



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, 2016

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, 2016

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Laura L. Papas, Controller

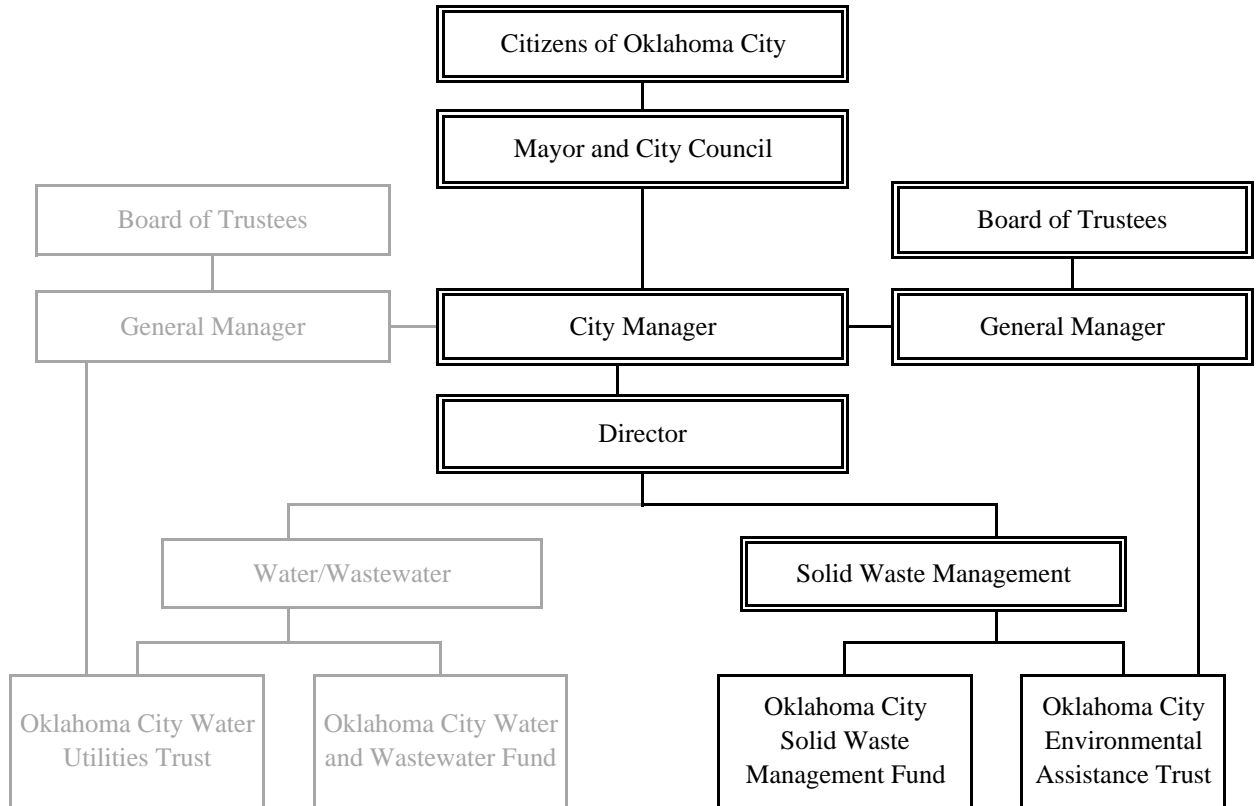
OKLAHOMA CITY ENVIRONMENTAL ASSISTANCE TRUST

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Oklahoma City Environmental Assistance Trust Organization Chart



Introductory Section



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

November 18, 2016

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, 2016 and 2015. 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, 2016 and 2015, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and 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 crews. 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 Trust Board approved new service contracts for the disposal of solid waste, effective September 1, 2016 through August 31, 2022. The contract includes annual price adjustments based on price indexes.


The current economic environment in Oklahoma City is positive; however, the economic outlook continues to be muted due to low oil and natural gas prices that are negatively impacting the many energy-related companies working in and around Oklahoma City. The cost of living rating is consistently below the national average and the City has a strong industry presence, low commuting times, convenient airline travel, high quality education, entertainment and sports opportunities, favorable weather, and is centrally located within the State of Oklahoma. According to the website Glassdoor, Oklahoma City came in at No. 10 on their 2016 list of "Best Cities for Jobs" and No. 3 in their study for "Best Large Cities to Start a Business". The list for best cities for jobs was based on factors such as hiring opportunity, cost of living and job satisfaction while the list for best large cities to start a business was focused on metrics such as office-space affordability and educational attainment of the local labor force.


In a report prepared by Dr. Russel Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), dated February 2, 2016, Dr. Evans reported that the U.S. economy was performing below its long run average. As people and economic activity move southwest across the United States, the I-35 corridor running from southern Texas through Oklahoma City and onto Kansas City will continue to be one of the fastest growing megalopolises in the U.S. Oklahoma City is expected to continue to establish an economic identity singular to all other areas of the state, in spite of short run economic weakness, in part due to its geographic location along the I-35 corridor. The Institute described Oklahoma's economic future - and by extension, Oklahoma City's fiscal future, as heavily influenced by the future path in oil markets, suggesting that prices must move higher as current oil prices don't work for domestic producers or budgets of oil dependent governments. The baseline forecast was for Oklahoma City to experience fiscal weakness and contract in 2016. Conditions are projected to stabilize in the fall of 2016 and then grow modestly into 2017 posting fiscal year sales tax growth of 1.37%. Nonfarm and private sector payrolls were stronger than expected with gains in manufacturing, retail, and other sectors outpacing losses in the mining sector. Nonfarm employment is expected to grow by 1.3% in 2017. Oklahoma City population is projected to grow at its long run average of 1.5% in 2017 and Oklahoma City per capita personal income is estimated to return to modest growth of 0.9% in 2017. Dr. Evans presented an update to the City Council on August 16, 2016, in which he stated the baseline expectations for sales tax growth seem reasonable given persistent uncertainties in both regional and national conditions.


