Central Oklahoma
Master Conservancy District

Financial Statements

June 30, 2016 and 2015
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

Table of Contents

INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Oklahoma Master Conservancy District

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Oklahoma Master Conservancy District (the "District"), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in 2016 the District adopted new accounting guidance, Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. Adoption of this statement resulted in revised disclosures related to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-4 and the required supplementary information on pages 29 through 32 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016, on our consideration of the District'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 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 District's internal control over financial reporting and compliance.

Finley & Cook, PLLC

Shawnee, Oklahoma
December 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Central Oklahoma Master Conservancy District's (the "District") annual financial report presents a discussion and analysis of its financial performance for the years ended June 30, 2016 and 2015. Please read it in conjunction with the financial statements which follow this section. The following tables summarize the net position and changes in net position of the District for 2016 and 2015.

Statements of Net Position

	June 30, 2016	June 30, 2015
Assets:		
Current assets	$ 2,012,945	2,505,736
Capital assets, net	9,299,032	9,633,282
Other noncurrent assets	4,345,588	4,469,689
Total assets	15,657,565	16,608,707
Deferred outflows of resources related to the pension plan	176,197	82,270
Liabilities:		
Current liabilities	704,503	1,399,157
Long-term debt, less current maturities	898,366	1,488,250
Net pension liability	95,458	273,169
Total liabilities	1,698,327	3,160,576
Deferred inflows of resources related to the pension plan	191,420	49,966
Net position:		
Invested in capital assets, net	7,944,135	7,563,358
Unrestricted	5,949,880	5,867,077
Restricted	50,000	50,000
Total net position	$ 13,944,015	13,480,435

Statements of Revenues, Expenses, and in Changes Net Position

	Years Ended June 30, 2016	2015
Operating revenues:		
Operations and maintenance	$ 1,882,679	1,848,740
Electric power	421,713	471,093
Total operating revenues	2,304,392	2,319,833
Operating expenses:		
Pumping power	448,167	511,940
Salaries and benefits	503,443	543,547
Other operating expenses	1,031,644	929,273
Total operating expenses	1,983,254	1,984,760
Operating income	321,138	335,073
Non-operating revenues and (expenses)	142,442	(247,754)
Changes in net position	463,580	87,319
Net position, beginning of year	13,480,435	13,393,116
Net position, end of year	$ 13,944,015	13,480,435

Overview of the Financial Statements

The three financial statements are as follows:

- Statement of Net Position—This statement presents information reflecting the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position represents the amount of total assets, deferred outflows of resources, less total deferred inflows of resources, and liabilities. The statement of net position is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement date.

- Statement of Revenues, Expenses, and Changes in Net Position—This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses, during the fiscal year. Major sources of operating revenues are operations and maintenance, and electric power revenue; and major sources of operating expenses are salaries and benefits, and pumping power expense. Major sources of non-operating income are from investment and interest income. The change in net position for an enterprise fund is the equivalent of net profit or loss for any other business enterprise.

Overview of the Financial Statements, Continued

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

Financial Highlights

- The decrease in total operating revenues of approximately $15,000 in 2016 compared to the prior year was due to decreased operating costs. The decrease in total operating revenues of approximately $569,000 in 2015 compared to the prior year was due to a reduction in the budgeted maintenance costs due to completion of a major restoration project in the prior year.

- The decrease in total operating expenses of approximately $2,000 in 2016 compared to the prior year was due primarily to decreases in pumping power and salaries and benefits of approximately $104,000, offset primarily by increases in maintenance costs of $102,000. The increase in total operating expenses of approximately $68,000 in 2015 compared to the prior year was due primarily to increases in water monitoring and maintenance costs of approximately $67,000 and $38,000, respectively, offset primarily by reductions in salaries and benefits and professional services of $39,000 and $51,000, respectively.

