



Oklahoma City Water Utilities Trust

A discrete component unit enterprise fund of The City of Oklahoma City, Oklahoma
Annual Financial Report | for the Fiscal Year ended June 30, 2016

OKLAHOMA CITY WATER UTILITIES TRUST

Consolidated Operations of the Oklahoma City Water Utilities Trust,
A Discrete Component Unit of Oklahoma City, Oklahoma,
And McGee Creek Authority of Farris, Oklahoma,
A Blended Component Unit Enterprise Fund of the
Oklahoma City Water Utilities Trust

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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 WATER UTILITIES TRUST

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Introductory Section



November 18, 2016

The Board of Trustees
Oklahoma City Water Utilities Trust

The Oklahoma City Water Utilities Trust (Consolidated Trust) annual financial report (annual report) provides a comprehensive overview of the Consolidated Trust 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 (U.S. GAAP). 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 Consolidated Trust's management.

The Consolidated Trust's annual report includes the report of independent auditors, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Consolidated 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 Consolidated Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Consolidated Trust. The Consolidated Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

The Consolidated Trust includes the blended operations of the Oklahoma City Water Utilities Trust (OCWUT) and McGee Creek Authority (MCA).

OCWUT was created on April 17, 1990, by renaming and replacing the Oklahoma City Municipal Improvement Authority (OCMIA) that had been established on August 1, 1960. The City operated the water system and separately operated the sewer system as City departments prior to signing lease agreements with the OCMIA. The water system was leased from the City by the OCMIA on August 1, 1960. The sewer system was leased from the City on July 1, 1986. Both leases were modified on April 17, 1990, to be leases of the water and sewer system by OCWUT. OCWUT is an enterprise fund and does not receive tax funding.

The purpose of OCWUT is to provide financing, through loans and the issuance of revenue bonds or other debt instruments, for the construction and acquisition of water and wastewater facilities and other general improvements to and for the extension of the water and wastewater system serving the City. The provisions of the trust indenture, as amended, provide that OCWUT will lease or otherwise manage the related water and wastewater system. OCWUT will receive all revenues generated from the water and wastewater system to pay the debt service requirements on the revenue bonds or other debt instruments issued by OCWUT, plus costs and expenses incidental to operations and maintenance. The City is the sole beneficiary of OCWUT. The City Manager, the Mayor, one Council person, and two citizens of the City who are appointed by the City Council serve as trustees of OCWUT.

MCA was established on August 1, 1977, to develop, operate and maintain the McGee Creek Reservoir (Reservoir) and to provide a municipal and industrial water supply for participants of MCA (Participants) in central and southern Oklahoma, including OCWUT, the City of Oklahoma City (City), the City of Atoka, Atoka County, and the Southern Oklahoma Development Trust. MCA is a blended component of OCWUT because OCWUT is expected to fund the debt of MCA due to an agreement of support (OCWUT Agreement) between OCWUT and MCA dated October 11, 1979. The OCWUT Agreement details OCWUT's pledge of water utility revenues, not otherwise pledged or required by OCWUT.

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.

OCWUT and MCA participate in the City's comprehensive accounting and budgetary system. Interim financial statements provide OCWUT and MCA management and other interested readers with regular financial analysis. Additionally OCWUT and MCA management maintain budgetary controls to ensure compliance with legal provisions.

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 Consolidated Trust engaged AGH, L.C. to conduct its annual audit. The Consolidated Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted,


Chris Browning
General Manager


Bret Weingart
City of Oklahoma City
Utilities Department Assistant Director


Laura L. Papas
City of Oklahoma City Controller

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma City Water Utilities Trust
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Oklahoma City Water Utilities Trust (the Trust), a discrete 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund 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.B.*, the financial statements present only the Oklahoma City Water Utilities Trust, a discrete component of the City, and do not purport to, and do not, present fairly the financial position of the Oklahoma City Water Department as of June 30, 2016, the changes in financial position and cash

flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this 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 opinions are 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 Water Utilities Trust (Consolidated Trust) annual financial report, the Consolidated Trust's management provides narrative discussion and analysis of the financial activities of the Consolidated Trust for the fiscal years ended June 30, 2016 and 2015. The Consolidated 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 Consolidated Trust reports services for which customers are charged a fee. Services are provided to customers external to the Consolidated Trust consisting primarily of water and wastewater utility services provided to the public, and water storage and supply services. The Consolidated Trust is a discrete component unit of the City of Oklahoma City (City).

Financial Summary

- Consolidated Trust assets and deferred outflows of resources exceeded liabilities by \$824,292,419 (net position) for 2016. This compares to the previous year when assets exceeded liabilities by \$752,723,014.
- Total liabilities for the Consolidated Trust decreased \$4,741,977 to \$655,817,149 during the fiscal year. This compares to the previous year when liabilities increased \$17,938,891 to \$660,559,126.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$592,542,935 and \$569,832,252 for year ended June 30, 2016 and 2015, respectively, includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position in the amount of \$24,657,235 and \$22,672,349 for year ended June 30, 2016 and 2015, respectively, is restricted for capital projects and by debt service constraints imposed by debt covenants.
 - (3) Unrestricted net position of \$207,092,249 and \$160,218,413 is reported for the year ended June 30, 2016 and 2015, respectively.

Overview of the Financial Statements

This discussion and analysis introduces the Consolidated 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 financial statements.

Financial Statements

The Consolidated Trust's annual financial report includes three financial statements. These statements provide both long-term and short-term information about the overall status of the Consolidated Trust, and are presented to demonstrate the extent the Consolidated Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Consolidated 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 basic financial statement is the statement of net position. This statement presents all of the Consolidated Trust's assets and deferred outflows less liabilities resulting in net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Consolidated Trust, as a whole, is improving or deteriorating, identify financial strengths and weaknesses, and assess liquidity.

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

OKLAHOMA CITY
WATER UTILITIES TRUST

The second statement is the statement of revenues, expenses, and changes in net position, which reports how the Consolidated Trust's net position changed during the fiscal year, and can be used to assess the Consolidated Trust's operating results, in its entirety, and analyze how the Consolidated Trust's activities 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 the Consolidated Trust's cash.

Notes to the Financial Statements

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

Financial Analysis

The Consolidated Trust's net position at June 30, 2016, is \$824,292,419. This is an increase of \$71,569,405 over fiscal year 2015 net position of \$752,723,014. The overall financial position of the Consolidated Trust improved during the 2016 fiscal year.

Summary of Net Position

	2016 - 2015		2016 - 2015		2015 - 2014		2015 - 2014	
	2016	2015	Amount of	%	2014	Amount of	%	
			Change	Change		Change	Change	
Assets								
Current assets	\$203,520,084	\$167,738,987	\$35,781,097	21.3%	\$146,060,811	\$21,678,176	14.8%	
Capital assets, net	1,173,821,901	1,141,239,351	32,582,550	2.9	1,095,340,153	45,899,198	4.2	
Other non-current assets	<u>94,587,405</u>	<u>95,779,873</u>	<u>(1,192,468)</u>	(1.2)	<u>87,812,802</u>	<u>7,967,071</u>	9.1	
Total assets	<u>1,471,929,390</u>	<u>1,404,758,211</u>	<u>67,171,179</u>	4.8	<u>1,329,213,766</u>	<u>75,544,445</u>	5.7	
Deferred Outflows								
of Resources	<u>8,180,178</u>	<u>8,523,929</u>	<u>(343,751)</u>	(4.0)	<u>8,867,679</u>	<u>(343,750)</u>	(3.9)	
Liabilities								
Current liabilities	138,243,098	70,577,618	67,665,480	95.9	108,246,038	(37,668,420)	(34.8)	
Non-current liabilities	<u>517,574,051</u>	<u>589,981,508</u>	<u>(72,407,457)</u>	(12.3)	<u>534,374,197</u>	<u>55,607,311</u>	10.4	
Total liabilities	<u>655,817,149</u>	<u>660,559,126</u>	<u>(4,741,977)</u>	(0.7)	<u>642,620,235</u>	<u>17,938,891</u>	2.8	
Net position								
Invested in capital assets	592,542,935	569,832,252	22,710,683	4.0	536,479,377	33,352,875	6.2	
Restricted	24,657,235	22,672,349	1,984,886	8.8	23,352,613	(680,264)	(2.9)	
Unrestricted	<u>207,092,249</u>	<u>160,218,413</u>	<u>46,873,836</u>	29.3	<u>135,629,220</u>	<u>24,589,193</u>	18.1	
Total net position	<u>\$824,292,419</u>	<u>\$752,723,014</u>	<u>\$71,569,405</u>	9.5	<u>\$695,461,210</u>	<u>\$57,261,804</u>	8.2	

Current assets increased by \$35.78 million in 2016. Cash and investments increased \$32.82 million and accounts receivable increased by \$2.43 million due to an increase in unbilled receivables of \$1.97 million. In 2015 current assets increased by \$21.68 million. Cash and investments increased by \$16.67 million and accounts receivable increased by \$6.45 million due to an increase in unbilled receivables.

The \$32.58 million and \$45.90 million increase in capital assets for fiscal year 2016 and 2015, respectively, is the result of continued construction and purchase of capital assets of \$121.13 million and \$72.55 million, offset by normal depreciation of \$39.64 million and \$35.26 million, respectively. In addition in 2016 future storage costs of \$48.21 million related to the Sardis Lake water storage rights were written off because the costs were determined to no longer be probable based on a settlement agreement related to future lake levels.

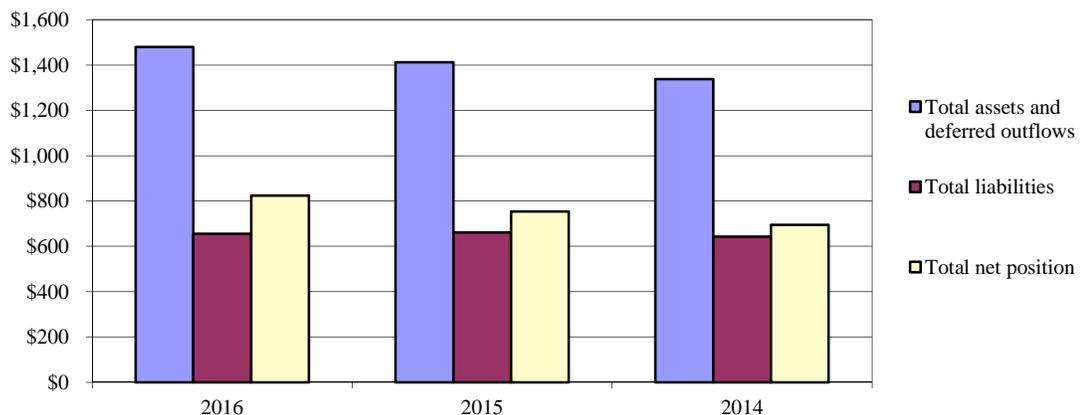
Non-current assets decreased \$1.19 million during 2016 due to an increase in aliquot share receivable of \$2.18 million related to increased cash requirements, offset by a decrease in non-current investments of \$3.33 million related to the retirement of Series 1986C bonds. In 2015, non-current assets increased \$7.97 million due to an increase in aliquot share receivable of \$2.23 million related to increased cash requirements and an increase in non-current investments of \$3.76 million related to the reserve for the Series 2015 Water and Sewer Revenue Bonds.

Deferred outflows of resources decreased by \$344 thousand in both 2016 and 2015 due to normal amortization of deferred amounts on refunding.

Current liabilities increased at June 30, 2016 by \$67.67 million primarily due to an increase in commercial paper borrowings of \$34.50 million and draws on the 2015 Oklahoma Water Resources Board (OWRB) notes payable of \$23.82 million. Current liabilities decreased at June 30, 2015 by \$37.67 million primarily due to commercial paper borrowings of \$36.5 million, offset by retirements of \$75 million.

The \$72.41 million decrease in non-current liabilities at June 30, 2016, is largely due to decreases in intergovernmental payables of \$48.21 related to the write off of the future storage costs at Sardis Lake, bonds payable of \$15.38 million due to regularly scheduled bond payments and an \$8.41 million decrease in deferred interest payable due to the payoff of the Series 1986C Water and Sewer Revenue Deferred Interest Bonds. At June 30, 2015, non-current liabilities increased by \$55.61 million largely due to the Series 2015 bond issue of \$67.65 million, offset by a reduction of bond deferred interest payable of \$8.41 million due to normal amortization of the deferred interest.