Additionally, Chris Tatham, president of ETC Institute presented on August 30, 2016, the results of a Citizen Satisfaction Survey that was conducted in May and June of 2016. The report showed that among large U.S. cities, Oklahoma City's rating for the overall quality of city services and customer service are among the best.

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


Craig Freeman
Finance Director
City of Oklahoma City


Laura L. Papas
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 basic financial statements of the Oklahoma City Environmental Assistance Trust (the Trust), a blended component unit of The City of Oklahoma City, Oklahoma (the City), which are comprised of the statements of net position as of June 30, 2016 and the statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise the Trust's basic financial statements as listed on 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 audit. We conducted our audit 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 respective financial position of the Trust as of June 30, 2016 and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note I.D.1.* to the financial statements, in 2016, the Trust adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Prior-Period Information

The financial statements of the Trust, as of and for the year ended June 30, 2015 were audited by other auditors, whose report, dated December 4, 2015, expressed an unmodified opinion on those statements.

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 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The accompanying transmittal letter is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The transmittal letter 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 18, 2016 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 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 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 18, 2016
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, 2016 and 2015. 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 customers external to the Trust 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 \$43,678,839 (net position) for 2016. This compares to the previous year when assets exceeded liabilities by \$35,280,965.
- Total net position are comprised of the following:
 - (1) Net investment in capital assets of \$11,529,454 and \$10,633,955 for 2016 and 2015, respectively, includes property and equipment, net of accumulated depreciation and related debt.
 - (2) Net position at June 30, 2016 and 2015, of \$160,125 and \$390,039, respectively, is restricted for debt service by constraints imposed by debt covenants.
 - (3) Unrestricted net position is \$31,989,260 for 2016 and \$24,256,971 for 2015.

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 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 and identify financial strengths and weaknesses and 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 and can be used to assess the Trust's operating results in its entirety 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 statement of cash flows 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, 2016 and 2015, is \$43,678,839 and \$35,280,965, respectively. The overall financial condition improved in fiscal year 2016.

	Summary of Net Position						
	<u>2016</u>	<u>2015</u>	2016-2015 Amount of <u>Change</u>	2016-2015 % <u>Change</u>	<u>2014</u>	2015-2014 Amount of <u>Change</u>	2015-2014 % <u>Change</u>
Assets							
Current assets	\$37,271,953	\$37,504,485	(\$232,532)	(0.6%)	\$31,646,915	\$5,857,570	18.5%
Capital assets, net	17,035,814	12,996,324	4,039,490	31.1	14,927,224	(1,930,900)	(12.9)
Other non-current assets	<u>9,449</u>	<u>11,637</u>	<u>(2,188)</u>	(18.8)	<u>14,052</u>	<u>(2,415)</u>	(17.2)
Total assets	<u>54,317,216</u>	<u>50,512,446</u>	<u>3,804,770</u>	7.5	<u>46,588,191</u>	<u>3,924,255</u>	8.4
Liabilities							
Current liabilities	7,071,448	11,615,972	(4,544,524)	(39.1)	12,453,638	(837,666)	(6.7)
Non-current liabilities	<u>3,566,929</u>	<u>3,615,509</u>	<u>(48,580)</u>	(1.3)	<u>4,247,682</u>	<u>(632,173)</u>	(14.9)
Total liabilities	<u>10,638,377</u>	<u>15,231,481</u>	<u>(4,593,104)</u>	(30.2)	<u>16,701,320</u>	<u>(1,469,839)</u>	(8.8)
Net position							
Net investment in							
capital assets	11,529,454	10,633,955	895,499	8.4	12,424,489	(1,790,534)	(14.4)
Restricted for debt service	160,125	390,039	(229,914)	(58.9)	375,023	15,016	4.0
Unrestricted	<u>31,989,260</u>	<u>24,256,971</u>	<u>7,732,289</u>	31.9	<u>17,087,359</u>	<u>7,169,612</u>	42.0
Total net position	<u>\$43,678,839</u>	<u>\$35,280,965</u>	<u>\$8,397,874</u>	23.8	<u>\$29,886,871</u>	<u>\$5,394,094</u>	18.0

Current assets for 2016 decreased by \$233 thousand. This is primarily due to a net decrease in accounts receivable of \$290 thousand because of an increase in accounts receivable balances of \$543 thousand related to timing differences, offset by an increase in the reserve for uncollectible accounts of \$833 thousand due to slower collections in current year, a decrease in inventory of \$74 thousand due to cart usage, and a decrease in interest receivable due to decreases in investments, offset by an increase in cash of \$247 thousand. Current assets for 2015 increased by \$5.86 million. This is primarily due to increases in cash and investments of \$5.75 million, an increase in intergovernmental receivables of \$75 thousand due to receivables from Federal grants for May 2015 storm damage, and an increase in inventory of \$61 thousand for parts received but not used yet.