- Total non-operating revenues and expenses increased approximately $390,000 in 2016 compared to the prior year, mainly resulting from an increase in investment and interest income of approximately $81,000 and a decrease in water reuse study expenses of approximately $295,000. Total non-operating revenues and expenses decreased approximately $278,000 in 2015 compared to the prior year, mainly resulting from a decrease in investment and interest income of approximately $139,000 and an increase in water reuse study expenses of approximately $160,000.

- During 2016, the District's net pension liability was approximately $95,000, deferred outflow of resources approximated $176,000, and deferred inflow of resources approximated $191,000. During 2015, the requirement to implement GASB Statements No. 68 and No. 71 resulted in the District recognizing a net pension liability of approximately $273,000 at June 30, 2015, a deferred outflow of resources of approximately $82,000, and a deferred inflow of resources of approximately $50,000.

Capital Assets

As of June 30, 2016, the District had invested approximately $17,170,000 in capital assets, including dam and reservoir, land improvements, construction in progress, pipelines, pumping plant, buildings and structures, vehicles, and equipment. Net of accumulated depreciation, the District's net capital assets at June 30, 2016, approximated $9,299,000. As of June 30, 2015, the District had invested approximately $17,121,000 in capital assets, including dam and reservoir, land improvements, construction in progress, pipelines, pumping plant, buildings and structures, vehicles, and equipment. Net of accumulated depreciation, the District's net capital assets at June 30, 2015, approximated $9,633,000. Additional details concerning the District's capital assets can be found in the financial statements (see Note 3).

The District's infrastructure assets, which are reported using the modified approach for depreciation, consisted of dam and reservoir related assets. The infrastructure assets are typically required to have annual condition assessments performed by the U.S. Department of the Interior's Bureau of Reclamation. The condition assessment assigned to the assets was 94 and 96 in the last two issued assessment reports, respectively. A rating of 80 or greater is considered to be a "Good" rating. The District's objective is to maintain a "Good" condition assessment rating.

Debt Administration

As of June 30, 2016, the District had approximately $362,000 payable to the U.S. Department of the Interior, compared to approximately $993,000 at June 30, 2015.

As of June 30, 2016 and 2015, the District had a note payable of approximately $993,000 and $1,077,000, respectively, with the Oklahoma Water Resources Board.

Additional details concerning the District's long-term debt can be found in the financial statements (see Note 4).

Contacting the District's Management

This financial report is designed to provide patrons and interested parties with a general overview of the District's finances and to demonstrate the District's accountability for its finances. If you have questions about this report or need additional financial information, contact:

Randy Worden, General Manager
Central Oklahoma Master Conservancy District
12500 Alameda Drive
Norman, OK 73026
Telephone: 405-329-5228

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF NET POSITION

June 30,	*2016*	*2015*
Assets		
Current assets:		
Cash and cash equivalents	$ 990,737	1,209,413
Assessments receivable—the Cities, current portion	362,181	497,236
Assessments receivable—the Cities—Energy Project, current portion	64,490	59,682
Accounts receivable	569,621	708,464
Accrued interest receivable	25,916	30,941
Total current assets	2,012,945	2,505,736
Noncurrent assets:		
Certificate of deposit	50,797	50,000
Restricted cash and cash equivalents	50,000	50,000
Prepaid expenses and other deposits	-	18,780
Assessments receivable—the Cities	-	495,533
Assessments receivable—the Cities—Energy Project	898,366	992,717
Investments	3,346,425	2,862,659
Capital assets, net	9,299,032	9,633,282
Total noncurrent assets	13,644,620	14,102,971
Total assets	15,657,565	16,608,707
Deferred outflows of resources:		
Deferred amounts related to the pension plan	176,197	82,270

