bond reserve	<u>1,324,621</u>	<u>1,333,575</u>
	<u>\$2,594,313</u>	<u>\$2,824,836</u>

II. B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNEARNED REVENUE

Accounts Receivable

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$21,382,586	\$17,978,933
Less allowance for uncollectible accounts	<u>(11,883,352)</u>	<u>(9,005,958)</u>
Net accounts receivable	<u>\$9,499,234</u>	<u>\$8,972,975</u>
Affect on revenues for change in uncollectibles	<u>(\$2,877,394)</u>	<u>(\$1,888,139)</u>

Intergovernmental Receivable

A Federal Emergency Management Agency (FEMA) award was applied for in connection to a severe ice storm that occurred in November 2015. The receivable balance as of June 30, 2018 was \$174,576 and payment was received in 2019. In connection to this award, the Trust has applied for assistance from the Oklahoma Emergency Management Agency to supplement matching fund requirements. The receivable balance as of June 30, 2020 of \$800,818 has remained unchanged from June 30, 2019 as no payments were received in 2020.

II. C. CAPITAL ASSETS

Changes in Capital Assets

	2020					
	<u>Capital Assets, not depreciated</u>	<u>Capital Assets, depreciated</u>				
	Construction in Progress	Buildings	Infrastructure and Improvements Other Than Buildings	Furniture, Machinery, and Equipment	Total Capital Assets, depreciated	Total Capital Assets, net
CAPITAL ASSETS						
Balance, July 01, 2019	\$1,671,295	\$2,526,021	\$2,896,818	\$37,077,426	\$42,500,265	\$44,171,560
Increases	1,920	160	-	1,226,565	1,226,725	1,228,645
Decreases	-	-	-	(80,535)	(80,535)	(80,535)
Transfers	<u>(1,673,215)</u>	<u>1,673,215</u>	<u>-</u>	<u>-</u>	<u>1,673,215</u>	<u>-</u>
Balance, June 30, 2020	<u>-</u>	<u>4,199,396</u>	<u>2,896,818</u>	<u>38,223,456</u>	<u>45,319,670</u>	<u>45,319,670</u>
ACCUMULATED DEPRECIATION						
Balance, June 30, 2019		576,345	1,911,300	17,396,305	19,883,950	19,883,950
Increases		81,633	85,827	3,553,941	3,721,401	3,721,401
Decreases		-	-	(80,535)	(80,535)	(80,535)
Balance, June 30, 2020		<u>657,978</u>	<u>1,997,127</u>	<u>20,869,711</u>	<u>23,524,816</u>	<u>23,524,816</u>
Capital Assets, Net	<u>\$-</u>	<u>\$3,541,418</u>	<u>\$899,691</u>	<u>\$17,353,745</u>	<u>\$21,794,854</u>	<u>\$21,794,854</u>
2019						
	<u>Capital Assets, not depreciated</u>	<u>Capital Assets, depreciated</u>				
	Construction in Progress	Buildings	Infrastructure and Improvements Other Than Buildings	Furniture, Machinery, and Equipment	Total Capital Assets, depreciated	Total Capital Assets, net
CAPITAL ASSETS						
Balance, June 30, 2018	\$567,823	\$2,246,554	\$2,795,800	\$37,030,181	\$42,072,535	\$42,640,358
Increases	1,391,490	92,467	-	1,966,830	2,059,297	3,450,787
Decreases	-	-	-	(1,919,585)	(1,919,585)	(1,919,585)
Transfers	<u>(288,018)</u>	<u>187,000</u>	<u>101,018</u>	<u>-</u>	<u>288,018</u>	<u>-</u>
Balance, June 30, 2019	<u>1,671,295</u>	<u>2,526,021</u>	<u>2,896,818</u>	<u>37,077,426</u>	<u>42,500,265</u>	<u>44,171,560</u>
ACCUMULATED DEPRECIATION						
Balance, June 30, 2018		527,207	1,627,084	15,274,625	17,428,916	17,428,916
Increases		49,138	284,216	4,019,212	4,352,566	4,352,566
Decreases		-	-	(1,897,532)	(1,897,532)	(1,897,532)
Balance, June 30, 2019		<u>576,345</u>	<u>1,911,300</u>	<u>17,396,305</u>	<u>19,883,950</u>	<u>19,883,950</u>
Capital Assets, Net	<u>\$1,671,295</u>	<u>\$1,949,676</u>	<u>\$985,518</u>	<u>\$19,681,121</u>	<u>\$22,616,315</u>	<u>\$24,287,610</u>

Depreciation Expense

Depreciation expense was charged to the Trust in the amount of \$3,721,401, for the year ending June 30, 2020, and \$4,352,566 for the year ending June 30, 2019.