The \$4.04 million increase in capital assets for 2016 is primarily due to an \$6.59 million increase in purchases, offset by normal depreciation of \$2.61 million. The \$1.93 million decrease in capital assets for 2015 is primarily from purchases of \$1.54 million, offset by normal depreciation of \$2.49 million and a loss on disposal of assets of \$812 thousand.

The decrease in current liabilities of \$4.55 million for 2016 is primarily due to a decrease in unearned revenue of \$7.77 million due to a new deposit policy, offset by increases in accounts payable of \$2.98 million related to timing of purchases and contract billings. The new deposit policy provides for one deposit for all services which is collected and maintained by the Oklahoma City Water Utilities Trust (OCWUT). Previously, the Trust recorded two months advance billed services as a deposit. At the adoption of the new policy all unearned revenues being held as advanced billed deposits was refunded to customers. All services are now billed in arrears. The decrease in current liabilities of \$838 thousand for 2015 is primarily due to a decrease in accounts payable of \$1.22 million due to timing of payments for contract billings, offset by increased unearned revenues of \$367 thousand related to advance billing for services.

For fiscal years 2016 and 2015 non-current liabilities decreased \$49 thousand and \$632 thousand, respectively. This is due to a reclassification of the regularly scheduled bond principal payments to current liabilities of \$160 thousand in 2016 and \$390 thousand in 2015 and a decrease of \$109 thousand and \$261 thousand in the advance from the City Solid Waste Management Fund related to unfunded cost reimbursements in 2016 and 2015, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015

OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST

	Summary of Changes in Net Position						
	<u>2016</u>	<u>2015</u>	2016-2015 Amount of <u>Change</u>	2016-2015 % <u>Change</u>	<u>2014</u>	2015-2014 Amount of <u>Change</u>	2015-2014 % <u>Change</u>
Operating revenues							
Charges for services	\$50,961,995	\$48,562,957	\$2,399,038	4.9%	\$46,061,930	\$2,501,027	5.4%
Operating expenses							
Solid waste	<u>48,132,561</u>	<u>40,884,729</u>	<u>7,247,832</u>	17.7	<u>40,194,889</u>	<u>689,840</u>	1.7
Operating income	2,829,434	7,678,228	(4,848,794)	(63.1)	5,867,041	1,811,187	30.9
Non-operating revenues (expenses)	<u>5,568,440</u>	<u>(2,284,134)</u>	<u>7,852,574</u>	(343.8)	<u>(1,030,322)</u>	<u>(1,253,812)</u>	121.7
Changes in net position	8,397,874	5,394,094	3,003,780	55.7	4,836,719	557,375	11.5
Beginning net position	<u>35,280,965</u>	<u>29,886,871</u>	<u>5,394,094</u>	18.0	<u>25,050,152</u>	<u>4,836,719</u>	19.3
Ending net position	<u>\$43,678,839</u>	<u>\$35,280,965</u>	<u>\$8,397,874</u>	23.8	<u>\$29,886,871</u>	<u>\$5,394,094</u>	18.0

The 4.9% increase in 2016 and the 5.4% increase in 2015 in charges for services is primarily due to scheduled rate increases effective in October 2016 and 2015 of 3.5% and an increase in the number of customers of 1.73% in 2016 and 1.51% in 2015. The 2016 increase in operating expenses of \$7.25 million is primarily due to an increase of \$6.06 million in trash pickup cost due to storm debris removal and \$675 thousand increase in personal services due to an increase in salaries. The 2015 increase in operating expenses includes the implementation of an administrative charge paid to the OCWUT for \$668 thousand.

Non-operating revenues increased \$7.85 million in 2016 primarily due to \$6.10 million increase in grant operating revenues related to Federal Emergency Management Agency reimbursements for storm debris removal, \$1.41 million decrease in other expenses due to a \$812 thousand loss on asset recorded in prior year and \$396 thousand savings in lease and management expenses related to the purchase of the (Compressed Natural Gas) CNG facility equipment. Non-operating expenses increased \$1.25 million in 2015 primarily due to a \$812 thousand loss on asset, \$501 thousand increase in CNG expenses related to lease and management fees for the CNG facility equipment, and \$263 thousand increase in payables to the City for grant matching requirements.

Capital Assets and Debt Administration

Capital Assets

The Trust's capital assets, net of accumulated depreciation, as of 2016 and 2015 were \$17,035,814 and \$12,996,324, respectively.

	Capital Assets, Net of Accumulated Depreciation						
			2016-2015	2016-2015			2015-2014
	<u>2016</u>	<u>2015</u>	Amount of	%	<u>2014</u>	Amount of	%
		<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>	
Non-Depreciable Assets							
Construction in progress	\$ -	\$ -	\$ -	0.0%	\$557,053	(\$557,053)	(100.0%)
Depreciable Assets							
Buildings	1,816,153	1,864,556	(48,403)	(2.6)	1,912,992	(48,436)	(2.5)
Infrastructure	1,535,145	1,666,454	(131,309)	(7.9)	1,065,723	600,731	56.4
Equipment	<u>13,684,516</u>	<u>9,465,314</u>	<u>4,219,202</u>	44.6	<u>11,391,456</u>	<u>(1,926,142)</u>	(16.9)
Total depreciable assets	<u>17,035,814</u>	<u>12,996,324</u>	<u>4,039,490</u>	31.1	<u>14,370,171</u>	<u>(1,373,847)</u>	(9.6)
	<u>\$17,035,814</u>	<u>\$12,996,324</u>	<u>\$4,039,490</u>	31.1	<u>\$14,927,224</u>	<u>(\$1,930,900)</u>	(12.9)