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

STATEMENTS OF NET POSITION, CONTINUED

June 30,	*2016*	*2015*
Liabilities and Net Position		
Current liabilities:		
Accounts payable	214,050	202,552
Compensated absences payable	22,284	16,068
Accrued interest payable	11,638	24,388
Due to the Cities	-	574,475
Long-term debt, current portion	456,531	581,674
Total current liabilities	704,503	1,399,157
Noncurrent liabilities:		
Long-term debt, less current maturities	898,366	1,488,250
Net pension liability	95,458	273,169
Total noncurrent liabilities	993,824	1,761,419
Total liabilities	1,698,327	3,160,576
Deferred inflows of resources:		
Deferred amounts related to the pension plan	191,420	49,966
Net position:		
Invested in capital assets, net	7,944,135	7,563,358
Unrestricted	5,949,880	5,867,077
Restricted	50,000	50,000
Total net position	$ 13,944,015	13,480,435

See Independent Auditors' Report.
See accompanying notes to financial statements.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30,		*2016*	*2015*
Operating revenues:			
Operations and maintenance	$	1,882,679	1,848,740
Electric power		421,713	471,093
Total operating revenues		2,304,392	2,319,833
Operating expenses:			
Salaries and benefits		503,443	543,547
Maintenance		284,807	182,019
Utilities		17,801	19,942
Insurance and bond		57,059	55,713
Administrative supplies		15,305	11,622
Professional services		107,273	119,516
Pumping power		448,167	511,940
Water monitoring		166,733	166,744
Depreciation		382,666	373,717
Total operating expenses		1,983,254	1,984,760
Operating income		321,138	335,073
Non-operating revenues and (expenses):			
Investment and interest income		181,091	100,534
Interest expense		(28,119)	(47,567)
Water reuse study expense		(18,109)	(312,610)
Other, net		7,579	11,889
Total non-operating revenues and (expenses)		142,442	(247,754)
Changes in net position		463,580	87,319
Net position, beginning of year		13,480,435	13,393,116
Net position, end of year	$	13,944,015	13,480,435

See Independent Auditors’ Report.
See accompanying notes to financial statements.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Years Ended June 30,	*2016*	*2015*
Cash flows from operating activities:		
Cash received from assessments to the Cities	$ 1,868,760	2,914,822
Cash payments for goods and services	(1,085,647)	(1,074,908)
Cash payments for salaries and benefits	(627,411)	(604,143)
Net cash provided by operating activities	155,702	1,235,771
Cash flows from capital, noncapital, and related financing activities:		
Acquisition and development of capital assets	(48,416)	(230,407)
Repayment of debt obligations	(562,895)	(564,734)
Interest paid	(40,869)	(58,185)
Water reuse study	(18,109)	(312,610)
Other, net	7,579	11,889
Net cash used in capital, noncapital, and related financing activities	(662,710)	(1,154,047)
Cash flows from investing activities:		
Principal received on assessments receivable	586,779	572,581
Investment and interest income received	186,116	108,029
Purchase of investments	(483,766)	(1,065,487)
Redemption of investments	-	567,000
Net (purchase) redemption of a certificate of deposit	(797)	86,930
Net cash provided by investing activities	288,332	269,053
Net (decrease) increase in cash and cash equivalents	(218,676)	350,777
Cash and cash equivalents at beginning of year	1,259,413	908,636
Cash and cash equivalents at end of year	$ 1,040,737	1,259,413

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF CASH FLOWS, CONTINUED

Increase (Decrease) in Cash and Cash Equivalents

Years Ended June 30,	*2016*	*2015*
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 321,138	335,073
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	382,666	373,717
Changes in deferred amounts related to pensions	47,527	(32,304)
Impact of cumulative adjustment in net position to adopt GASB 68 and GASB 71	-	(300,514)
Change in operating assets and liabilities:		
Accounts receivable	138,843	20,514
Accounts payable	11,498	(7,412)
Compensated absences payable	6,216	(947)
Net pension liability	(177,711)	273,169
Due to the Cities	(574,475)	574,475
Net cash provided by operating activities	$ 155,702	1,235,771
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents classified as current assets	$ 990,737	1,209,413
Cash and cash equivalents classified as noncurrent assets	50,000	50,000
	$ 1,040,737	1,259,413
Noncash financing and investing activities:		
Reduction in debt obligation and assessment receivable due to forgiveness of debts	$ 133,352	-