Summary of Net Position
(dollars are in millions)



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

OKLAHOMA CITY
WATER UTILITIES TRUST

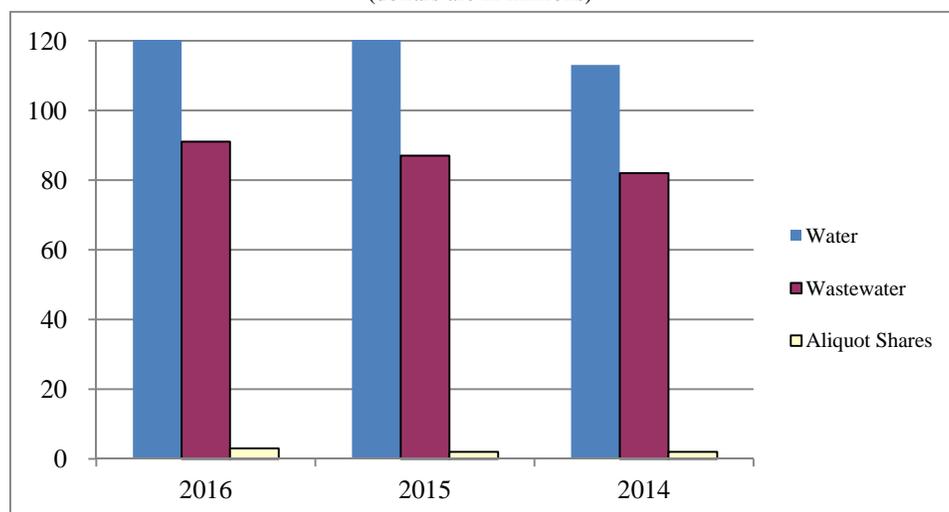
	Summary of Changes in Net Position							
			2016 - 2015	2016 - 2015			2015 - 2014	2015 - 2014
	<u>2016</u>	<u>2015</u>	Amount of <u>Change</u>	% <u>Change</u>	<u>2014</u>	Amount of <u>Change</u>	% <u>Change</u>	
Operating revenues								
Charges for services:								
Water	\$138,669,916	\$123,041,080	\$15,628,836	12.7%	\$112,633,219	\$10,407,861	9.2%	
Wastewater	90,971,035	86,831,456	4,139,579	4.8	82,161,811	4,669,645	5.7	
Aliquot share charges	2,502,586	2,476,367	26,219	1.1	1,914,251	562,116	29.4	
Other charges for services and other revenues	<u>825,630</u>	<u>829,841</u>	<u>(4,211)</u>	(0.5)	<u>831,507</u>	<u>(1,666)</u>	(0.2)	
Total operating revenues	232,969,167	213,178,744	19,790,423	9.3	197,540,788	15,637,956	7.9	
Operating expenses	<u>153,600,454</u>	<u>145,953,494</u>	<u>7,646,960</u>	5.2	<u>153,307,951</u>	<u>(7,354,457)</u>	(4.8)	
Operating income	79,368,713	67,225,250	12,143,463	18.1	44,232,837	22,992,413	52.0	
Net non-operating expenses	(7,799,308)	(9,963,446)	2,164,138	21.7	(10,559,578)	596,132	5.6	
Capital contributions	—	—	—	0.0	<u>107,738</u>	<u>(107,738)</u>	(100.0)	
Changes in net position	71,569,405	57,261,804	14,307,601	25.0	33,780,997	23,480,807	69.5	
Beginning net position	<u>752,723,014</u>	<u>695,461,210</u>	<u>57,261,804</u>	8.2	<u>661,680,213</u>	<u>33,780,997</u>	5.1	
Ending net position	<u>\$824,292,419</u>	<u>\$752,723,014</u>	<u>\$71,569,405</u>	9.5	<u>\$695,461,210</u>	<u>\$57,261,804</u>	8.2	

Operating revenues were \$232,969,167 at June 30, 2016, compared to \$213,178,744 at June 30, 2015, for an increase of 9.3% or \$19.79 million and 7.9% or \$15.64 million in 2016 and 2015 respectively, due to normal growth and scheduled rate adjustments.

Operating expenses remained comparable for the twelve months ended June 30, 2016 increasing \$7.65 million or 5.2%. For the twelve months ended June 30, 2015, operating expenses decreased \$7.35 million primarily due to a \$6.08 million decrease in City Water and Wastewater Fund operations costs.

During 2016 net non-operating expenses decreased \$2.16 million or 21.70%. This is primarily due to an increase in investment income of \$1.36 million due to an increase in realized interest rates and an increase in grant receipts of \$757 thousand from the Federal Emergency Management Administration for reimbursements of May 2015 flood damage expenditures. For the twelve months ended June 30, 2015, net non-operating expenses decreased \$596 thousand or 5.60%. This is primarily due to an increase in investment income of \$800 thousand due to increased reserve requirements related to the 2015 bonds, an increase in payments from the City of \$991 thousand primarily related to increased administration and billing service fees paid.

Charges for Services
(dollars are in millions)



Capital Assets

The Consolidated Trust's investment in capital assets, net of accumulated depreciation, as of June 30, 2016 and 2015, was \$1,173,821,901 and \$1,141,239,351, respectively.

In fiscal year 2003 the water master plan was completed, which included a 50-year plan for water supply availability. In 2009 the wastewater system master plan was completed, which included plans for capital improvements through 2051. In 2014 the Southeast Oklahoma Raw Water Supply System Plan and the Hefner/Draper System Interconnection study were completed. These two recent studies enhance the water master plan and provide guidance for capital improvements for the next 40 years.

**Capital Assets
Net of Accumulated Depreciation**

	2016	2015	2016 - 2015 Amount of Change	2016 - 2015 %	2014	2015 - 2014 Amount of Change	2015 - 2014 %
Non-Depreciable Assets							
Land and water storage rights	\$119,664,803	\$167,664,162	(\$47,999,359)	(28.6%)	\$165,626,219	\$2,037,943	1.2%
Construction in progress	<u>168,456,374</u>	<u>102,569,381</u>	<u>65,886,993</u>	64.2	<u>120,286,295</u>	<u>(17,716,914)</u>	(14.7)
Total non-depreciable assets	<u>288,121,177</u>	<u>270,233,543</u>	<u>17,887,634</u>	6.6	<u>285,912,514</u>	<u>(15,678,971)</u>	(5.5)
Depreciable Assets							
Buildings	41,623,749	43,163,983	(1,540,234)	(3.6)	44,719,631	(1,555,648)	(3.5)
Improvements other than buildings	823,039,089	805,277,842	17,761,247	2.2	744,525,590	60,752,252	8.2
Furniture, machinery, and equipment	<u>21,037,886</u>	<u>22,563,983</u>	<u>(1,526,097)</u>	(6.8)	<u>20,182,418</u>	<u>2,381,565</u>	11.8
Total depreciable assets	<u>885,700,724</u>	<u>871,005,808</u>	<u>14,694,916</u>	1.7	<u>809,427,639</u>	<u>61,578,169</u>	7.6
	<u>\$1,173,821,901</u>	<u>\$1,141,239,351</u>	<u>\$32,582,550</u>	2.9	<u>\$1,095,340,153</u>	<u>\$45,899,198</u>	4.2

Capital assets, net of accumulated depreciation, increased by \$32.58 million or 2.9% during 2016 due to OCWUT's construction and improvement projects for the water utilities system. Depreciation expense increased by \$4.39 million or 12% in 2016 due to finalized construction in progress projects. Major construction projects finalized during 2016 include transmissions mains projects. Major construction projects in progress at June 30, 2016, include improvements at Draper, Hefner, and Overholser Water Treatment Plants. In addition, the future storage costs of \$48.21 million previously expected to be paid were determined to no longer be probable since the related storage capacity cannot be used by the Trust. Capital assets, net of accumulated depreciation, increased 4.2% during 2015 due to OCWUT's construction and improvement projects for the water utilities system. Depreciation expense increased by \$660 thousand in 2015 due to capitalizing construction in progress projects at year-end. Major construction projects in progress at June 30, 2015, include: Draper Water Treatment Plant pump station, Hefner Water Treatment Plant improvements, and the water main extension on MacArthur Boulevard between SW 8th & 29th. See Note II. E. for more information regarding capital assets.

Long-term Liabilities

At the end of the 2016 and 2015 fiscal years, the Consolidated Trust had total debt outstanding of \$517,751,511 and \$555,232,191, respectively.

Intergovernmental Payable

OCWUT had agreed to repay the Federal government for certain costs for future storage capacity related to the construction of Sardis Lake. In 2016, as a result of restrictions on lake levels, these costs were determined to be not probable since the Trust has no access to the additional capacity. Accrued interest on these construction costs in the amount of \$1.81 million was added to the future liability in 2015. The amount payable of \$15 million is required to reimburse the OWRB for related costs upon the issuance of a water use permit by the OWRB in accordance with Oklahoma law. The balance due is \$15 million and \$63.21 million at June 30, 2016 and 2015, respectively. See Note III. B. for more information regarding intergovernmental payable.

OWRB Notes Payable

The OWRB provided partial funding to OCWUT for several clean water and drinking water projects since 2009. These agreements provided up to \$96.14 million in loans, of which \$77.60 million and \$54.55 million remained outstanding at June 30, 2016 and 2015, respectively. See Note III. C. for more information regarding notes payable.

Revenue Bonds

At June 30, 2016 and 2015, the Consolidated Trust had total revenue bond debt outstanding of \$425.09 million and \$437.43 million, respectively. See Note III.E. for more information regarding revenue bonds.

OCWUT

In February 2015, OCWUT issued Series 2015 Water and Sewer Revenue Refunding Bonds with a principal amount of \$67.65 million. Bond proceeds of \$79.99 million included \$12.34 million in premium. These bonds retired \$75 million of commercial paper notes, thereby restoring the available borrowing capacity under the commercial paper program. Additionally, bond proceeds were used to establish a reserve fund and pay the cost of issuance.

At June 30, 2016 and 2015, OCWUT had total revenue bond debt outstanding of \$387.97 million and \$396.13 million, respectively. This debt is supported by pledged water and wastewater revenues generated by OCWUT's utility services.

MCA

MCA issued Series 1992 Water Revenue Bonds to purchase water storage rights and related assets, which in effect, repaid construction costs to the Bureau of Reclamation for McGee Creek Reservoir. These bonds are secured by aliquot share revenues from participants of MCA and agreement of support with OCWUT. At June 30, 2016 and 2015, MCA had total revenue bond debt outstanding of \$37.13 million and \$41.30 million, respectively.

	Outstanding Long Term Debt							
			2016 - 2015	2016 - 2015			2015 - 2014	2015 - 2014
	2016	2015	Amount of	%	2014	Amount of	%	
		<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>		
Intergovernmental payable	\$15,053,038	\$63,255,001	(\$48,201,963)	(76.2%)	\$61,380,190	\$1,874,811	3.1%	
OWRB notes payable	77,603,611	54,547,221	23,056,390	42.3	55,821,956	(1,274,735)	(2.3)	
Revenue bonds	<u>425,094,862</u>	<u>437,429,969</u>	<u>(12,335,107)</u>	(2.8)	<u>381,773,978</u>	<u>55,655,991</u>	14.6	
	<u>\$517,751,511</u>	<u>\$555,232,191</u>	<u>(\$37,480,680)</u>	(6.8)	<u>\$498,976,124</u>	<u>\$56,256,067</u>	11.3	

The \$48.20 million decrease in the intergovernmental payable during 2016 was due to a write off of this probable liability for future storage costs and the \$1.87 million increase in 2015 was due to accrued interest in 2015. OWRB notes payable increased \$23.06 million at June 30, 2016 as a result of draws on the OWRB 2015 notes payable, offset by regularly scheduled payments of \$1.31 million. OWRB notes payable decreased \$1.27 million at June 30, 2015, due to regularly scheduled payments. The \$12.34 million decrease in revenue bonds during 2016 is due to regularly scheduled debt service payments. The \$55.66 million increase in revenue bonds during 2015 is due to the issuance of series 2015 revenue bonds of \$67.65 million, offset by regularly scheduled debt service payments of \$8.41 million.

Bond Ratings

As of June 30, 2016, Standard and Poor's Rating Services reported a credit rating of AAA and Moody's Rating Services reported a credit rating of Aaa on the OCWUT's long term debt. On November 23, 2015, Moody's Rating Services upgraded OCWUT's bond rating from Aa1 to Aaa. As of June 30, 2016 and 2015, Standard and Poor's Rating Services reported a credit rating of AA- and Moody's Rating Services reported a credit rating of A3 on the MCA's debt, which are the credit ratings for the insurer of the MCA bonds.