II. D. DEFERRED OUTFLOW

Deferred Amount on Bond Refunding

Deferred charges on refunding of bonds results from a difference in the carrying value of refunded debt to its reacquisition price. The amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

<u>Original Bond Issue</u>	<u>Refunding Bond Issue</u>	<u>2020</u>	<u>2019</u>
OCEAT Series 2005 Bonds	OCEAT Series 2017A Bonds	<u>\$15,330</u>	<u>\$18,346</u>

III. LIABILITIES

III. A. BONDS PAYABLE

Unamortized Bond Discount/Premium

	<u>2020</u>	<u>2019</u>
Bonds payable	\$12,800,000	\$13,810,000
Unamortized bond premium (discount)	<u>248,246</u>	<u>303,063</u>
Bonds payable, net	<u>\$13,048,246</u>	<u>\$14,113,063</u>

Solid Waste Revenue Bonds

Solid Waste Bond Indentures and Covenants

The bond indenture requires the use of construction, revenue, and bond funds. The bond fund consists of interest, principal, and bond reserve accounts. Revenue is deposited into the revenue fund as received. Subject to the terms of the indenture, not later than the 25th day of each calendar month, the Trust transfers from the revenue fund to the interest, principal, and bond fund reserve accounts amounts specified in the indenture to pay principal and interest on the bonds when due, and to maintain the reserve requirement. The reserve requirement means the lesser of (1) ten percent of the proceeds of a series of the bonds, (2) maximum annual principal and interest requirements on a series of the bonds, or (3) 125% of the average annual principal and interest on a series of the bonds.

The bonds are payable solely from the Trust. Trust income is comprised of revenue and receipts derived or to be derived from the Trust's leasehold interest in the solid waste system (System) of the City. The System is leased by the City to the Trust pursuant to a lease agreement dated August 1, 2005, for a term of 50 years or until all indebtedness of the Trust has been retired or provision for payment has been made.

On September 8, 2005, the Trust sold Series 2005 Solid Waste Revenue Bonds for \$8,410,000. Series 2005 Solid Waste Revenue Bonds consisted of bonds bearing interest at 3% to 4.25%. Bond proceeds financed the cost of construction and acquisition of certain solid waste management collection and disposal facilities and paid the cost of issuance. On April 6, 2017 these bonds were defeased with the issuance of Revenue Refunding and Improvement Bonds, Series 2017A.

Issuances

Series 2017A Revenue Refunding and Improvement Bonds

On April 6, 2017, the Trust sold \$2,885,000 in revenue refunding and improvement bonds with an average interest rate of 3.99%. Total proceeds include \$284,354 in premiums and \$141,560 in reserve funds transferred from the refunded debt. Issuance costs were \$91,043. Of the \$3,219,871 net proceeds, \$1,760,132 was used to refund Series 2005 Solid Waste Management Revenue Bonds, \$1,207,686 was used to expand maintenance bays in the operation of the solid waste system, and \$252,053 was used to establish a reserve fund. The bonds mature on July 1, 2031.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST

Series 2017B Taxable Revenue Bonds

On April 6, 2017, the Trust sold \$12,085,000 in taxable revenue bonds with an average interest rate of 3.02%. Total proceeds included \$163,854 in premiums and issuance costs were \$189,049. Of the \$12,059,805 net proceeds, \$11,003,978 was used to finance the costs of recycling carts and \$1,055,827 was used to establish a reserve fund. The bonds mature on July 1, 2031.

Bonded Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$1,055,000	\$394,376	\$1,449,376
2022	1,095,000	352,101	1,447,101
2023	1,140,000	311,975	1,451,975
2024	1,180,000	270,226	1,450,226
2025	940,000	233,976	1,173,976
2026-2030	5,125,000	727,665	5,852,665
2031-2032	<u>2,265,000</u>	<u>68,475</u>	<u>2,333,475</u>
	<u>\$12,800,000</u>	<u>\$2,358,794</u>	<u>\$15,158,794</u>

Revenue Bonds Outstanding

<u>Solid Waste Revenue and Refunding Bonds</u>	<u>Amount Issued</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Principal Maturity Date</u>	<u>2020</u>	<u>2019</u>
					<u>Principal Balance</u>	<u>Principal Balance</u>
Series 2017A	\$2,885,000	3.00-5.00%	4/6/2017	7/1/2031	\$2,125,000	\$2,415,000
Series 2017B	12,085,000	2.80-4.00%	4/6/2017	7/1/2031	<u>10,675,000</u>	<u>11,395,000</u>
					<u>\$12,800,000</u>	<u>\$13,810,000</u>

Bond Interest Payable

Interest on all bonds is payable on the first day of January and July of each year through maturity.