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Central Oklahoma Master Conservancy District (the "District") is a governmental organization established pursuant to Oklahoma Statute by order of the Cleveland County District Court entered on September 30, 1959. Its primary purpose is to distribute raw water from Lake Thunderbird to the Cities of Del City and Midwest City (under a contract dated November 13, 1961) and the City of Norman (under a contract dated September 5, 1961) [collectively, the "Cities"] for municipal, domestic, and industrial use. The District manages and operates the dam, facilities, land, and rights of way under a September 5, 1961, agreement with the United States. The District also provides flood control, fish and wildlife benefits, and recreational opportunities. The District is obligated to repay the United States for a portion of the construction cost (considered to be cost related to municipal and industrial water supply), with interest, for which it assesses the member cities annually based on a stated formula. The members of the District's board of directors are nominated by the Cities and appointed by the Cleveland County District Court.

Reporting Entity

The financial statements presented herein include only the operations of the District and do not include the assets, liabilities, or results of operations of the Cities serviced.

Basis of Accounting

The District prepares its financial statements on the enterprise fund basis using the economic measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Financial Statement Presentations

The District follows the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34), in preparing its financial statements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with an original maturity of 3 months or less to be cash and cash equivalents.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Restricted Cash and Cash Equivalents

The contract with the U.S. Department of the Interior (see Note 4) requires that $50,000 be restricted for maintenance and operations.

Investments

The District's investments are recorded at fair value.

Accounting principles generally accepted in the United States establish a fair value hierarchy for determination and measurement of fair value. The hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy is generally as follows:

- Level 1—unadjusted quoted prices in active market, for identical assets.
- Level 2—quoted prices for similar assets or inputs that are observable or other forms of market corroborated inputs.
- Level 3—pricing based on best available information including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3.

Capital Assets

Capital assets are stated at cost and depreciated on the date they are placed into service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 20–25 years for buildings and structures, pumping plant, and pipelines; 7 years for vehicles and office equipment; and 20 years for the Energy Project equipment (a $2,400,000 energy savings construction project) and fencing and equipment.

The District considers the dam and reservoir related assets to be infrastructure assets, which are reported using the modified approach for depreciation. Under the modified approach, infrastructure assets are not required to be depreciated as long as certain requirements, as defined by GASB 34, are met. All expenditures made for infrastructure assets, using the modified approach, are expensed in the period incurred, except for expenditures considered to be for additions or improvements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Intangible Assets

The District believes its only intangible assets consist of certain rights of way, all of which were received prior to July 2009. Since the District is considered to be a Phase 3 government under GASB 34, the District is not required to retroactively apply GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Therefore, the District has not accounted for and reported its right-of-way intangible assets.

Compensated Absences

The District's employees can accrue a maximum of 360 hours of vacation pay. Upon termination, accrued, unpaid hours will be paid at the employee's hourly rate then in effect. Sick leave can be accrued at a rate of 12 days per year (8 hours for every full month of service), but is not paid upon termination.

Income Taxes

Because the District is a governmental institution pursuant to Title 82, Chapter 5 of the Oklahoma Statutes, as amended, the District is exempt from federal and state income taxes.

Concentrations

The District is located in Norman, Oklahoma, and serves the Cities and, therefore, is reliant on the Cities' ability to meet their obligations.

Contingencies

The District carries appropriate insurance with regard to comprehensive general liability, comprehensive automobile liability, personal injury, general property, and workers' compensation insurance.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications

Equity is classified as net position and displayed in three components:

Invested in Capital Assets, Net—Consists of capital assets, net of accumulated depreciation, less the balance of debt incurred to finance the acquisition, construction, or improvement of the related capital assets.