Commercial Paper ratings

OCWUT's short-term credit rating for its commercial paper program is A-1+ and P1 from Standard & Poor's and Moody's, respectively. These are the highest credit ratings available for commercial paper from each firm.

Economic Factors and Rates

Economic Factors

The current economic environment in Oklahoma City is positive; however, the economic outlook has been recently 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 tiered rate plan put into effect as a result of a rate study.

Utility Rates

In September 2014 the City Council approved an ordinance for a 3 year rate plan which included a new tiered rate plan for residential and commercial customers that went into effect October 2014. The three-year approved rate plan provided for an overall average annual revenue adjustment of 8.3% including a 5% average adjustment for the typical residential water and wastewater customer. Two water rate tiers were designed to encourage water conservation. Those who use more water will pay more. The residential volume rate for Tier 1 – up to 10,000 gallons of water used – increased only 8 cents per thousand gallons each year. The rate for Tier 2 – over 10,000 gallons water used – increased 49 cents in the first year and 18 cents in each of the next two years of that plan.

Aliquot Shares

Aliquot share revenue may be generated by payments from surrogates or designees of MCA Participants: the City; City of Atoka, Oklahoma; and Atoka County, Oklahoma. MCA uses OCWUT's rate study information as a basis for determining these charges. The Authority increased the rate 5% effective October 1, 2009, and 4% effective each October from 2010 through 2014.

Contacting the Consolidated Trust's Financial Management

This financial report is designed to provide a general overview of the Consolidated Trust's finances, comply with finance-related laws and regulations, and demonstrate 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.

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
WATER UTILITIES TRUST

	2016				2015			
	Water	McGee Creek	Eliminations	Consolidated	Water	McGee Creek	Eliminations	Consolidated
	Utilities Trust	Authority			Utilities Trust	Authority		
ASSETS								
CURRENT ASSETS								
Non-pooled cash-----	\$54,713,566	\$1,308,438	\$ -	\$56,022,004	\$25,422,500	\$236,045	\$ -	\$25,658,545
Investments-----	116,393,727	2,372,322	-	118,766,049	112,786,664	3,522,022	-	116,308,686
Accounts receivable, net-----	26,289,977	47,034	-	26,337,011	23,866,021	42,354	-	23,908,375
Interest, dividends, and royalties receivable-----	438,222	25,182	-	463,404	369,879	263,000	-	632,879
Receivable from primary government-----	492,210	-	-	492,210	550,189	-	-	550,189
Intergovernmental receivables-----	965,897	69,661	-	1,035,558	188,298	31,821	-	220,119
Prepays-----	388,837	15,011	-	403,848	443,723	16,471	-	460,194
Total current assets-----	<u>199,682,436</u>	<u>3,837,648</u>	<u>-</u>	<u>203,520,084</u>	<u>163,627,274</u>	<u>4,111,713</u>	<u>-</u>	<u>167,738,987</u>
NON-CURRENT ASSETS								
Investments-----	32,539,662	7,089,427	-	39,629,089	36,091,846	6,871,368	-	42,963,214
Advance to McGee Creek Authority-----	53,189,948	-	(53,189,948)	-	50,873,272	-	(50,873,272)	-
Intergovernmental aliquot share receivable-----	-	52,849,523	-	52,849,523	-	50,669,127	-	50,669,127
Other non-current assets-----	2,050,219	-	-	2,050,219	2,050,219	-	-	2,050,219
Prepays-----	17,187	41,387	-	58,574	42,199	55,114	-	97,313
Capital assets:								
Land, water storage rights								
and construction in progress-----	225,554,159	62,567,018	-	288,121,177	208,388,191	61,845,352	-	270,233,543
Other capital assets, net of								
accumulated depreciation-----	873,541,740	12,158,984	-	885,700,724	858,172,056	12,833,752	-	871,005,808
Total capital assets-----	<u>1,099,095,899</u>	<u>74,726,002</u>	<u>-</u>	<u>1,173,821,901</u>	<u>1,066,560,247</u>	<u>74,679,104</u>	<u>-</u>	<u>1,141,239,351</u>
Total non-current assets-----	<u>1,186,892,915</u>	<u>134,706,339</u>	<u>(53,189,948)</u>	<u>1,268,409,306</u>	<u>1,155,617,783</u>	<u>132,274,713</u>	<u>(50,873,272)</u>	<u>1,237,019,224</u>
Total assets-----	<u>1,386,575,351</u>	<u>138,543,987</u>	<u>(53,189,948)</u>	<u>1,471,929,390</u>	<u>1,319,245,057</u>	<u>136,386,426</u>	<u>(50,873,272)</u>	<u>1,404,758,211</u>
DEFERRED OUTFLOWS								
OF RESOURCES-----	<u>8,180,178</u>	<u>-</u>	<u>-</u>	<u>8,180,178</u>	<u>8,523,929</u>	<u>-</u>	<u>-</u>	<u>8,523,929</u>
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable and accrued expenses-----	28,166,539	194,961	-	28,361,500	20,101,066	85,109	-	20,186,175
Wages and benefits payable-----	-	9,793	-	9,793	-	8,563	-	8,563
Payable to primary government-----	1,528,047	3,396	-	1,531,443	1,223,820	493	-	1,224,313
Interest payable-----	780,219	-	-	780,219	568,495	-	-	568,495
Compensated absences-----	-	16,944	-	16,944	-	11,786	-	11,786
Commercial paper-----	50,500,000	-	-	50,500,000	16,000,000	-	-	16,000,000
Notes payable-----	25,137,898	-	-	25,137,898	1,314,088	-	-	1,314,088
Unearned revenue-----	112,068	-	-	112,068	60,101	-	-	60,101
Bond interest payable-----	17,864,023	1,113,750	-	18,977,773	17,630,140	1,238,850	-	18,868,990
Bonds payable-----	8,369,862	4,420,000	-	12,789,862	8,165,107	4,170,000	-	12,335,107
Intergovernmental payable-----	25,598	-	-	25,598	-	-	-	-
Total current liabilities-----	<u>132,484,254</u>	<u>5,758,844</u>	<u>-</u>	<u>138,243,098</u>	<u>65,062,817</u>	<u>5,514,801</u>	<u>-</u>	<u>70,577,618</u>
NON-CURRENT LIABILITIES								
Compensated absences-----	-	44,509	-	44,509	-	45,575	-	45,575
Payable to primary government-----	3,802,915	-	-	3,802,915	3,445,891	-	-	3,445,891
Intergovernmental payable-----	15,000,000	53,038	-	15,053,038	63,213,732	41,269	-	63,255,001
Notes payable-----	52,465,713	-	-	52,465,713	53,233,133	-	-	53,233,133
Advance from other funds-----	-	53,189,948	(53,189,948)	-	-	50,873,272	(50,873,272)	-
Unearned revenue-----	4,562	-	-	4,562	4,299	-	-	4,299
Bond interest payable-----	-	-	-	-	8,414,597	-	-	8,414,597
Bonds payable, net-----	413,752,172	32,451,142	-	446,203,314	424,782,752	36,800,260	-	461,583,012
Total non-current liabilities-----	<u>485,025,362</u>	<u>85,738,637</u>	<u>(53,189,948)</u>	<u>517,574,051</u>	<u>553,094,404</u>	<u>87,760,376</u>	<u>(50,873,272)</u>	<u>589,981,508</u>
Total liabilities-----	<u>617,509,616</u>	<u>91,497,481</u>	<u>(53,189,948)</u>	<u>655,817,149</u>	<u>618,157,221</u>	<u>93,275,177</u>	<u>(50,873,272)</u>	<u>660,559,126</u>
NET POSITION								
Net investment in capital assets-----	552,808,798	39,734,137	-	592,542,935	534,147,175	35,685,077	-	569,832,252
Restricted for:								
Debt service-----	16,326,675	8,330,560	-	24,657,235	14,413,694	8,258,655	-	22,672,349
Unrestricted-----	208,110,440	(1,018,191)	-	207,092,249	161,050,896	(832,483)	-	160,218,413
Total net position-----	<u>\$777,245,913</u>	<u>\$47,046,506</u>	<u>\$ -</u>	<u>\$824,292,419</u>	<u>\$709,611,765</u>	<u>\$43,111,249</u>	<u>\$ -</u>	<u>\$752,723,014</u>

See accompanying notes to financial statements.

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

**OKLAHOMA CITY
WATER UTILITIES TRUST**

For the Years Ended June 30,

	2016				2015			
	Water	McGee Creek	Eliminations	Consolidated	Water	McGee Creek	Eliminations	Consolidated
	Utilities Trust	Authority			Utilities Trust	Authority		
OPERATING REVENUES								
CHARGES FOR SERVICES								
Water charges-----	\$138,669,916	\$ -	\$ -	\$138,669,916	\$123,041,080	\$ -	\$ -	\$123,041,080
Wastewater charges-----	90,971,035	-	-	90,971,035	86,831,456	-	-	86,831,456
Aliquot share charges-----	-	2,502,586	-	2,502,586	-	2,476,367	-	2,476,367
Total charges for services-----	229,640,951	2,502,586	-	232,143,537	209,872,536	2,476,367	-	212,348,903
Lease and rental income-----	603,381	-	-	603,381	608,464	-	-	608,464
Other-----	222,249	-	-	222,249	221,377	-	-	221,377
Total operating revenues-----	230,466,581	2,502,586	-	232,969,167	210,702,377	2,476,367	-	213,178,744
OPERATING EXPENSES								
Personal services-----	-	246,666	-	246,666	-	240,415	-	240,415
Maintenance, operations, and contractual services---	113,048,326	267,261	-	113,315,587	109,577,725	616,754	-	110,194,479
Materials and supplies-----	336,066	60,300	-	396,366	211,198	52,215	-	263,413
Depreciation-----	38,922,276	719,559	-	39,641,835	34,538,301	716,886	-	35,255,187
Total operating expenses-----	152,306,668	1,293,786	-	153,600,454	144,327,224	1,626,270	-	145,953,494
Operating income-----	78,159,913	1,208,800	-	79,368,713	66,375,153	850,097	-	67,225,250
NON-OPERATING REVENUES (EXPENSES)								
Grant operating-----	954,292	-	-	954,292	188,298	-	-	188,298
Investment income-----	3,023,132	547,205	-	3,570,337	1,618,302	596,785	-	2,215,087
Interest on bonds-----	(13,519,790)	(2,423,482)	-	(15,943,272)	(13,086,237)	(2,673,859)	-	(15,760,096)
Bond issue costs-----	-	-	-	-	(574,685)	-	-	(574,685)
Bond insurance-----	(2,048)	(15,389)	-	(17,437)	(4,100)	(16,958)	-	(21,058)
Arbitrage-----	-	(11,768)	-	(11,768)	-	(15,088)	-	(15,088)
Oil and gas royalties-----	61,801	-	-	61,801	137,093	-	-	137,093
Payments from primary government-----	3,613,822	-	-	3,613,822	3,631,560	-	-	3,631,560
Other revenue (expenses)-----	233,097	(260,180)	-	(27,083)	243,483	(8,040)	-	235,443
Net non-operating expenses-----	(5,635,694)	(2,163,614)	-	(7,799,308)	(7,846,286)	(2,117,160)	-	(9,963,446)
Income (loss) before contributions and transfers--	72,524,219	(954,814)	-	71,569,405	58,528,867	(1,267,063)	-	57,261,804
CONTRIBUTIONS AND TRANSFERS								
Transfers from other funds-----	-	4,890,071	(4,890,071)	-	-	4,982,400	(4,982,400)	-
Transfers to other funds-----	(4,890,071)	-	4,890,071	-	(4,982,400)	-	4,982,400	-
Total contributions and transfers-----	(4,890,071)	4,890,071	-	-	(4,982,400)	4,982,400	-	-
Changes in net position-----	67,634,148	3,935,257	-	71,569,405	53,546,467	3,715,337	-	57,261,804
Total net position, beginning-----	709,611,765	43,111,249	-	752,723,014	656,065,298	39,395,912	-	695,461,210
Total net position, ending-----	\$777,245,913	\$47,046,506	\$ -	\$824,292,419	\$709,611,765	\$43,111,249	\$ -	\$752,723,014