The increase of \$4.04 million in capital assets for 2016 is primarily due to the purchase of CNG fueling station equipment for \$1.56 million and the purchase of eleven CNG powered trash vehicles, four dump trucks, and two pick-up trucks, offset by normal depreciation of \$2.61 million. The decrease in capital assets for 2015 of \$1.93 million is primarily for normal depreciation of \$2.49 million, disposal of assets of \$812 thousand from the sale of mobile equipment, offset by an increase in capital outlay for solid waste mobile equipment of \$1.54 million. In addition, in 2015 the Trust completed construction of the expansion of the solid waste facility with a total cost of \$549 thousand and improvements at the fleet maintenance building with a total cost of \$240 thousand. See Note II. D. for more information regarding capital assets.

Long-term debt

At the end of 2016 and 2015 the Trust had total long-term debt outstanding of \$1,895,000 and \$2,285,000, respectively.

Revenue Bonds

On September 8, 2005, the Trust issued Series 2005 Solid Waste Management Revenue Bonds for \$8.41 million, including the cost of issuance, bearing interest at 3% to 4.25%, to finance the cost of construction and acquisition of certain solid waste management collection and disposal facilities. At the end of fiscal years 2016 and 2015 the Trust had outstanding bond debt of \$1.90 million and \$2.29 million, respectively. The bonds are payable solely from the Trust. See Note III. A. for more information regarding revenue bonds.

	Outstanding Long-term Debt						
			2016 - 2015	2016 - 2015			2015 - 2014
	<u>2016</u>	<u>2015</u>	Amount of	%	<u>2014</u>	Amount of	%
		<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>	
Revenue bonds	<u>\$1,895,000</u>	<u>\$2,285,000</u>	<u>(\$390,000)</u>	(17.1%)	<u>\$2,660,000</u>	<u>(\$375,000)</u>	(14.1%)

The change in outstanding debt for both 2016 and 2015 is the 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, 2016, Standard and Poor's Rating Services reported a credit rating on the Trust's debt of AAA.

Economic Factors and Rates

Economic Factors

The continued economic environment in Oklahoma City is positive; however, the economic outlook has been muted due to low oil and natural gas prices that are negatively impacting the many energy-related companies working in and around Oklahoma City. The increase in revenue is related to the rate increases in October of each year.

Utility Rates

The Trust increased solid waste disposal volume charges 3.5% effective on October 1, 2016 and 2015.

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.

STATEMENTS OF NET POSITION
June 30,

OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Non-pooled cash-----	\$7,563,414	\$7,316,382
Investments-----	20,018,541	25,559,141
Accounts receivable, net-----	3,014,875	3,304,536
Interest receivable-----	111,580	187,455
Receivable from City of Oklahoma City-----	341,653	414,331
Receivable from component units-----	-	88
Intergovernmental receivables-----	5,646,915	74,725
Inventories-----	570,695	644,292
Prepays-----	4,280	3,535
Total current assets-----	<u>37,271,953</u>	<u>37,504,485</u>
<u>NON-CURRENT ASSETS</u>		
Prepays, non-current-----	9,449	11,637
Capital assets:		
Other capital assets, net of accumulated depreciation-----	17,035,814	12,996,324
Total non-current assets-----	<u>17,045,263</u>	<u>13,007,961</u>
Total assets-----	<u>54,317,216</u>	<u>50,512,446</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable-----	6,237,571	3,256,967
Payable to City of Oklahoma City-----	634,727	153,751
Payable to component units-----	489	-
Unearned revenue-----	-	7,769,379
Bond interest payable-----	38,661	45,875
Bonds payable-----	160,000	390,000
Total current liabilities-----	<u>7,071,448</u>	<u>11,615,972</u>
<u>NON-CURRENT LIABILITIES</u>		
Payable to City of Oklahoma City-----	1,831,358	1,719,820
Bonds payable:		
Bonds payable-----	1,735,000	1,895,000
Unamortized bond discount/premium-----	571	689
Bonds payable, net-----	<u>1,735,571</u>	<u>1,895,689</u>
Total non-current liabilities-----	<u>3,566,929</u>	<u>3,615,509</u>
Total liabilities-----	<u>10,638,377</u>	<u>15,231,481</u>
<u>NET POSITION</u>		
Net investment in capital assets-----	11,529,454	10,633,955
Restricted for:		
Debt service-----	160,125	390,039
Unrestricted-----	31,989,260	24,256,971
Total net position-----	<u>\$43,678,839</u>	<u>\$35,280,965</u>

See accompanying notes to financial statements.