Restricted—Consists of net position with constraints placed on the use either by i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or ii) law through constitutional provisions or enabling legislation.

Unrestricted—Consists of all other net position that do not meet the definition of "Invested in Capital Assets, Net" or "Restricted."

Revenues

The District considers all assessments charged to the Cities to fund its normal operations as operating revenues. Assessments to the Cities to fund capital or special projects, and grants or other contracts received from federal and state agencies, are considered to be non-operating income.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Defined Benefit Pension Plan

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employee Retirement System of Central Oklahoma Master Conservancy District (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Oklahoma Municipal Retirement Fund (OMRF). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OMRF plan's fiduciary net position is available in the separately issued OMRF financial report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In February 2015, GASB issued Statement No, 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The District adopted this statement on July 1, 2015. Adoption of this statement resulted in presentation changes to the financial statements and revised disclosures related to the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). GASB 73 amendments include restricting additional disclosures related to 10-year schedules required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), to be limited to factors over which the plan or government has influence, such as a change in investment policies. Amendments also address payables to a plan that are not separately financed specific liabilities, and the timing of employer recognition of revenue for the support of nonemployer contributing entities. The District adopted this statement on July 1, 2015. The adoption had no significant impact on the District's financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). GASB 76 identifies accounting sources used to prepare state and local government financial statements in conformity with accounting principles generally accepted in the United States, and established accounting principles generally accepted in the United States hierarchy of these resources. This Statement improves financial reporting by raising the category of accounting principles generally accepted in the United States Implementation Guides in the accounting principles generally accepted in the United States hierarchy, by emphasizing the importance of analogies to authoritative literature when an accounting event is not specified in authoritative accounting principles generally accepted in the United States, and by requiring the consideration of consistency with GASB Concept Statements when evaluating accounting treatments in non-authoritative accounting principles generally accepted in the United States. The District adopted this statement on July 1, 2015. The adoption had no significant impact on the District's financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In March 2016, GASB issued Statement No. 82, *Pension Issues* (GASB 82). GASB 82 addresses issues that arose for pension plans and participating employers when implementing GASB 67 and GASB 68. Under GASB 82, "covered payroll" will be the metric used to prepare ratios and other measures in schedules included in required supplementary information. This change replaces "covered-employee payroll," the presentation required by GASB 67 and GASB 68, since this particular data element presented operational challenges to pension plans. GASB 82 also now clarifies that a deviation, as defined by the Actuarial Standards Board, when selecting the assumptions used to determine total pension and liability related measures, is not considered to be in conformity with GASB 67 and GASB 68. And lastly, in certain circumstances, employers may make a portion or the entire employee required contributions to a pension plan on behalf of the employee. Under GASB 82, these contributions are classified as plan member contributions for GASB 67. For purposes of GASB 68, including determining an employer's proportion, those amounts should also be considered employee contributions. The District adopted this statement effective July 1, 2015. The adoption had no significant impact on the District's financial statements.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through December 29, 2016, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's deposit policy for custodial credit risk is described as follows:

> The District requires that balances on deposit with financial institutions be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, or be invested in U.S. government obligations in the District's name.

As of June 30, 2016 and 2015, the carrying amount of the District's cash deposits was fully collateralized by federal depository insurance or pledges of securities by the various financial institutions, which conforms to Oklahoma state statutes governing the investment of public funds. The fair value of investments pledged to secure deposits approximated $1,108,000 and $1,498,000 at June 30, 2016 and 2015, respectively. The pledged investments consisted of U.S. Treasury securities guaranteed by the U.S. government.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

Custodial Credit Risk—Investments

Investments are made under the custody of the General Manager, as approved by the District's Board of Directors, in accordance with the District's investment policy.