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

OKLAHOMA CITY
WATER UTILITIES TRUST

	2016				2015			
	Water	McGee Creek	Eliminations	Consolidated	Water	McGee Creek	Eliminations	Consolidated
	Utilities Trust	Authority			Utilities Trust	Authority		
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>								
Cash received from customers-----	\$229,554,571	\$317,508	\$ -	\$229,872,079	\$204,697,561	\$218,338	\$ -	\$204,915,899
Cash payments to suppliers for goods and services-----	(30,139,711)	(311,967)	-	(30,451,678)	(27,600,152)	(688,939)	-	(28,289,091)
Cash payments to employees and professional contractors for services-----	-	(241,345)	-	(241,345)	-	(231,673)	-	(231,673)
Cash payments for internal services-----	(76,316)	-	-	(76,316)	-	-	-	-
Operating payments from City of Oklahoma City-----	3,729,532	-	-	3,729,532	3,592,904	-	-	3,592,904
Operating payments to City of Oklahoma City-----	(6,008,250)	-	-	(6,008,250)	(5,595,593)	-	-	(5,595,593)
Cost reimbursements from (to) other funds-----	(77,230,000)	-	-	(77,230,000)	(78,535,583)	-	-	(78,535,583)
Other cash receipts-----	-	-	-	-	144,868	51,999	-	196,867
Net cash provided (used) by operating activities-----	119,829,826	(235,804)	-	119,594,022	96,704,005	(650,275)	-	96,053,730
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>								
Cash received from operating grants-----	202,290	-	-	202,290	-	-	-	-
Transfers paid to other funds-----	-	7,206,747	(7,206,747)	-	-	6,938,602	(6,938,602)	-
Transfers received from other funds-----	(7,206,748)	-	7,206,748	-	(6,938,602)	-	6,938,602	-
Net cash provided (used) by non-capital financing activities-----	(7,004,458)	7,206,747	1	202,290	(6,938,602)	6,938,602	-	-
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u>								
Proceeds from issuance of long-term debt and commercial paper-----	57,505,170	-	-	57,505,170	115,919,659	-	-	115,919,659
Payments for acquisition and construction of capital assets-----	(107,749,983)	(967,517)	-	(108,717,500)	(76,752,870)	(275,057)	-	(77,027,927)
Principal paid on long-term debt and commercial paper-----	(10,774,605)	(4,170,000)	-	(14,944,605)	(84,333,743)	(3,935,000)	-	(88,268,743)
Interest paid on long-term debt and commercial paper-----	(25,728,316)	(2,477,700)	-	(28,206,016)	(25,560,639)	(2,713,800)	-	(28,274,439)
Proceeds from sale of assets-----	251,727	-	-	251,727	27,275	-	-	27,275
Net cash used by capital financing activities-----	(86,496,007)	(7,615,217)	-	(94,111,224)	(70,700,318)	(6,923,857)	-	(77,624,175)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>								
Purchase of investments-----	(391,328,533)	(22,272,376)	-	(413,600,909)	(443,869,644)	(21,224,454)	-	(465,094,098)
Proceeds from sale of investments-----	392,725,940	23,208,489	-	415,934,429	438,331,289	21,144,826	-	459,476,115
Investment income received-----	1,450,951	781,719	-	2,232,670	1,211,174	427,738	-	1,638,912
Purchased interest-----	51,546	(1,165)	-	50,381	(26,461)	1,433	-	(25,028)
Receipts from oil and gas royalties-----	61,801	-	-	61,801	137,093	-	-	137,093
Net cash provided (used) by investing activities-----	2,961,705	1,716,667	-	4,678,372	(4,216,549)	349,543	-	(3,867,006)
Net increase (decrease) in cash-----	29,291,066	1,072,393	-	30,363,459	14,848,536	(285,987)	-	14,562,549
Cash, beginning-----	25,422,500	236,045	-	25,658,545	10,573,964	522,032	-	11,095,996
Cash, ending-----	\$54,713,566	\$1,308,438	\$ -	\$56,022,004	\$25,422,500	\$236,045	\$ -	\$25,658,545

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

OKLAHOMA CITY
WATER UTILITIES TRUST

	2016				2015			
	Water	McGee Creek	Eliminations	Consolidated	Water	McGee Creek	Eliminations	Consolidated
	Utilities Trust	Authority			Utilities Trust	Authority		
RECONCILIATION OF OPERATING INCOME								
PROVIDED BY OPERATING ACTIVITIES TO NET CASH								
Operating income-----	\$78,159,913	\$1,208,800	\$ -	\$79,368,713	\$66,375,153	\$850,097	\$ -	\$67,225,250
ADJUSTMENTS TO RECONCILE OPERATING INCOME								
PROVIDED BY OPERATING ACTIVITIES TO NET CASH								
Depreciation-----	38,922,276	719,559	-	39,641,835	34,538,301	716,886	-	35,255,187
Non-operating revenue (expense)-----	-	37,840	-	37,840	135,632	14,349	-	149,981
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable-----	(373,738)	(4,684)	-	(378,422)	(6,419,379)	(25,702)	-	(6,445,081)
(Increase) decrease in receivable from component units-----	3,613,822	-	-	3,613,822	3,631,560	-	-	3,631,560
(Increase) decrease in receivable from City of Oklahoma City-----	57,982	-	-	57,982	(94,404)	-	-	(94,404)
(Increase) decrease in prepaid assets-----	77,850	(203)	-	77,647	37,151	17,447	-	54,598
(Increase) decrease in intergovernmental receivable-----	-	(37,840)	-	(37,840)	17,208	20,690	-	37,898
(Increase) decrease in Intergovernmental aliquot share receivable--	-	(2,180,396)	-	(2,180,396)	-	(2,232,327)	-	(2,232,327)
(Increase) decrease in other assets-----	(2,050,219)	-	-	(2,050,219)	-	-	-	-
Increase (decrease) in accounts payable and accrued expenses-----	708,463	12,895	-	721,358	1,402,583	(20,952)	-	1,381,631
Increase (decrease) in wages and benefits payable-----	(1)	1,230	-	1,229	-	1,900	-	1,900
Increase (decrease) in payable to City of Oklahoma City-----	661,249	2,903	-	664,152	(2,906,734)	493	-	(2,906,241)
Increase (decrease) in compensated absences-----	-	4,092	-	4,092	-	6,844	-	6,844
Increase (decrease) in deferred revenue-----	52,229	-	-	52,229	(13,066)	-	-	(13,066)
Total adjustments-----	41,669,913	(1,444,604)	-	40,225,309	30,328,852	(1,500,372)	-	28,828,480
Net cash provided (used) by operating activities-----	\$119,829,826	(\$235,804)	\$ -	\$119,594,022	\$96,704,005	(\$650,275)	\$ -	\$96,053,730
NON-CASH INVESTING, CAPITAL								
AND FINANCING ACTIVITIES								
Net increase (decrease) in fair value of investments-----	\$1,452,292	\$4,470	\$ -	\$1,456,762	\$317,897	(\$67,953)	\$ -	\$249,944
Water storage rights-----	-	-	-	-	1,859,723	-	-	1,859,723
Total non-cash investing, capital,								
and financing activities-----	\$1,452,292	\$4,470	\$ -	\$1,456,762	\$2,177,620	(\$67,953)	\$ -	\$2,109,667

See accompanying notes to financial statements.

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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 are organized to provide explanations, including required disclosures, of the Oklahoma City Water Utilities Trust (Consolidated Trust) financial activities for the fiscal year ended June 30, 2016 and 2015. Reclassifications have been made to 2015 net position amounts between net investment in capital assets and unrestricted net position because the previously reported net investment in capital assets did not include bond related deferred outflows of resources. Advance funding costs in accounts receivable in 2015 were reclassified to other assets. In addition, certain reclassifications were made to the 2015 cashflows to conform with current year presentation.

I. B. REPORTING ENTITY

Fund Types and Major Funds

Major Proprietary Funds

Oklahoma City Water Utilities Trust (OCWUT) Fund

Accounts for balances and transactions related to water and wastewater utilities operations, construction, contracting, related debt, and other matters requiring commitment for more than one fiscal year.

OCWUT was created as a public trust pursuant to Title 60 of the Oklahoma Statutes, section 176, et seq (Title 60). OCWUT was created on April 17, 1990, by renaming and replacing the Oklahoma City Municipal Improvement Authority (OCMIA) that had been established on August 1, 1960. The purpose of OCWUT, generally, is to provide financing, through loans and the issuance of revenue bonds or other debt instruments, for the construction and acquisition of water and wastewater facilities and other general improvements to and for the extension of the water and wastewater system serving the City. The provisions of the trust indenture, as amended, provide that OCWUT will lease or otherwise manage the related water and wastewater system. OCWUT will receive all revenues generated from the water and wastewater system to pay the debt service requirements on the revenue bonds or other debt instruments issued by OCWUT, plus costs and expenses incidental to operations and maintenance.

The City Manager, the Mayor, one Council person, and two citizens of the City who are appointed by the City Council serve as trustees of OCWUT. OCWUT does not have the power to levy taxes, but may, with City council approval, fix, demand, and collect charges, rentals, and fees for the services and facilities of OCWUT. Although the City has no obligation for debt issued by OCWUT, the City must approve the issuance of debt.

McGee Creek Authority (MCA) Fund

Accounts for balances and transactions related to the purchase of water storage rights, related debt and operations of the McGee Creek Reservoir (Reservoir).

MCA is a public trust created pursuant to Title 60. MCA was established on August 1, 1977. The purpose of MCA is, generally, to act as the contracting party for acquiring land, constructing facilities, operating, and maintaining a water storage and transportation facility at the Reservoir. Recreation activities at the Reservoir are managed by the Oklahoma Department of Wildlife Conservation and the Oklahoma Tourism and Recreation Department. MCA does not manage recreation activities. The beneficiaries of MCA (Beneficiaries) are the City; City of Atoka, Oklahoma; Atoka County, Oklahoma; and the Southern Oklahoma Development Trust. The participants of MCA (Participants) are the Beneficiaries and OCWUT.

The Mayor of Atoka, Oklahoma; the Mayor of Oklahoma City, Oklahoma; the Chairman of the Board of County Commissioners of Atoka County, Oklahoma; the Chairman of the Board of Trustees of OCWUT; and the Chairman of the Board of the Southern Oklahoma Development Trust serve as Trustees for MCA. The Beneficiaries do not have an obligation for debt issued by MCA.

Component Unit

MCA

MCA was established to finance the purchase of water storage rights at the McGee Creek Reservoir for the benefit of OCWUT. MCA Trustees are the Mayors/Chairpersons of the respective beneficiaries including the Chairperson of OCWUT and other participants.

MCA meets the criteria of a blended component unit of OCWUT because OCWUT is expected to fund the debt of MCA due to an agreement of support (OCWUT Agreement) between OCWUT and MCA dated October 11, 1979. The OCWUT Agreement details OCWUT's pledge of water utility revenues, not otherwise pledged or required by OCWUT. OCWUT is required to provide cash payments for shortfalls of MCA to fund debt service requirements, operation and maintenance, extraordinary expenses and capital improvements, as well as maintain the bond fund minimum required balance reserve. Additionally, MCA is a significant source of OCWUT's water supply. Therefore, MCA's balances and transactions are blended with OCWUT's in the Consolidated Trust annual financial statements.

MCA issues separate audited financial statements. Copies of MCA's financial statements may be obtained from the City's Finance Department, Accounting Services Division, at 100 N. Walker, Suite 300, Oklahoma City, Oklahoma 73102.

I. B. 1. RELATIONSHIP WITH THE CITY

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created 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.

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

The Consolidated Trust is presented as a component unit because OCWUT utility rates and fees are set by City ordinance and the City must approve all debt issuances of OCWUT and MCA. The Consolidated Trust is discretely presented because the majority of the Board of Trustees of OCWUT is not the same as the voting majority of the City Council.

The Consolidated Trust is a component unit of the City and is included in the City's CAFR. Copies of the City CAFR financial statements may be obtained from the City's Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

Trust Administration

All administrative functions are performed by City employees. MCA employees perform operational functions at the McGee Creek Reservoir. OCWUT transfers funds to the City for the cost of these services in the City Utilities Department, including the MCA administration. MCA does not reimburse OCWUT for its share of these costs.

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 Consolidated Trust as a whole.

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

Generally Accepted Accounting Principles (U.S. GAAP)

The financial statements of the Consolidated Trust are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements report 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 primary, continuing operations of the Consolidated Trust. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or 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

OCWUT

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, OCWUT'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 expenses to exceed appropriations. Management may transfer appropriations within OCWUT without governing body approval.

MCA

MCA submits financial information to its governing body, however, appropriations are not recorded. Management's policy prohibits disbursements which exceed available cash.

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.

OCWUT's governing board has formally adopted an investment policy (OCWUT Investment Policy) different from the City's investment policy. Unrestricted investments are managed by the City Treasurer. Management of the restricted investments is performed in accordance with applicable bond indentures and at the direction of trustee bank trust departments.