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

**OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST**

	<u>2016</u>	<u>2015</u>
<u>OPERATING REVENUES</u>		
Solid waste charges-----	\$50,925,602	\$48,415,589
Other-----	36,393	147,368
Total operating revenues-----	<u>50,961,995</u>	<u>48,562,957</u>
<u>OPERATING EXPENSES</u>		
Personal services-----	8,295,298	7,588,582
Maintenance, operations, and contractual services-----	34,667,414	28,296,835
Materials and supplies-----	2,555,181	2,505,166
Depreciation-----	2,614,668	2,494,146
Total operating expenses-----	<u>48,132,561</u>	<u>40,884,729</u>
Operating income-----	<u>2,829,434</u>	<u>7,678,228</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Grant operating-----	6,101,901	74,725
Investment income-----	256,775	140,025
Interest on bonds and leases-----	(77,202)	(91,608)
Bond insurance-----	(2,414)	(2,901)
Payments from City of Oklahoma City-----	-	39,143
Payments to City of Oklahoma City-----	(862,705)	(1,187,507)
Other revenue (expenses)-----	152,085	(1,256,011)
Net non-operating revenue (expenses)-----	<u>5,568,440</u>	<u>(2,284,134)</u>
Changes in net position-----	<u>8,397,874</u>	<u>5,394,094</u>
Total net position, beginning-----	35,280,965	29,886,871
Total net position, ending-----	<u>\$43,678,839</u>	<u>\$35,280,965</u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers-----	\$44,224,674	\$48,510,027
Cash payments to suppliers for goods and services-----	(33,341,625)	(28,460,940)
Operating payments from component units-----	489	-
Operating payments to component units-----	(2,555,000)	(2,423,996)
Operating payments from City of Oklahoma City-----	-	9,456
Operating payments to City of Oklahoma City-----	(1,147,179)	(852,521)
Cost reimbursements from (to) other funds-----	(9,802,000)	(9,595,094)
Other cash receipts-----	-	81,521
Net cash provided (used) by operating activities-----	<u>(2,620,641)</u>	<u>7,268,453</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Cash received from operating grants-----	554,176	-
Net cash provided by non-capital financing activities-----	<u>554,176</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u>		
Payments for acquisition and construction of capital assets-----	(3,120,050)	(1,306,282)
Principal paid on long-term debt-----	(390,000)	(375,000)
Interest paid on long-term debt-----	(84,535)	(98,500)
Proceeds from sale of assets-----	48,199	165,353
Net cash used by capital and capital related financing activities-----	<u>(3,546,386)</u>	<u>(1,614,429)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments-----	(53,884,261)	(62,936,932)
Proceeds from sale of investments-----	59,141,375	57,637,040
Investment income received-----	598,874	69,102
Purchased interest-----	3,895	-
Net cash provided (used) by investing activities-----	<u>5,859,883</u>	<u>(5,230,790)</u>
Net increase in cash-----	<u>247,032</u>	<u>423,234</u>
Cash, beginning-----	7,316,382	6,893,148
Cash, ending-----	<u>\$7,563,414</u>	<u>\$7,316,382</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>		
<u>PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income-----	\$2,829,434	\$7,678,228
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH</u>		
<u>PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Depreciation-----	2,614,668	2,494,146
Non-operating revenue (expense)-----	59,784	(407,302)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable-----	289,661	87,236
(Increase) decrease in due from other funds-----	72,865	(28,930)
(Increase) decrease in receivable from component units-----	88	(3)
(Increase) decrease in receivable from City of Oklahoma City-----	-	9,456
(Increase) decrease in inventories-----	73,596	(61,258)
(Increase) decrease in prepaid assets-----	1,443	4,369
Increase (decrease) in accounts payable-----	(553,506)	(1,458,781)
Increase (decrease) in due to other funds-----	907,394	(564,101)
Increase (decrease) in payable to component unit-----	489	-
Increase (decrease) in payable to City of Oklahoma City-----	(1,147,179)	(852,521)
Increase (decrease) in unearned revenue-----	(7,769,378)	367,914
Total adjustments-----	<u>(5,450,075)</u>	<u>(409,775)</u>
Net cash provided (used) by operating activities-----	<u>(\$2,620,641)</u>	<u>\$7,268,453</u>
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING</u>		
<u>ACTIVITIES</u>		
Net increase (decrease) in fair value of investments-----	\$53,643	\$23,147
Total non-cash investing, capital, and financing activities-----	<u>\$53,643</u>	<u>\$23,147</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 remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Environmental Assistance Trust (Trust) financial activities for the fiscal years ended 2016 and 2015.

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 financial activity of the Trust is presented as a blended component unit of the City's CAFR. 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. CASH AND INVESTMENTS

Implementation of New Accounting Standard

Effective July 1, 2015, the Trust implemented GASB statement number 72, Fair Value Measurement and Application. This statement is designed to enhance comparability of financial statements among governments by requiring consistent definitions of fair value and accepted valuation techniques in the measurement of fair value. It also provides additional disclosure to provide information about the impact of fair value measurements on financial position.

The Trust participates in the investment policy approved by the City Council. The Trust's governing board formally adopted the updated City's deposit and investment policy in October 2012. 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. The management of the 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. 2. 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 receivables that are for the disposal fee for operators of commercial solid waste disposal sites.

I. D. 3. 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 \$500 are considered *di minimus* and are reported with expenses/expenditures in the year of payment.

I. D. 4. 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. 5. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported at historical cost. The Trust generally capitalizes assets with cost of \$7,500 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 operations.

I. D. 6. BOND PREMIUM

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

I. D. 7. UNEARNED REVENUES

On November 10, 2015, a new utility deposit policy was established to have one utility deposit for all services provided to new utility residential customers and commensurate deposits for non-residential customers based on meter size. Previously, the Trust simply recorded two months advance billed services as a deposit and, as a result, reported unearned revenue for accounts billed in advance of services. Adoption of this policy was implemented in the Trust by refunding the advanced billed deposits, eliminating the unearned revenue calculations previously reported.

I. D. 8. 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 include 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.