Bond Coverage

Gross revenue, including investment income and transfers in	<u>2020</u>	<u>2019</u>
	\$65,220,209	\$60,275,309
Direct operating expenses and transfers out, excluding depreciation and amortization	<u>50,694,998</u>	<u>46,385,228</u>
Net revenue available for debt service	<u>\$14,525,211</u>	<u>\$13,890,081</u>
Principal amounts	\$1,010,000	\$965,000
Interest amounts	<u>438,676</u>	<u>481,000</u>
Total debt service requirements	<u>\$1,448,676</u>	<u>\$1,446,000</u>
Revenue bond coverage	<u>10.03</u>	<u>9.61</u>

The bond indentures require the payment of principal and interest before any other expenditures may be made. Gross revenues include operating revenues, investment income, other revenue, and transfers from other funds. In addition, depreciation and amortization expenses and transfers to other funds are excluded from the direct operating expenses as they do not affect funds available for debt service. The required revenue bond coverage is 1.2.

III. B. CHANGES IN LONG-TERM DEBT

	2020			2019		
	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020	Due Within One Year	Due After One Year
Revenue bonds	<u>\$13,810,000</u>	<u>\$-</u>	<u>\$1,010,000</u>	<u>\$12,800,000</u>	<u>\$1,055,000</u>	<u>\$11,745,000</u>
	2019					
	Balance July 1, 2018	Issued	Retired	Balance June 30, 2019	Due Within One Year	Due After One Year
Revenue bonds	<u>\$14,775,000</u>	<u>\$-</u>	<u>\$965,000</u>	<u>\$13,810,000</u>	<u>\$1,010,000</u>	<u>\$12,800,000</u>

III. C. SEGMENT INFORMATION AND PLEDGED REVENUES

The Trust issued revenue bonds to support its solid waste activities. The financial statements report revenue-supported debt. The Trust recognized \$61,632,950 and \$58,346,450 in solid waste charges in 2020 and 2019, respectively.

IV. NET POSITION

Net Investment in Capital Assets

	2020	2019
Capital assets, net	\$21,794,854	\$24,287,610
Retainages and accounts payable	(709,081)	(149,727)
Bonds payable, net	(13,048,246)	(14,113,063)
Deferred amount on refunding	15,330	18,346
Bond accounts paid from bond proceeds	1,307,881	1,307,881
Bond issuance costs paid from bond proceeds	<u>284,806</u>	<u>284,806</u>
	<u>\$9,645,544</u>	<u>\$11,635,853</u>

Restricted for Debt Service

	<u>2020</u>	<u>2019</u>
Bond principal and interest accounts	\$1,269,692	\$1,491,261
Bond reserve	1,324,619	1,333,575
Bond accounts paid from bond proceeds	(1,307,881)	(1,307,881)
Current bond interest payable	<u>(208,513)</u>	<u>(230,164)</u>
	<u>\$1,077,917</u>	<u>\$1,286,791</u>

Unrestricted

	<u>2020</u>	<u>2019</u>
Unrestricted	<u>\$61,573,974</u>	<u>\$48,936,205</u>

V. A. INTERFUND BALANCES

Receivable From/Payable To City

	<u>Purpose</u>	<u>2020</u>	<u>2019</u>
<u>RECEIVABLE FROM</u>			
City Grants Management Fund	Grant related cost reimbursement	\$435,972	\$ -
City Water and Wastewater Fund	Utility billing adjustments	<u>569,221</u>	<u>378,877</u>
		<u>\$1,005,193</u>	<u>\$378,877</u>
<u>PAYABLE TO</u>			
<u>CURRENT</u>			
City General Fund	Payments in lieu of franchise fees	\$193,960	\$175,556
City Fleet Services	Fuel chargebacks	865	72
City Solid Waste Management Fund	Cost reimbursement	1,000,933	1,902,956
City Medical Service Fund	Utility billing adjustments	430	3,219
City Stormwater Drainage Fund	Utility billing adjustments	676	3,702
Fire Sales Tax - RSTR	Land Lease	<u>3,600</u>	-
		<u>1,200,464</u>	<u>2,085,505</u>
<u>NON-CURRENT</u>			
City Solid Waste Management Fund	Cost reimbursement	<u>10,043,227</u>	<u>9,884,539</u>
		<u>\$11,243,691</u>	<u>\$11,970,044</u>

Cost Reimbursement Payable To The City Solid Waste Management Fund

City employees perform all administrative and management services for the Trust. Reimbursements for the costs of these services are included in Trust expenses. The advance represents the unfunded non-current liabilities of the City Solid Waste Management Fund.