The MCA governing board has not formally adopted deposit and investment policies other than applicable deposit and investment policies specified in the bond indenture and state law.

Investments are reported at fair value determined by quoted market prices except for guaranteed investment contracts which are carried at cost. 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 utility services and amounts due from Participants and surrogates or designees of Participants for actual water usage. Unbilled accounts receivable represent amounts recognized as revenue for which invoices have not yet been sent to customers. Unbilled receivables are calculated as a ratio of days of the total billing period for water meters read after year-end. Accounts receivable are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 90 days.

I. D. 3. PREPAIDS

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 de minimis 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 also legally restricted for the payment of currently maturing debt service and capital projects.

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

I. D. 5. INTERFUND BALANCES

Balances between OCWUT and MCA that represent lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). Balances between OCWUT and MCA are eliminated on the statement of net position.

Balances between OCWUT and the City that represent lending/borrowing arrangements outstanding at the end of the fiscal year are reported as payable to the primary government and receivable from the primary government, depending on the nature of related transactions. Balances between OCWUT and component units of the City are reported as payable to component units or receivable from component units.

I. D. 6. CAPITALIZED INTEREST

Interest costs incurred on commercial paper and tax-exempt bonds from which proceeds were used to finance the construction of assets are capitalized during the construction period.

I. D. 7. CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

Capital assets are stated at cost. Generally, assets with a cost of \$7,500 or more are capitalized as purchases and construction outlays occur. Depreciation and amortization is computed on the straight line method over the estimated useful life of the asset, as follows:

Buildings	10 - 50
Improvements	10 - 50
Mobile Equipment, Furniture, Machinery, and Equipment	5 - 20

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. Interest is capitalized as a component of capital assets constructed for its own use.

Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

I. D. 8. BOND DISCOUNT/PREMIUM AND DEFERRED AMOUNTS ON REFUNDING

Bond discounts and premiums are capitalized and amortized over the term of the respective bonds using the method that approximates the effective interest method. 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.

I. D. 9. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of net position may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent 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 represent 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. 10. COMPENSATED ABSENCES

Compensated absences represent the accrued vested vacation and sick leave benefits attributable to full-time MCA employees based on the personnel policies of MCA.

I. D. 11. RISK MANAGEMENT

The Consolidated 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 Consolidated Trust participates. These funds account for the risk financing activities of the Consolidated Trust and constitute a transfer of risk from the Consolidated Trust. OCWUT pays premiums through the City Water and Wastewater 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. D. 12. 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 bonds payable, 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. D. 13. 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. E. MAJOR REVENUES

OCWUT

The major revenues for OCWUT consist of water and wastewater charges to the citizens of Oklahoma City and certain other entities within the Oklahoma City area. Other revenues are generated by recreational facilities located at Lake Hefner, Lake Stanley Draper, and Lake Overholser reservoirs.

MCA

Aliquot share revenues represent revenues collected by MCA or collectible from Participants. The OCWUT aliquot share payments are reported as transfers. The MCA trust indenture assigns the aliquot shares of the Participants and details the requirements of the Participants to fund MCA cash requirements based on the aliquot share ratio.

I. F. TAX STATUS

OCWUT and MCA are exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code for any trade or business related to the tax-exempt purpose or function.

I. G. RETAINAGES

It is the policy of the Consolidated 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 would hold the certificate of deposit and the Consolidated Trust retains the risk of incurring costs related to a contractor's failure to perform. However, in the event of non-performance, the City would call the certificate and pay the proceeds to the Consolidated Trust to cover any costs incurred. The Consolidated Trust 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, Consolidated Trust deposits may not be returned or the Consolidated Trust will not be able to recover collateral securities in the possession of an outside party. The OCWUT Investment Policy requires deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. 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 of solicited responses and certifications provided by financial institutions and recommendations of the City Treasurer. Custodial credit risk for deposits is not addressed by bond indentures. Bond indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. MCA has not adopted a policy addressing custodial credit risk.

At June 30, 2016 and 2015, the Consolidated Trust's cash is insured or collateralized with securities held by OCWUT, MCA, or the City, less the amount of the Federal depository insurance.

Investments

The Consolidated 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 Consolidated Trust's financial position. 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
WATER UTILITIES TRUST

2016								
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Federal obligations	\$54,709,454	\$54,914,534	\$ -	\$54,914,534	\$ -	\$ -	AA/Aaa	17.06
Money market (4)(5)	39,524,550	39,524,550	-	-	-	-	AAA/Aaa	1.52
Fannie Mae	32,030,101	32,411,859	-	32,411,859	-	-	AA/Aaa	9.56
U.S. Treasury Bonds	1,834,219	1,893,004	-	1,893,004	-	-	N/A	6.13
U.S. Treasury notes	22,358,219	22,998,691	-	22,998,691	-	-	AAA/Aaa	45.40
Guaranteed investment contract (4)	<u>6,652,500</u>	<u>6,652,500</u>	-	-	-	-	N/A	79.23
Total investments	<u>\$157,109,043</u>	<u>\$158,395,138</u>	<u>\$-</u>	<u>\$112,218,088</u>	<u>\$-</u>	<u>\$-</u>		

2015								
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Federal obligations	\$45,764,051	\$45,586,909	\$ -	\$45,586,909	\$ -	\$ -	AA/Aaa	33.63
Money market (4)(5)	58,695,212	58,695,212	-	-	-	-	AAA/Aaa	1.03
Fannie Mae	27,143,505	27,160,613	-	27,160,613	-	-	AA/Aaa	23.76
U.S. Treasury notes	20,959,367	21,176,666	-	21,176,666	-	-	N/A	30.23
Guaranteed investment contract (4)	<u>6,652,500</u>	<u>6,652,500</u>	-	-	-	-	A/A2	91.43
Total investments	<u>\$159,214,635</u>	<u>\$159,271,900</u>	<u>\$-</u>	<u>\$93,924,188</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 consist of Federal Home Loan Bank, Freddie Mac, and Fannie Mae notes. These securities use pricing models that maximize the use of observable inputs for similar securities and are valued at level 2. U.S. Treasury notes use similar pricing models and are also valued at Level 2.

MCA's guaranteed investment contracts securities are valued at cost. They are considered nonparticipating contracts with redemption terms that do not consider market rates.

Money market funds fair value approximates cost.

OCWUT Investment Policy

OCWUT Trustees adopted a separate investment policy in addition to the investment provisions of bond indentures. OCWUT 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; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in the City when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of obligations of the U.S. government, its agencies, and instrumentalities; and (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law.

OCWUT 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 OCWUT's desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

The OCWUT Investment 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 OCWUT's investments in a single issuer. Cumulatively, portfolios may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the OCWUT's total portfolio may be placed with any single financial institution with the exception of repurchase agreements and money market funds. U.S. government securities, State and Local Government Series (SLGS), and City judgments are excluded from these restrictions.

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%	0-1 year	100%
U.S. Treasury securities (3)	100	1-3 years	90
Certificates of deposit	50	3-5 years	90
Money market funds	100		
Savings accounts	100		

- (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%.

OCWUT's investment 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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general bond indentures of OCWUT and MCA prescribe investing in (1) direct obligations unconditionally guaranteed by the U.S.; (2) bonds or debentures payable in cash issued by the following Federal agencies: (a) Export Import Bank of the U.S., (b) Federal Financing Bank, (c) Farmer's Home Administration, (d) Federal Housing Administration, (e) Maritime Administration, (f) Public Housing Authorities, (g) Government National Mortgage Association; (3) investments fully insured by Federal deposit insurance: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, (d) depository receipts; (4) certificates of deposit in excess of Federal deposit insurance properly secured by collateral security consisting of obligations described in (1) and (2) above; (5) commercial paper; (6) money market funds; (7) shares of mutual funds; and (8) investment agreements.

OCWUT

Concentration of credit risk is the risk of loss attributed to the magnitude of OCWUT's investment in a single issuer. 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 bond indenture provides that investments mature not later than the respective dates, as estimated, when the monies in said funds and accounts shall be required for the purposes intended, but in no event more than six months for the interest account, twelve months for the principal account and sixty months for the renewal and replacement account and the bond reserve account.

The general bond indenture for the OCWUT water revenue bonds requires the use of trust accounts. The interest and principal bond accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The bond reserve account is used for proceeds of revenue bond issuances set aside to pay the final year of debt service.

MCA

Concentration of credit risk is the risk of loss attributed to the magnitude of the MCA's investment in a single issuer. 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 bond indenture provides that investments mature in no more than twelve months, depending on the purpose of the funds and the requirements of the account in which funds are deposited. This provision does not apply to the reserve fund which includes a guaranteed investment contract that is 105% collateralized with government backed securities.

The general bond indenture for the MCA Water Revenue Bonds requires the use of trust accounts. The interest and principal bond accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The bond reserve account is used for proceeds of revenue bond issuances set aside to pay the final year of debt service.

Investments Held by Others

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, OCWUT and MCA will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The OCWUT Investment Policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in OCWUT's or the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma. Investments are insured or registered with securities held by OCWUT. MCA has not adopted policies addressing custodial credit risk, concentration of credit risk, or interest rate risk for deposits or investments other than restrictions specified in the bond indenture applicable to restricted accounts.

Compliance with State Requirements

OCWUT and MCA investment practices are 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 defined by Title 60 of the Oklahoma Statutes. These statutes require public trusts to consider the purposes, terms, distribution requirements, and other circumstances of the Consolidated 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

Bond indentures require the use of trust accounts. The bond accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The bond operating revenue account is used to receive gross revenues. The construction accounts are used for proceeds of commercial paper that is restricted for use in construction and new projects funded by initial bond proceeds. The bond reserve account is used for proceeds of revenue bond issuances set aside to make up potential future deficiencies in the bond accounts, or to make the final bond principal and interest payments.

	2016		2015	
	OCWUT	MCA	OCWUT	MCA
Commercial paper construction account	\$298,811	\$ -	\$56,636	\$ -
Bond principal and interest accounts	27,156,925	3,486,072	25,581,250	3,522,022
Bond reserve	32,539,661	7,089,427	37,291,846	6,871,368
	<u>\$59,995,397</u>	<u>\$10,575,499</u>	<u>\$62,929,732</u>	<u>\$10,393,390</u>

II. B. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

OCWUT

	2016	2015
Accounts receivable	\$27,112,814	\$24,715,267
Less: allowance for uncollectible accounts	(822,837)	(849,246)
Net accounts receivable	<u>\$26,289,977</u>	<u>\$23,866,021</u>
Affect on revenues for change in uncollectibles	<u>\$26,409</u>	<u>\$577,960</u>

MCA

Receivables of \$47,034 and \$42,354 at June 30, 2016 and 2015, respectively, include billings for aliquot share services provided by MCA to surrogates and designees of the Participants and non-operating revenues. These receivables are due in less than one year. Since there are no delinquencies associated with these accounts, no allowance for uncollectible amounts has been accrued at June 30, 2016 and 2015.

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 Consolidated Trust had prepaid items totaling \$462,422 and \$557,507, respectively.

	2016	2015
Memberships and dues	\$23,060	\$104,254
Software licenses and support	282,694	318,279
Other	<u>156,668</u>	<u>134,974</u>
	<u>\$462,422</u>	<u>\$557,507</u>

II. D. INTERGOVERNMENTAL RECEIVABLE

Receivable from the United States Department of the Interior Bureau of Reclamation (Bureau)

Every year MCA performs minimal maintenance tasks for the Bureau. Charges to the Bureau for these services are based on agreed upon rates. MCA had amounts receivable from the Bureau for services provided in 2016 and 2015 of \$69,661 and \$31,821, respectively.

Aliquot Share Receivable

In August 1992 the MCA trust indenture was amended to define the relationship between MCA and Participants including OCWUT. Payment of the aliquot share of the costs affords the Participants the right to store and transport water they are permitted to use. The portion of funds paid or transferred to MCA by the Participants for aliquot shares are a period cost. Unpaid aliquot share balances from the Participants are cumulative and recorded as non-current receivables in MCA. Payments to MCA from Participants reduce the amounts receivable from Participants for outstanding aliquot share payments receivable.

II. E. OTHER ASSETS

Advance Funded Costs

OCWUT Receivable From Tinker Air Force Base

On May 8, 2014, OCWUT contracted with MWH America's, Inc. to provide consulting services for the municipalization of Tinker Air Force Base's water and wastewater utilities. The consulting services were ongoing at June 30, 2016; however, no formal agreement with Tinker Air Force Base was in effect. OCWUT does not anticipate any fund usage in the next 12 months. The balance of the receivable from Tinker Air Force Base at June 30, 2016, and June 30, 2015, was \$1,773,073.