I. G. MAJOR REVENUES

The Trust has only one primary revenue source which it 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

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, 2016 and 2015, 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

OKLAHOMA CITY ENVIRONMENTAL
ASSISTANCE TRUST

		2016						
	<u>Cost</u>	<u>Fair Value/ Carrying Amount</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Measured at NAV (1)</u>	<u>Average Credit Quality/ Ratings (2)</u>	<u>Weighted Average (months) (3)</u>
COMMON STOCK								
Federal								
obligations	\$11,407,505	\$11,094,918	\$ -	\$11,055,202	\$ -	\$ -	AA/Aaa	13.72
Fannie Mae	6,110,361	6,062,773	-	6,037,066	-	-	AA/Aaa	13.30
Money								
market (4)(5)	1,839,952	1,839,952	-	-	-	-	AA/Aaa	1.47
U.S. Treasury								
notes	<u>1,008,984</u>	<u>1,020,898</u>	-	<u>1,006,476</u>	-	-	AA/Aaa	31.50
	<u>\$20,366,802</u>	<u>\$20,018,541</u>	<u>\$ -</u>	<u>\$18,098,744</u>	<u>\$ -</u>	<u>\$ -</u>		

		2015						
	<u>Cost</u>	<u>Fair Value/ Carrying Amount</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Measured at NAV (1)</u>	<u>Average Credit Quality/ Ratings (2)</u>	<u>Weighted Average (months) (3)</u>
COMMON STOCK								
Federal								
obligations	\$15,889,796	\$15,350,308	\$ -	\$15,350,308	\$ -	\$ -	AA/Aaa	13.33
Fannie Mae	8,302,381	8,102,626	-	8,102,626	-	-	AA+/Aaa	23.41
Money								
market (4)(5)	1,097,066	1,097,066	-	-	-	-	AAA/Aaa	1.48
U.S. Treasury								
notes	<u>1,008,984</u>	<u>1,009,141</u>	-	<u>1,009,141</u>	-	-	AAA/Aaa	43.70
	<u>\$26,298,227</u>	<u>\$25,559,141</u>	<u>\$ -</u>	<u>\$24,462,075</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) Valued at cost.
- (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, 2016 and 2015.

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

Money market funds fair value approximates cost, therefore do not report a fair value measurement.

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; (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), (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 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>2016</u>	<u>2015</u>
Bond principal and interest accounts	<u>\$198,786</u>	<u>\$435,914</u>

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

Accounts Receivable

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$8,530,494	\$7,987,175
Less allowance for uncollectible accounts	<u>(5,515,619)</u>	<u>(4,682,639)</u>
Net accounts receivable	<u>\$3,014,875</u>	<u>\$3,304,536</u>
Affect on revenues for change in uncollectibles	<u>(\$832,980)</u>	<u>(\$418,286)</u>
Unearned revenue (1)	<u>\$ -</u>	<u>\$7,769,379</u>

- (1) In 2016 all unearned revenues were refunded to customers due to a deposit policy change which implemented one utility deposit for all services. Services are now billed in arrears. The deposit is collected and maintained by the Oklahoma City Water Utilities Trust (OCWUT).

Intergovernmental Receivable

In November 2015 a severe ice storm resulted in the declaration of a disaster for damage to City property and the clean up involved. A Federal Emergency Management Agency award has been applied for and is expected in fiscal year 2017. In connection with this award, the Trust will receive \$5,605,227 from the Oklahoma Emergency Management Agency to supplement matching fund requirements.

In May 2015 severe flooding resulted in the declaration of a disaster for damage to City property and the clean up involved. A Federal Emergency Management Agency award had been applied for and was received in 2016.

II. C. PREPAIDS

Prepays are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. As of June 30, 2016 and 2015, the Trust had prepaid items totaling \$13,729 and \$15,172, respectively.

	<u>2016</u>	<u>2015</u>
Bond prepaid insurance	\$11,638	\$14,052
Service fees	<u>2,091</u>	<u>1,120</u>
	<u>\$13,729</u>	<u>\$15,172</u>

II. D. CAPITAL ASSETS

Changes in Capital Assets

	2016					
	Capital Assets, not depreciated	Capital Assets, depreciated				Total Capital Assets, net
	Construction in Progress	Infrastructure and Improvements			Total Capital Assets, depreciated	
Buildings		Other Than Buildings	Furniture, Machinery, and Equipment			
CAPITAL ASSETS						
Balance, July 01, 2015	\$ -	\$2,246,554	\$2,744,267	\$19,535,230	\$24,526,051	\$24,526,051
Increases	51,533	-	-	6,602,625	6,602,625	6,654,158
Decreases	-	-	-	(94,275)	(94,275)	(94,275)
Transfers	(51,533)	-	51,533	-	51,533	-
Balance, June 30, 2016	-	<u>2,246,554</u>	<u>2,795,800</u>	<u>26,043,580</u>	<u>31,085,934</u>	<u>31,085,934</u>
ACCUMULATED DEPRECIATION						
Balance, June 30, 2015		381,998	1,077,813	10,069,916	11,529,727	11,529,727
Increases		48,403	182,842	2,383,423	2,614,668	2,614,668
Decreases		-	-	(94,275)	(94,275)	(94,275)
Balance, June 30, 2016		<u>430,401</u>	<u>1,260,655</u>	<u>12,359,064</u>	<u>14,050,120</u>	<u>14,050,120</u>
Capital Assets, Net	\$ -	<u>\$1,816,153</u>	<u>\$1,535,145</u>	<u>\$13,684,516</u>	<u>\$17,035,814</u>	<u>\$17,035,814</u>