	<u>2020</u>	<u>2019</u>
Beginning balance	\$11,787,495	\$12,211,994
Personal services	7,805,269	7,480,027
Other services	1,026,924	1,009,197
Material and supplies	93,306	97,852
Interest income	(53,834)	(61,254)
Less: Payment adjustments for cost reimbursement	-	49,679
Reimbursement to the City	<u>(9,615,000)</u>	<u>(9,000,000)</u>
Advance from City Solid Waste Management Fund	<u>\$11,044,160</u>	<u>\$11,787,495</u>

Receivable From/Payable To Component Unit

	<u>Purpose</u>	<u>2020</u>	<u>2019</u>
RECEIVABLE FROM			
OCWUT	Utility billing adjustments	<u>\$21,993</u>	<u>\$31,942</u>
PAYABLE TO			
OCWUT	Utility billing adjustments	<u>\$5,351</u>	<u>\$-</u>

V. B. INTERFUND PAYMENTS

Payments in Lieu of Franchise Fees

During the fiscal years June 30, 2020 and 2019, \$1,172,367 and \$1,100,153, respectively, were paid to the City General Fund in lieu of fees paid for the exclusive right to provide solid waste services to the citizens of the City.

V. C. OTHER INTERFUND TRANSACTIONS

Administrative Chargebacks

For fiscal years ending June 30, 2020 and 2019 the Trust made payments to OCWUT reported with maintenance, operations and contractual services on the statement of revenues, expenses and changes in net position to reimburse for the cost of providing administrative and operational services of \$1,315,000 and \$1,050,000, respectively.

Billing System Fees

OCWUT manages all billings and collections for the Trust. The Trust pays OCWUT for the cost of these services. In 2020 and 2019 the Trust paid \$2,068,000 and \$1,980,000, respectively, for this service. The payment is reported with operating expense, maintenance, operations, and contractual services on the statement of revenues, expenses, and changes in net position.

VII. CONTRACT COMMITMENTS

The Trust enters into long-term contracts with several unrelated third party contractors to provide various services for the benefit of the residents of the City. These services include residential refuse collection, landfill disposal, recycling, street sweeping, and fleet maintenance. Funds to fulfill the Trust’s obligations under these contracts are substantially comprised of user fees paid directly to the Trust.

2020						
	Refuse	Landfill		Street	Fleet	
	<u>Collection</u>	<u>Disposal</u>	<u>Recycling</u>	<u>Sweeping</u>	<u>Maintenance</u>	<u>Total</u>
2021	\$18,263,000	\$6,800,000	\$7,290,000	\$725,000	\$3,045,000	\$36,123,000
2022	18,920,000	7,045,000	7,552,000	751,000	3,155,000	37,423,000
2023	19,601,000	7,299,000	7,824,000	778,000	3,269,000	38,771,000
2024	20,307,000	7,562,000	8,106,000	806,000	3,387,000	40,168,000
2025	<u>21,038,000</u>	<u>7,834,000</u>	<u>8,398,000</u>	<u>835,000</u>	<u>3,509,000</u>	<u>41,614,000</u>
	<u>\$98,129,000</u>	<u>\$36,540,000</u>	<u>\$39,170,000</u>	<u>\$3,895,000</u>	<u>\$16,365,000</u>	<u>\$194,099,000</u>
2019						
	Refuse	Landfill		Street	Fleet	
	<u>Collection</u>	<u>Disposal</u>	<u>Recycling</u>	<u>Sweeping</u>	<u>Maintenance</u>	<u>Total</u>
2020	\$18,032,000	\$6,600,000	\$7,500,000	\$725,000	\$3,100,000	\$35,957,000
2021	19,022,840	6,963,000	7,912,500	757,625	3,270,500	37,926,465
2022	20,068,130	7,345,965	8,347,688	791,718	3,450,378	40,003,879
2023	21,170,863	7,749,993	8,806,810	827,345	3,640,148	42,195,159
2024	<u>22,334,196</u>	<u>8,176,243</u>	<u>9,291,185</u>	<u>864,576</u>	<u>3,840,356</u>	<u>44,506,556</u>
	<u>\$100,628,029</u>	<u>\$36,835,201</u>	<u>\$41,858,183</u>	<u>\$3,966,264</u>	<u>\$17,301,382</u>	<u>\$200,589,059</u>

The future annual obligations are based on the current terms of the contracts. Some of these contracts include amounts that are re-evaluated annually based on the terms of the contracts.

VIII. CONTINGENCIES

Federal and State Grants

In the normal course of operations the Trust receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authorities for the purpose of ensuring compliance with grant funding conditions. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

XIV. SUBSEQUENT EVENTS

OCEAT - OCWUT Merger

On October 27, 2020, the City of Oklahoma City approved the general managers of the Oklahoma City Water Utilities Trust and the Oklahoma City Environmental Assistance Trust to prepare any documents associated with the consolidation of the Oklahoma City solid waste management services, water services, and wastewater services under the Oklahoma City Water Utilities Trust. The consolidation is expected to be completed in fiscal year 2021.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Oklahoma City Environmental Assistance Trust
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma City Environmental Assistance Trust (Trust), a blended component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2020 and 2019, and related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2020
Wichita, Kansas