Non-Current Receivables

OCWUT Receivable From Gaillardia Golf Course, LLC

An agreement between the Trust and Gaillardia Golf Course, LLC (Gaillardia) to construct, operate and maintain a recycled water system to irrigate the Gaillardia Golf Course was entered into in 1996. Prior to completing the construction, the agreement was amended to a recycled water sales contract and the related asset, valued at \$617,688, was donated to the City and OCWUT. A new agreement was entered into in 2008 between Gaillardia and the Trust to recover the additional costs to the Trust for constructing ultraviolet and chlorination treatment facilities needed to comply with changes in the environmental regulations. A note receivable was recorded to recognize the unreimbursed costs.

On April 16, 2013, a new agreement between OCWUT and Gaillardia was made for the sale and purchase of recycled water and for settlement of all prior claims. The agreement was made effective January 1, 2013, for financial purposes, and effectively terminated all prior agreements and obligations. At June 30, 2016, the remaining balance payable to OCWUT was \$277,146.

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

OKLAHOMA CITY
WATER UTILITIES TRUST

II. F. CAPITAL ASSETS

Changes in Capital Assets

	2016							
	Capital Assets, not depreciated			Capital Assets, depreciated				Total Capital Assets, net
	Land and Water	Construction	Total	Improvements	Furniture,	Total		
	Storage Rights	In Progress		Other Than Buildings	Machinery, & Equipment			
CAPITAL ASSETS								
Balance, June 30, 2015	\$167,664,162	\$102,569,381	\$270,233,543	\$89,195,919	\$1,164,773,051	\$94,442,179	\$1,348,411,149	\$1,618,644,692
Increases	214,373	113,538,182	113,752,555	-	2,749,312	4,252,899	7,002,211	120,754,766
Decreases	(48,213,732)	(2,941)	(48,216,673)	-	(715,955)	(839,503)	(1,555,458)	(49,772,131)
Transfers	-	(47,648,248)	(47,648,248)	-	47,632,448	15,800	47,648,248	-
Balance, June 30, 2016	<u>119,664,803</u>	<u>168,456,374</u>	<u>288,121,177</u>	<u>89,195,919</u>	<u>1,214,438,856</u>	<u>97,871,375</u>	<u>1,401,506,150</u>	<u>1,689,627,327</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2015				46,031,936	359,495,209	71,878,196	477,405,341	477,405,341
Increases				1,540,234	32,319,888	5,781,713	39,641,835	39,641,835
Decreases				-	(415,330)	(826,420)	(1,241,750)	(1,241,750)
Balance, June 30, 2016				<u>47,572,170</u>	<u>391,399,767</u>	<u>76,833,489</u>	<u>515,805,426</u>	<u>515,805,426</u>
Capital Assets, net	<u>\$119,664,803</u>	<u>\$168,456,374</u>	<u>\$288,121,177</u>	<u>\$41,623,749</u>	<u>\$823,039,089</u>	<u>\$21,037,886</u>	<u>\$885,700,724</u>	<u>\$1,173,821,901</u>

	2015							
	Capital Assets, not depreciated			Capital Assets, depreciated				Total Capital Assets, net
	Land and Water	Construction	Total	Improvements	Furniture,	Total		
	Storage Rights	In Progress		Other Than Buildings	Machinery, & Equipment			
CAPITAL ASSETS								
Balance, June 30, 2014	\$165,626,219	\$120,286,295	\$285,912,514	\$89,636,356	\$1,073,961,794	\$97,069,273	\$1,260,667,423	\$1,546,579,937
Increases	1,976,276	70,575,270	72,551,546	-	2,673,093	6,201,603	8,874,696	81,426,242
Decreases	-	-	-	(440,437)	(90,504)	(8,830,546)	(9,361,487)	(9,361,487)
Transfers	61,667	(88,292,184)	(88,230,517)	-	88,228,668	1,849	88,230,517	-
Balance, June 30, 2015	<u>167,664,162</u>	<u>102,569,381</u>	<u>270,233,543</u>	<u>89,195,919</u>	<u>1,164,773,051</u>	<u>94,442,179</u>	<u>1,348,411,149</u>	<u>1,618,644,692</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2014				44,916,725	329,436,204	76,886,855	451,239,784	451,239,784
Increases				1,555,648	30,639,688	3,059,851	35,255,187	35,255,187
Decreases				(440,437)	(90,504)	(8,558,689)	(9,089,630)	(9,089,630)
Transfers				-	(490,179)	490,179	-	-
Balance, June 30, 2015				<u>46,031,936</u>	<u>359,495,209</u>	<u>71,878,196</u>	<u>477,405,341</u>	<u>477,405,341</u>
Capital Assets, net	<u>\$167,664,162</u>	<u>\$102,569,381</u>	<u>\$270,233,543</u>	<u>\$43,163,983</u>	<u>\$805,277,842</u>	<u>\$22,563,983</u>	<u>\$871,005,808</u>	<u>\$1,141,239,351</u>

Depreciation Expense

Depreciation expense of \$39,641,835 in fiscal year 2016 and \$35,255,187 in 2015 was charged to the Consolidated Trust's utilities function.

Capitalized Interest

OCWUT

<u>2016</u>		<u>2015</u>	
<u>Total Interest Costs Incurred</u>	<u>Capitalized Interest</u>	<u>Total Interest Costs Incurred</u>	<u>Capitalized Interest</u>
<u>\$20,420,044</u>	<u>\$4,583,287</u>	<u>\$19,172,294</u>	<u>\$4,218,323</u>

MCA

MCA had interest costs in 2016 and 2015 of \$2,352,600 and \$2,595,750, respectively. MCA has no investments restricted for construction and there was no capitalized interest.

II. G. 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>2016</u>	<u>2015</u>
OCWUT Series 1999 Bonds	OCWUT Series 2009A & B Bonds	\$ -	\$17,631
OCWUT Series 2004 and 2008 Bonds	OCWUT Series 2013 Bonds	<u>8,180,178</u>	<u>8,506,298</u>
		<u>\$8,180,178</u>	<u>\$8,523,929</u>

III. LIABILITIES

III. A. COMMERCIAL PAPER

Commercial Paper

On January 17, 2006, OCWUT established a commercial paper program authorizing the issuance of tax-exempt commercial paper notes with letter of credit security. The commercial paper program provides interim financing for the Trust's ongoing capital program. Maturity of commercial paper may range from 1 to 270 days, depending on market conditions at the time of issue. The commercial paper program provides interim financing for OCWUT's ongoing capital program. Maturity of commercial paper may range from 1 to 270 days, depending on market conditions at the time of issue.

During fiscal year 2016, new commercial paper issuances totaled \$34,500,000. In 2015, new commercial paper issuances totaled \$36,500,000. The total outstanding balance at June 30, 2016 and 2015, was \$50,500,000 and \$16,000,000, respectively, and the weighted average interest rate for the year was 0.46% and 0.09%, respectively.

Commercial Paper Changes in Short-Term Debt

	<u>2016</u>	<u>2015</u>
Beginning Balance July 1,	\$16,000,000	\$54,500,000
Issuances	34,500,000	36,500,000
Retirements	-	(75,000,000)
Balance June 30,	<u>\$50,500,000</u>	<u>\$16,000,000</u>

III. B. INTERGOVERNMENTAL PAYABLE

Payable to Federal and State Government

During fiscal year 2010 OCWUT entered into an agreement with the Oklahoma Water Resource Board (OWRB) to repay the Federal government for certain costs related to construction of Sardis Lake in Southeastern Oklahoma. The initial cost to OCWUT was \$27,814,629 for the settlement of the OWRB's debt to the Federal government. An additional amount of \$48 million is payable to reimburse the OWRB for certain costs which the state previously made payments and upon the event of the issuance of a water use permit by the OWRB in accordance with Oklahoma law. In addition, OCWUT had agreed to pay for additional costs of \$39,605,319 for future costs due and payable to the Federal government. This amount incurred interest at a rate of 4.012% which was added to the payable. In 2016 the requirement to pay the liability to the Federal government is no longer considered probable, so no amount is reported. Moreover, an additional \$15 million is payable to reimburse the OWRB for certain costs upon the issuance of a water use permit. The amount payable at June 30, 2016 and 2015, was \$15,000,000 and \$63,213,732, respectively.

Payable to Oklahoma Department Of Transportation(ODOT)

Periodically, the City enters into agreements with ODOT for cost sharing on projects funded with Federal grants awarded to ODOT. These agreements require the Trust to fund the match requirement of the grant in advance of any construction. The amount advanced to ODOT by the Trust at June 30, 2016, was \$25,598. No amounts payable to ODOT were reported in 2015.

Arbitrage Compliance

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. OCWUT and MCA invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The MCA liability for arbitrage is \$53,038 and \$41,269 reported with non-current liabilities at June 30, 2016 and 2015, respectively. OCWUT has no arbitrage liability at June 30, 2016 and 2015.

III. C. NOTES PAYABLE

Notes Payable Revolving Loans

The Trust borrows funds from time to time for water and wastewater improvements from the Oklahoma Water Resources Board (OWRB) utilizing the Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF). Upon completion of the construction projects allocated to each loan, the final loan amounts are determined and closed to a long-term debt schedule. The term of the loans are 30 years with 2009 CWSRF being the only 20 year loan. Principal and interest payments are semi-annual on September 15 and March 15.

Additionally the 2009 DWSRF and CWSRF loans each had a provision for a \$2,000,000 match in the form of principal forgiveness from the American Recovery and Reinvestment Act (ARRA) of 2009. This amount was deducted from those loan amounts for calculation of their respective debt repayment schedules.

NOTES TO FINANCIAL STATEMENTS
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OKLAHOMA CITY
WATER UTILITIES TRUST

On April 1, 2016, the Trust approved a revolving loan for a maximum of \$65,550,000 for water line improvements. The interim effective interest rate for this loan is 2.55%, payable on March 15 and September 15. Principal payments will commence on the earlier of the March 15 or September 15 following the date the project is completed or March 15, 2018, and will continue semiannually for the term of the loan. There were no draws on this loan at June 30, 2016.

Agreement		Interest			2016	2015
Date	Loan Name	Loan Amount	Rate	Maturity Date		
11/13/2009	2009 DWSRF (1)	\$5,412,339	3.57%	9/15/2040	\$4,733,743	\$4,851,799
11/13/2009	2009 CWSRF (1)	6,167,735	2.86	3/15/2031	4,941,674	5,200,986
12/15/2010	2010 DWSRF	29,424,009	3.74	3/15/2043	27,438,268	28,011,546
12/15/2010	2010 CWSRF	17,177,703	3.27	3/15/2043	16,119,449	16,482,890
3/19/2015	2015 DWSRF (2)	35,838,000	2.93	3/15/2046	23,759,242	-
6/30/2015	2015 CWSRF	611,235	2.71	3/15/2046	611,235	-
4/19/2016	2016 DWSRF (3)	65,550,000	2.55	9/15/2047	-	-
					<u>\$77,603,611</u>	<u>\$54,547,221</u>

- (1) The 2009 SRF loan amounts are net of the \$2,000,000 ARRA Grant for each loan.
- (2) Financing is not finalized. The outstanding balance is reported with current liabilities.
- (3) There are no draws on this loan as of June 30, 2016 or 2015.

Notes Payable Requirements to Maturity

	Notes Payable	
	Principal	Interest
2017	\$25,137,897	\$2,039,506
2018	1,426,817	1,846,540
2019	1,476,679	1,796,678
2020	1,523,557	1,749,800
2021	1,581,577	1,691,780
2022-2026	8,773,545	7,593,243
2027-2031	10,423,016	5,943,770
2032-2036	10,202,495	4,121,055
2037-2041	12,057,865	2,118,951
2042-2046	<u>5,000,163</u>	<u>233,130</u>
	<u>\$77,603,611</u>	<u>\$29,134,453</u>

III. D. COMPENSATED ABSENCES

MCA compensated absences balances changed from 2015 to 2016 by accruals of \$19,291 and usages of \$15,199 compared to changes in accruals of \$17,488 and usages of \$10,645 from 2014 to 2015.