	2015					
	Construction in Progress	Capital Assets, depreciated				Total Capital Assets, net
		Infrastructure and Improvements			Total Capital Assets, depreciated	
Buildings		Other Than Buildings	Furniture, Machinery, and Equipment			
CAPITAL ASSETS						
Balance, June 30, 2014	\$557,053	\$2,246,554	\$1,949,966	\$23,798,628	\$27,995,148	\$28,552,201
Increases	231,746	-	5,502	1,303,811	1,309,313	1,541,059
Decreases	-	-	-	(5,567,209)	(5,567,209)	(5,567,209)
Transfers	(788,799)	-	788,799	-	788,799	-
Balance, June 30, 2015	-	<u>2,246,554</u>	<u>2,744,267</u>	<u>19,535,230</u>	<u>24,526,051</u>	<u>24,526,051</u>
ACCUMULATED DEPRECIATION						
Balance, June 30, 2014		333,562	884,243	12,407,172	13,624,977	13,624,977
Increases		48,436	193,570	2,252,140	2,494,146	2,494,146
Decreases		-	-	(4,589,396)	(4,589,396)	(4,589,396)
Balance, June 30, 2015		<u>381,998</u>	<u>1,077,813</u>	<u>10,069,916</u>	<u>11,529,727</u>	<u>11,529,727</u>
Capital Assets, Net	\$ -	<u>\$1,864,556</u>	<u>\$1,666,454</u>	<u>\$9,465,314</u>	<u>\$12,996,324</u>	<u>\$12,996,324</u>

Depreciation Expense

Depreciation expense was charged to the Trust in the amount of \$2,614,668, for the year ending June 30, 2016, and \$2,494,146 for the year ending June 30, 2015.

III. LIABILITIES

III. A. REVENUE BONDS

Solid Waste Revenue Bonds

On September 8, 2005, the Trust sold Series 2005 Solid Waste Revenue Bonds for \$8,410,000. Series 2005 Solid Waste Revenue Bonds consist 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.

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.

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.

Bonded Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$160,000	\$74,280	\$234,280
2018	165,000	67,940	232,940
2019	170,000	61,240	231,240
2020	175,000	54,340	229,340
2021	185,000	47,094	232,094
2022-2026	<u>1,040,000</u>	<u>112,693</u>	<u>1,152,693</u>
	<u>\$1,895,000</u>	<u>\$417,587</u>	<u>\$2,312,587</u>

Revenue Bonds Outstanding

	<u>Amount</u>	<u>Interest</u>	<u>Issue</u>	<u>Principal</u>	<u>2016</u>	<u>2015</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Principal</u>
					<u>Balance</u>	<u>Balance</u>
Solid Waste Revenue Bonds, Series 2005	\$8,410,000	3.00-4.25%	9/8/2005	7/1/2025	\$1,895,000	\$2,285,000

Bond Coverage

	<u>2016</u>	<u>2015</u>
Gross revenue, including investment income and transfers in	\$57,472,756	\$48,742,125
Direct operating expenses and transfers out, excluding depreciation and amortization	<u>46,380,598</u>	<u>39,578,090</u>
Net revenue available for debt service	<u>\$11,092,158</u>	<u>\$9,164,035</u>
Principal amounts	\$390,000	\$375,000
Interest amounts	<u>84,535</u>	<u>98,500</u>
Total debt service requirements	<u>\$474,535</u>	<u>\$473,500</u>
Revenue bond coverage	<u>23.37</u>	<u>19.35</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, 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

	<u>2016</u>					
	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016	Due Within One Year	Due After One Year
Revenue bonds	<u>\$2,285,000</u>	<u>\$ -</u>	<u>\$390,000</u>	<u>\$1,895,000</u>	<u>\$160,000</u>	<u>\$1,735,000</u>
	<u>2015</u>					
	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015	Due Within One Year	Due After One Year
Revenue bonds	<u>\$2,660,000</u>	<u>\$ -</u>	<u>\$375,000</u>	<u>\$2,285,000</u>	<u>\$390,000</u>	<u>\$1,895,000</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 \$50,925,602 and \$48,415,589 in solid waste charges in 2016 and 2015, respectively.

IV. NET POSITION

Net Investment in Capital Assets

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$17,035,814	\$12,996,324
Retainages and accounts payable	(3,839,267)	(305,158)
Bonds payable, net	(1,895,571)	(2,285,689)
Bond issuance costs paid from bond proceeds	<u>228,478</u>	<u>228,478</u>
	<u>\$11,529,454</u>	<u>\$10,633,955</u>

Restricted for Debt Service

	<u>2016</u>	<u>2015</u>
Bond principal and interest accounts	\$198,786	\$435,914
Current bond interest payable	<u>(38,661)</u>	<u>(45,875)</u>
	<u>\$160,125</u>	<u>\$390,039</u>

Unrestricted

	<u>2016</u>	<u>2015</u>
Unrestricted	<u>\$31,989,260</u>	<u>\$24,256,971</u>

V. TRANSACTIONS WITHIN THE CITY AND THE TRUST

V. A. INTERFUND BALANCES

Receivable From/Payable To City

RECEIVABLE FROM

	<u>Purpose</u>	<u>2016</u>	<u>2015</u>
City Grants Management Fund	Grant related cost reimbursement	\$ -	\$79,198
City Medical Service Fund	Utility billing adjustments	-	97
City Solid Waste Management Fund	Utility billing adjustments	-	8,030
City Stormwater Drainage Fund	Utility billing adjustments	-	320
City Water and Wastewater Fund	Utility billing adjustments	<u>341,653</u>	<u>326,686</u>
		<u>\$341,653</u>	<u>\$414,331</u>