III. E. REVENUE BONDS

Unamortized Bond Discount/Premium

	2016		2015	
	OCWUT	MCA	OCWUT	MCA
Bonds payable	\$387,969,862	\$37,125,000	\$396,134,969	\$41,295,000
Unamortized bond premium (discount)	<u>34,152,172</u>	<u>(253,858)</u>	<u>36,812,890</u>	<u>(324,740)</u>
Bonds payable, net	<u>\$422,122,034</u>	<u>\$36,871,142</u>	<u>\$432,947,859</u>	<u>\$40,970,260</u>

Water Revenue Bond Indentures and Covenants

OCWUT

The OCWUT has at various times issued bonds for the purpose of financing the acquisition, construction, and equipping of the City's water and wastewater systems. The bonds are collateralized by a lien on all facilities constructed with the bond proceeds and by the OCWUT's leasehold interest in the presently existing water and wastewater systems of the City, including lease rentals, water revenues, wastewater revenues, and other revenues derived from these systems.

The general bond indenture and its supplements require the use of revenue, bond, operations and maintenance, reserve, construction, and renewal and replacement accounts, which have been combined for financial reporting purposes. These accounts are held in trust by banks and managed pursuant to terms of the indenture agreement. The indenture provides that gross revenues from operations will be deposited into the revenue account and transfers will be made to the other accounts for current requirements on a monthly basis.

However, if the payments and deposits required by the general bond indenture are made on or before the 20th day of the month, then during the subsequent month, the gross revenues may be deposited as received directly into OCWUT's operating fund, which is not subject to the lien of the indenture. For the years ended June 30, 2016 and 2015, required accounts were maintained in accordance with the bond indenture.

The bonds are generally subject to prior redemption in part or in whole at the option of the Trustees. Certain bonds are subject to a redemption premium of up to 2% of par value, as described in the various bond indentures, if redeemed prior to scheduled dates.

The general bond indenture provides the OCWUT Trustees will fix, maintain, charge, and collect a schedule of rates for use of the facilities of the Trust estate that will provide in every year net revenues which provide at least 120% of the maximum amount required for debt service. For the years ended June 30, 2016 and 2015, the schedule of rates in effect provided revenues in excess of the minimum requirements.

Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

MCA

In fiscal year 1993 MCA issued Series 1992 Water Revenue Bonds in the amount of \$91,860,000. The bonds are secured by the OCWUT Agreement, dated December 1, 1992, which details OCWUT's pledge of water utility revenues not otherwise pledged or required by OCWUT. OCWUT is required to provide cash payments for shortfalls of MCA. Pursuant to the OCWUT Agreement, OCWUT granted a security interest in its revenues, which are not required for debt service, reserves, other outstanding requirements, and operations and maintenance expenses. OCWUT is required to transfer the funds necessary for MCA to pay the principal and interest of the Bonds annually, net of available funds of MCA. MCA has recorded an advance from OCWUT to recognize the amount due under the OCWUT Agreement.

The general bond indenture provides the Trustees of MCA will generate an amount annually to equal 100% of the annual principal and interest requirements on the Bonds for the year, plus generate an amount necessary to comply in all respects with the terms and provisions of the bond indenture. The MCA trust indenture details how the revenues will be generated from aliquot share payments from Participants for this purpose. Amounts received from Participants and OCWUT are considered in determining the amount needed to comply with the indenture requirements.

NOTES TO FINANCIAL STATEMENTS
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OKLAHOMA CITY
WATER UTILITIES TRUST

The bond indenture and its supplement require the use of bond proceeds, project, revenue, and bond accounts. These accounts are held in trust by banks and managed pursuant to terms of the indenture agreement. The indenture provides that gross revenues from operations will be deposited in the revenue account and transfers will be made to the other accounts for current requirements on a monthly basis. However, if the payments and deposits required by the bond indenture are made on or before the 25th day of the month, then during the subsequent month, the gross revenues may be deposited as received directly into MCA's operating fund, which is not subject to the lien of the indenture. For the years ended June 30, 2016 and 2015, required accounts were maintained in accordance with the bond indenture.

Issuances

On February 4, 2015, OCWUT issued Series 2015 Water and Sewer Revenue Refunding Bonds in principal amount of \$67,650,000. Bond proceeds of \$79,994,344 included \$12,344,344 in premium. Issuance costs were \$574,685. The Series 2015 Water and Sewer Revenue Refunding Bonds refunded \$75,000,000 of outstanding tax-exempt commercial paper notes, thereby restoring the available borrowing capacity under the commercial paper program. Additionally, bond proceeds were used to establish a reserve fund and pay the cost of issuance.

Bonded Debt Service to Maturity

Fiscal Year	Principal		Interest		Total	
	OCWUT	MCA	OCWUT	MCA	OCWUT	MCA
2017	\$8,369,862	\$4,420,000	\$26,402,261	\$2,227,500	\$34,772,123	\$6,647,500
2018	13,680,000	4,690,000	16,804,050	1,962,300	30,484,050	6,652,300
2019	13,765,000	4,970,000	16,228,125	1,680,900	29,993,125	6,650,900
2020	13,385,000	5,265,000	15,622,524	1,382,700	29,007,524	6,647,700
2021	13,175,000	5,585,000	15,052,475	1,066,800	28,227,475	6,651,800
2022-2026	73,625,000	12,195,000	65,426,157	1,108,200	139,051,157	13,303,200
2027-2031	73,685,000	-	48,055,317	-	121,740,317	-
2032-2036	83,645,000	-	30,529,494	-	114,174,494	-
2037-2041	70,695,000	-	13,657,857	-	84,352,857	-
2042-2046	<u>23,945,000</u>	<u>-</u>	<u>2,723,375</u>	<u>-</u>	<u>26,668,375</u>	<u>-</u>
	<u>\$387,969,862</u>	<u>\$37,125,000</u>	<u>\$250,501,635</u>	<u>\$9,428,400</u>	<u>\$638,471,497</u>	<u>\$46,553,400</u>

Revenue Bonds Outstanding

Water and Sewer System Bonds	Original Amount Issued	Interest Rate	Issue Date	Final Maturity	Principal Balance	
					2016	2015
OCWUT Series 1986C	\$22,760,000	7.60% to 7.85%	8/1/1986	2016	\$1,024,862	\$2,134,969
OCWUT Series 2009A	70,290,000	3.00% to 5.625%	10/20/2009	2039	67,790,000	68,290,000
OCWUT Series 2009B	47,470,000	3.00% to 5.625%	10/20/2009	2039	20,320,000	25,500,000
OCWUT Series 2011	68,725,000	0.60% to 4.80%	2/9/2011	2040	63,425,000	64,800,000
OCWUT Series 2013	167,760,000	3.25% to 5.00%	3/14/2013	2040	167,760,000	167,760,000
OCWUT Series 2015	67,650,000	3.00% to 5.00%	2/4/2015	2046	67,650,000	67,650,000
MCA Series 1992	91,860,000	3.00% to 6.00%	12/1/1992	2023	<u>37,125,000</u>	<u>41,295,000</u>
					<u>\$425,094,862</u>	<u>\$437,429,969</u>

Bond Interest Payable

The OCWUT Series 1986C Water and Sewer Revenue Deferred Interest Bonds accumulated deferred interest until 2005 when the related bonds began to mature. The bonds were fully repaid at June 30, 2016. The deferred interest balance reported as a non-current liability at June 30, 2015 was \$8,414,597. Interest on all other bonds is payable on the first day of January and July of each year through maturity.

Bond Defeasance

Prior Years Defeasance

In prior years, OCWUT defeased certain outstanding revenue bonds by placing proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. This resulted in a transfer of the liability to the irrevocable escrow account. Accordingly, the trust accounts and the defeased bonds are not included in the Consolidated Trust's financial statements.

Outstanding Defeased Bonds

	Original Amount Defeased	Outstanding Balance	
		2016	2015
OCWUT Series 1977F	\$6,480,000	\$775,000	\$1,135,000
OCWUT Series 1978G	1,865,000	165,000	370,000

Bond Coverage

	2016		2015	
	OCWUT	MCA	OCWUT	MCA
Gross revenue, including non-operating revenues and transfers in	\$238,352,725	\$7,939,862	\$216,521,113	\$8,055,552
Direct operating expenses and transfers, excluding depreciation and amortization	<u>118,274,463</u>	<u>834,407</u>	<u>114,771,323</u>	<u>917,424</u>
Net revenue available for debt service	<u>\$120,078,262</u>	<u>\$7,105,455</u>	<u>\$101,749,790</u>	<u>\$7,138,128</u>
Principal amounts	\$8,369,863	\$4,170,000	\$8,369,863	\$3,935,000
Interest amounts	<u>26,402,261</u>	<u>2,477,700</u>	<u>26,402,261</u>	<u>2,713,800</u>
Total debt service requirements	<u>\$34,772,124</u>	<u>\$6,647,700</u>	<u>\$34,772,124</u>	<u>\$6,648,800</u>
Revenue bond coverage	<u>3.45</u>	<u>1.06</u>	<u>2.92</u>	<u>1.07</u>

The OCWUT bond indentures require the payment of principal and interest before any other expenditures may be made. In addition, depreciation and amortization expenses are excluded from the direct operating expenses as they do not affect funds available for debt service. Per the bond indenture, principal and interest amounts are derived from the highest aggregate annual principal and interest amounts outstanding. The required revenue bond coverage for OCWUT is 1.2.

The MCA bond indenture requires the payment of principal and interest before any other expenditures may be made. Gross revenue includes operating and non-operating revenues and transfers. In addition, depreciation and amortization expenses are excluded from the direct operating expenses as they do not affect funds available for debt service. The required revenue bond coverage for MCA is 1.0.

III. F. CHANGES IN LONG-TERM LIABILITIES

	2016					
	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016	Due Within One Year	Due After One Year
Intergovernmental payable (1)	\$63,255,001	\$11,769	\$48,213,732	\$15,053,038	\$ -	\$15,053,038
Compensated absences	57,361	19,291	15,199	61,453	16,944	44,509
Notes payable	54,547,221	24,370,477	1,314,087	77,603,611	25,137,898	52,465,713
Bond interest payable	8,414,597	-	8,414,597	-	-	-
OCWUT revenue bonds	396,134,969	-	8,165,107	387,969,862	8,369,862	379,600,000
MCA revenue bonds	41,295,000	-	4,170,000	37,125,000	4,420,000	32,705,000
	<u>\$563,704,149</u>	<u>\$24,401,537</u>	<u>\$70,292,722</u>	<u>\$517,812,964</u>	<u>\$37,944,704</u>	<u>\$479,868,260</u>
	2015					
	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015	Due Within One Year	Due After One Year
Intergovernmental payable (1)	\$61,380,190	\$1,874,811	\$ -	\$63,255,001	\$ -	\$63,255,001
Compensated absences	50,518	17,488	10,645	57,361	11,786	45,575
Notes payable	55,821,956	-	1,274,735	54,547,221	1,314,088	53,233,133
Bond interest payable (2)	16,045,352	-	7,630,755	8,414,597	-	8,414,597
OCWUT revenue bonds	336,543,978	67,650,000	8,059,009	396,134,969	8,165,107	387,969,862
MCA revenue bonds	45,230,000	-	3,935,000	41,295,000	4,170,000	37,125,000
	<u>\$515,071,994</u>	<u>\$69,542,299</u>	<u>\$20,910,144</u>	<u>\$563,704,149</u>	<u>\$13,660,981</u>	<u>\$550,043,168</u>

(1) Intergovernmental payable does not include amounts payable within one year.

(2) Bond interest payable does not include amounts payable within one year.

III. G. SEGMENT INFORMATION AND PLEDGED REVENUES

OCWUT and MCA issued revenue bonds to support their water and wastewater activities. The financial statements report revenue-supported debt. OCWUT recognized \$138,669,916 and \$123,041,080 in water charges and \$90,971,035 and \$86,831,456 in wastewater charges in 2016 and 2015, respectively. MCA recognized \$2,502,586 and \$2,476,367 in aliquot share revenues and \$4,890,071 and \$4,982,400 in transfers from OCWUT in 2016 and 2015, respectively.