PAYABLE TO

City General Fund	Transfers in lieu of franchise fees	\$158,139	\$153,751
City Capital Improvement Fund	Capital projects funding	25,841	-
City Grants Management Fund	Grant related cost reimbursement	418,870	-
City Medical Service Fund	Utility billing adjustments	154	-
City Stormwater Drainage Fund	Utility billing adjustments	<u>31,723</u>	<u>-</u>
		<u>\$634,727</u>	<u>\$153,751</u>

Cost Reimbursement Receivable From 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>2016</u>	<u>2015</u>
Beginning balance	\$1,719,820	\$1,961,850
Personal services	8,295,298	7,588,582
Other services	1,262,253	1,339,701
Material and supplies	386,576	476,133
Interest income	(13,366)	(12,205)
Reimbursement to the City	<u>(9,819,223)</u>	<u>(9,634,241)</u>
Advance from City Solid Waste Management Fund	<u>\$1,831,358</u>	<u>\$1,719,820</u>

Receivable From/Payable To Component Unit

	<u>Purpose</u>	<u>2016</u>	<u>2015</u>
RECEIVABLE FROM			
OCWUT	Utility billing adjustments	<u>\$ -</u>	<u>\$88</u>
PAYABLE TO			
OCWUT	Utility billing adjustments	<u>\$489</u>	<u>\$ -</u>

V. B. INTERFUND PAYMENTS

Payments in Lieu of Franchise Fees

During fiscal year 2016 and 2015 \$862,185 and \$898,582, respectively, were transferred 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.

Payments to/from City Solid Waste Management Fund

There were no reimbursements to or from the City Solid Waste Management Fund in 2016. During 2015 the City Solid Waste Management Fund reimbursed the Trust \$39,143 for cash expenditures in excess of transferred funds.

Payments to/from City Grants Management Fund

In 2016 the Trust did not transfer any funds to the City Grants Management Fund for matching requirements. In 2015 the Trust transferred \$288,720 to the City Grants Management Fund for matching requirements related to debris removal for Federal Emergency Management Agency grant awards.

V. C. PAYMENTS TO COMPONENT UNITS

Billing System Chargebacks

OCWUT manages all billings and collections for the Trust. The Trust reimburses OCWUT for the cost of these services. In 2016 and 2015 the Trust paid \$1,827,000 and \$1,755,996, respectively, for this service. The payment is reported with operating expense, maintenance, operations, and contractual services.

Administrative Chargebacks

For fiscal years ending June 30, 2016 and 2015 the Trust reported payments to OCWUT to reimburse for the cost of providing administrative and operational services of \$728,000 and \$668,000, respectively.

VI. OPERATING LEASE

On January 12, 2016, the Trust exercised its option to purchase the Compressed Natural Gas (CNG) fueling station for \$1,564,587. In 2016 and 2015 the Trust paid \$282,336 and \$564,672 in lease payments, respectively. The Trust entered into an equipment rental agreement with CNG Equipment 1, LLC for a compressed natural gas fueling station on December 30, 2013. The monthly lease payment was \$47,056 for a term of 60 months. The Trust had the option to purchase the equipment beginning in the 25th month of the lease.

VI. 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.

2016							
	Refuse <u>Collection</u>	Landfill <u>Disposal</u>	<u>Recycling</u>	Street <u>Sweeping</u>	Fleet <u>Maintenance</u>	<u>Other</u>	<u>Total</u>
2017	\$15,763,000	\$5,961,000	\$3,874,000	\$730,000	\$2,756,000	\$ -	\$29,084,000
2018	16,629,220	3,668,499	4,087,070	762,850	-	-	25,147,639
2019	17,543,045	-	4,311,859	797,178	-	-	22,652,082
2020	18,507,091	-	4,549,011	833,051	-	-	23,889,153
2021	<u>19,524,118</u>	<u>-</u>	<u>4,799,207</u>	<u>870,538</u>	<u>-</u>	<u>-</u>	<u>25,193,863</u>
	<u>\$87,966,474</u>	<u>\$9,629,499</u>	<u>\$21,621,147</u>	<u>\$3,993,617</u>	<u>\$2,756,000</u>	<u>\$-</u>	<u>\$125,966,737</u>
2015							
	Refuse <u>Collection</u>	Landfill <u>Disposal</u>	<u>Recycling</u>	Street <u>Sweeping</u>	Fleet <u>Maintenance</u>	<u>Other</u>	<u>Total</u>
2016	\$14,204,000	\$5,676,000	\$3,587,000	\$698,060	\$2,612,500	\$222,000	\$26,999,560
2017	2,485,053	3,493,105	630,714	364,705	1,365,031	222,000	8,560,608
2018	-	-	-	-	-	222,000	222,000
2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,000</u>	<u>111,000</u>
	<u>\$16,689,053</u>	<u>\$9,169,105</u>	<u>\$4,217,714</u>	<u>\$1,062,765</u>	<u>\$3,977,531</u>	<u>\$777,000</u>	<u>\$35,893,168</u>

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

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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) as of and for the year ended June 30, 2016, and the related notes to the 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 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit 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 on 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 18, 2016
Wichita, Kansas