IV. NET POSITION

Net Investment in Capital Assets

	2016		2015	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Capital assets, net	\$1,099,095,899	\$74,726,002	\$1,066,560,247	\$74,679,104
Retainages and accounts payable	(18,295,115)	(170,301)	(10,938,092)	(73,345)
Intergovernmental payable	(15,025,598)	-	(63,213,732)	-
Notes payable	(77,603,611)	-	(54,547,221)	-
Commercial paper	(50,500,000)	-	(16,000,000)	-
Commercial paper construction account funded with proceeds	298,811	-	56,636	-

(continued)

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

OKLAHOMA CITY
WATER UTILITIES TRUST

Net Investment in Capital Assets (continued)

	2016		2015	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Bonds payable, net	(422,122,034)	(36,871,142)	(432,947,859)	(40,970,260)
Deferred amount on refunding	8,180,178	-	8,523,929	-
Bond accounts funded with bond proceeds	24,735,923	1,152,500	30,281,723	1,152,500
Bond issuance costs paid with bond proceeds	4,044,345	897,078	6,371,544	897,078
	<u>\$552,808,798</u>	<u>\$39,734,137</u>	<u>\$534,147,175</u>	<u>\$35,685,077</u>

Restricted for Capital Projects

	2016		2015	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Commercial paper reserve for construction projects	\$298,811	\$ -	\$56,636	\$ -
Commercial paper construction account funded with proceeds	<u>(298,811)</u>	<u>-</u>	<u>(56,636)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Restricted for Debt Service

	2016		2015	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Bond principal and interest accounts	\$27,156,925	\$3,486,072	\$25,581,250	\$3,522,022
Bond reserve	32,539,661	7,089,427	37,291,846	6,871,368
Bond reserve funded with bond proceeds	(24,735,923)	(1,152,500)	(30,281,723)	(1,152,500)
Interest receivable on bond investments	10,254	21,311	20,956	256,615
Current bond interest payable and commercial paper	<u>(18,644,242)</u>	<u>(1,113,750)</u>	<u>(18,198,635)</u>	<u>(1,238,850)</u>
	<u>\$16,326,675</u>	<u>\$8,330,560</u>	<u>\$14,413,694</u>	<u>\$8,258,655</u>

Unrestricted

	2016		2015	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Unrestricted	<u>\$208,110,440</u>	<u>(\$1,018,191)</u>	<u>\$161,050,896</u>	<u>(\$832,483)</u>

V. REVENUES AND EXPENSES

Special Assessments

Special assessments are levied against a water or sewer group of homes to pay for construction or extension of service by OCWUT. OCWUT charges each homeowner for their individual share of the construction cost, amortized over a 10-year period. Amounts receivable are reported with accounts receivable. In fiscal year 2016 and 2015, OCWUT collected \$7,116 and \$10,170, respectively.

VI. INTERFUND TRANSACTIONS

VI. A. INTERFUND BALANCES

Advances Within the Consolidated Trust

Advance to MCA

The McGee Creek Project is a water supply reservoir constructed by the Federal government and accepted by the MCA in fiscal year 1991. MCA was required to repay the municipal and industrial portion of the construction costs, plus interest, to the Federal government. The original amount of the obligation to the Federal government was \$129,311,452. During fiscal year 1992 the U.S. Department of Interior, in response to MCA's protest, reduced the liability for reimbursable costs to \$86,045,326, provided that the buy-out would be financed with tax-exempt debt.

In fiscal year 1993 MCA sold Series 1992 Water Revenue Bonds in the amount of \$91,860,000. Proceeds from the Series 1992 Water Revenue Bonds supplemented by an advance in the amount of \$5,500,000 from OCWUT funded the prepayment of MCA's obligation to the Federal government along with costs of issuance and necessary bond reserves.

In August 1992 the MCA trust indenture was amended to define the relationship between MCA and Participants including OCWUT. Payment of the aliquot share of the costs affords the Participants the right to store and transport water they are permitted to use. The portion of funds paid to MCA by the Participants for aliquot shares are a period cost. Payments to MCA from Participants reduce the aliquot share payments receivable.

Under the OCWUT Agreement, OCWUT has pledged its net revenues, which are not required for debt service, reserves, other outstanding requirements, and operations and maintenance expenses for the repayment of the Series 1992 Water Revenue Bonds. OCWUT will transfer the funds necessary to pay the principal and interest on MCA's liability under the MCA Bonds through December 31, 2021, at which time the MCA bond reserve will make the debt service payments until the bonds are fully paid January 1, 2023.

OCWUT has transferred funds in excess of its aliquot share to MCA under the OCWUT Agreement. The amount of funds advanced to MCA was \$53,189,948 and \$50,873,272 as of June 2016 and 2015, respectively.

Receivable from the Primary Government

	<u>Purpose</u>	<u>2016</u>	<u>2015</u>
City General Fund	Deposits held by City	\$67,367	\$46,172
City Grant Management Fund	Grant reimbursement	-	92,597
City Water and Wastewater Fund	Utility billing	419,998	-
Oklahoma City Environmental Assistance Trust	Utility billing	489	411,420
City Medical Services Fund	Utility billing	306	-
Oklahoma City Stormwater Drainage Fund	Utility billing	4,050	-
		<u>\$492,210</u>	<u>\$550,189</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

OKLAHOMA CITY
WATER UTILITIES TRUST

Payable to the Primary Government

<u>CURRENT</u>	<u>Purpose</u>	<u>2016</u>	<u>2015</u>
City General Fund	Payment in lieu of franchise fees (PILOT) and utility lease	\$1,337,986	\$1,211,146
City General Fund	Utility billing	179,624	-
City Grants Management Fund	Federal grant match	-	11,575
Oklahoma City Environmental Assistance Trust	Utility billing	-	88
City General Fund	Advance payment	8,210	-
Oklahoma City Public Property Authority General Purpose Fund	Gas utility chargeback	2,200	-
Oklahoma City Municipal Facilities Authority General Purpose Fund	Software license	600	-
City Stormwater Drainage Fund	Utility billing	<u>2,823</u>	<u>1,504</u>
		<u>\$1,531,443</u>	<u>\$1,224,313</u>
 <u>NON-CURRENT</u>			
City Water and Wastewater Fund	Cost reimbursement	<u>\$3,802,915</u>	<u>\$3,445,891</u>

Cost Reimbursement Receivable (Payable) From City Water and Wastewater Fund

City employees perform all administrative and management services for OCWUT. Reimbursements for the costs of these services are included in OCWUT's expenses. The advance represents the unfunded non-current liabilities of the City Water and Wastewater Fund.

	<u>2016</u>	<u>2015</u>
Beginning balance	(\$3,445,891)	(\$6,296,145)
Personal services	(47,367,880)	(42,500,432)
Other services	(18,332,102)	(22,705,802)
Material and supplies	(12,075,601)	(10,579,882)
Interest income	115,137	64,624
Other non operating revenue	73,423	11,537
Reimbursement to the City	<u>77,229,999</u>	<u>78,560,209</u>
Advance from City Water and Wastewater Fund	<u>(\$3,802,915)</u>	<u>(\$3,445,891)</u>

VI. B. INTERFUND TRANSFERS

Transfers Within the Consolidated Trust

Transfers from OCWUT to MCA during fiscal year 2016 and 2015 were \$4.890 million and \$4.982 million, respectively for OCWUT's aliquot share requirements.

Payments To and From the City

<u>PAYMENTS TO THE CITY</u>		<u>2016</u>	<u>2015</u>
<u>OPERATING</u>			
City General Fund	Payment in lieu of franchise fees (PILOT)	\$4,005,500	\$3,681,462
City General Fund	Utility lease agreement	2,002,750	1,840,731
City General Fund	Grant reimbursement	-	11,575
City Grant Management Fund	Grant reimbursement	-	-
City Water and Wastewater Fund	OCWUT administration	<u>77,630,923</u>	<u>75,709,954</u>
		<u>\$83,639,173</u>	<u>\$81,243,722</u>

(continued)

Payments To and From the City (continued)

PAYMENTS FROM THE CITY		<u>2016</u>	<u>2015</u>
<u>NON-OPERATING</u>			
City General Fund	Land lease	\$1,822	\$ -
Oklahoma City Grant Management Fund	Grant reimbursement	-	190,560
Oklahoma City Environmental Assistance Trust	Billing services	1,827,000	1,755,996
Oklahoma City Environmental Assistance Trust	Administration	728,000	668,000
Oklahoma City Medical Services Fund	Billing services	202,000	822,000
Oklahoma City Stormwater Drainage Fund	Billing services	<u>855,000</u>	<u>195,004</u>
		<u>\$3,613,822</u>	<u>\$3,631,560</u>

PILOT

PILOT fees are paid by OCWUT to the City for the exclusive right to provide water services to the citizens of the City.

Utility Lease Agreement

A water lease agreement dated August 1, 1960, amended July 1, 1986, and a separate wastewater lease agreement dated July 1, 1986, between OCWUT and the City provide that all City-owned water and wastewater system assets (as of the date of the lease, as well as property acquired thereafter) be leased to the OCWUT. The lease also provides that all revenue generated by these assets will accrue to OCWUT. Pursuant to a lease extension dated May 20, 2003, the water and wastewater lease term continues until June 30, 2050, or until all indebtedness authorized by the general bond indenture has been paid or provision has been made for it to be paid, whichever is later. In connection with the lease extension, OCWUT is required to pay an annual lease payment of one percent of gross revenue receipts from residential and commercial utilities sales.

OCWUT Administration

City employees perform administrative and management services for the Consolidated Trust. In addition, City employees perform operations and maintenance functions for OCWUT. OCWUT reimburses the City for the cost of services reported in the City Water and Wastewater Fund. MCA does not reimburse OCWUT for its share of these costs.

Billing Services

In order to reduce cost and simplify the payment of services by citizens, OCWUT includes billing for services provided by the City Solid Waste Management Fund, the City Stormwater Drainage Fund, and the City Medical Services Fund. Each fund pays OCWUT a fee for the cost of these services.

VII. DEFINED CONTRIBUTION PENSION

MCA employees participate in a deferred compensation, defined contribution plan (Plan) administered by Nationwide Retirement Systems and established through the U.S. Conference of Mayors and approved by MCA. Participants of the Plan are comprised of all eligible employees of MCA. All full-time employees are eligible. At June 30, 2016 and 2015, all eligible employees were participating in the Plan.

MCA and participants contribute 8% and 6%, respectively, to the Plan. Plan provisions and contribution requirements are established and amended by the Board of Trustees.

<u>Fiscal Year</u>	<u>Contributions</u>	
	<u>Employer</u>	<u>Employee</u>
2016	\$12,309	\$9,232
2015	11,969	8,977
2014	10,621	7,966
2013 (1)	9,310	25,583

(1) Employee contributions for June 30, 2013, include \$18,823 additional contribution at retirement.

The Plan annual financial report, which includes financial statements and required supplementary information for the Plan, may be obtained from Nationwide Retirement Solutions, P.O. Box 182787, Columbus, Ohio 43218-2797.

VIII. COMMITMENTS

OCWUT

	<u>2016</u>	<u>2015</u>
Construction projects - system improvements	\$44,770,512	\$71,056,386
Contracted wastewater treatment services	60,389,715	17,917,006
	<u>\$105,160,227</u>	<u>\$88,973,392</u>

Construction projects are funded with commercial paper, utility charges, and OWRB loans.

IX. CONTINGENCIES

Litigation

OCWUT is a party to legal proceedings which normally occur in utility operations. These legal proceedings are not likely to have a material adverse impact on OCWUT's financial position. OCWUT has not accrued any amounts related to pending litigation as the amount, if any, is not currently known or reasonably estimable.

During fiscal year 2010 OCWUT entered into an agreement with the OWRB to repay the Federal government for certain costs related to construction of Sardis Lake in Southeastern Oklahoma. The initial cost to OCWUT was \$27,814,629 for the settlement of the OWRB's debt to the Federal government. OCWUT agreed to pay for additional costs of \$39,605,319 for future costs related to additional storage capacity due and payable to the Federal government. This amount incurred interest at a rate of 4.012% which was added to the payable. The calculated amount payable to the Federal government at June 30, 2016, was \$50,148,067. In 2016 it is not probable the Trust will be required to pay this amount; therefore, no liability has been recognized on the financial statements. In 2015 these costs were considered probable and were recognized as a liability on the financial statements.

X. RELATED PARTY TRANSACTIONS

LARA - Jointly Governed Organizations

LARA was formed under the provisions of an interlocal agreement. The agreement provides that OCWUT will reimburse LARA for the budgeted or actual expenditures. The Trust reimbursed LARA for expenditures in fiscal year 2016 and 2015 in the amount of \$251,665 and \$218,763, respectively.

XI. SUBSEQUENT EVENT

Settlement Agreement

On August 16, 2016, the Trust, along with the OWRB, the State of Oklahoma and the City reached a settlement with the Choctaw and Chickasaw Nations related to water rights to Sardis Lake. The agreement set minimum lake levels which limited the amount of water the Trust can draw from the lake. In addition, the Trust agreed to provide an additional \$2.5 million for improvements at Lake Atoka and Sardis Lake.

Commercial Paper

On July 26, 2016, the Trust updated and closed the commercial paper program for an amount not to exceed \$200 million.

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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 Water Utilities 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 Water Utilities 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