The investment policy permits investments in U.S. Treasury bills, notes, and bonds and obligations fully insured or unconditionally guaranteed by the U.S. government or any of its agencies or instrumentalities; U.S. government agency securities; corporate debt and mortgage-backed pass-through securities with ratings of Aaa, AAA, or the equivalent; collateralized or insured certificates of deposit; bankers' acceptances; commercial paper with a rating of at least A-1 or the equivalent; obligations of state and local governments; money market and short-term bond funds with a rating of AAA or equivalent; and obligations of a foreign government with a rating of A-1 or the equivalent.

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments. Investment securities are exposed to custodial risk if they are uninsured, are not registered in the name of the District, or are held by a counterparty or the counterparty's trust department but not in the name of the District. At June 30, 2016 and 2015, the investment balances of approximately $3,346,000 and $2,863,000, respectively, were uncollateralized. At June 30, 2016 and 2015, the District also had approximately $26,000 and $69,000, respectively, in two money market accounts which were not insured by the FDIC or collateralized. The money market accounts are included in cash and cash equivalents on the statements of net position. The underlying investments of the money market accounts include short-term, high quality, fixed-income securities issued by banks, corporations, and the U.S. government or its agencies.

Interest Rate Risk and Credit Risk

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 changes. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Fixed-income securities are subject to credit risk. The District places no limit on the amount the District may invest in any one issuer. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The following tables provide information concerning interest rate risk and credit risk.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

Interest Rate Risk and Credit Risk, Continued

At June 30, the District had the following investments and maturities:

2016	Investment Maturities (in Years)			
Investment Type	Less than 1	1 or More, Less than 5	5 or More	Fair Value
Corporate bonds—domestic	$ -	524,550	2,429,041	2,953,591
Corporate bonds—foreign	-	-	243,389	243,389
Mortgage-backed securities	-	-	149,445	149,445
	$ -	524,550	2,821,875	3,346,425

2015	Investment Maturities (in Years)			
Investment Type	Less than 1	1 or More, Less than 5	5 or More	Fair Value
Corporate bonds—domestic	$ -	525,105	2,105,695	2,630,800
Corporate bonds—foreign	-	-	231,859	231,859
	$ -	525,105	2,337,554	2,862,659

See Independent Auditors' Report.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

Interest Rate Risk and Credit Risk, Continued

The following table provides information concerning credit risk at June 30, 2016:

S&P 500 Rating	Fair Value	Percentage of Total Fixed Income Investments at Fair Value
AAA	$ 170,381	5%
AA+	483,696	14%
AA-	299,187	9%
A	513,267	15%
A-	173,343	5%
BBB+	1,122,708	34%
BBB	496,088	15%
BB+	87,755	3%
	$ 3,346,425	100%

The following table provides information concerning credit risk at June 30, 2015:

S&P 500 Rating	Fair Value	Percentage of Total Fixed Income Investments at Fair Value
AA+	$ 315,381	11%
AA-	299,700	10%
A+	252,442	9%
A	410,725	14%
A-	905,008	32%
BBB+	392,852	14%
BBB	194,736	7%
BB+	91,815	3%
	$ 2,862,659	100%

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

Interest Rate Risk and Credit Risk, Continued

The certificate of deposit held at June 30, 2016 and 2015, was fully insured by the FDIC, matures on January 18, 2017, and has an interest rate of 1.19%.

Investments Measured at Fair Value

Fair values of investments by hierarchy level are presented below:

	June 30, 2016			
Investments by Fair Value Level	Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds—domestic	$ 2,953,591	-	2,953,591	-
Corporate bonds—foreign	243,389	-	243,389	-
Mortgage-backed securities	149,445	-	149,445	-
	$ 3,346,425	-	3,346,425	-

	June 30, 2015			
Investments by Fair Value Level	Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds—domestic	$ 2,630,800	-	2,630,800	-
Corporate bonds—foreign	231,859	-	231,859	-
	$ 2,862,659	-	2,862,659	-

The District holds a diversified mix of debt instruments through an investment manager. Generally, the District holds a mix of domestic and foreign corporate bonds and mortgage-backed securities. The District's debt securities are classified in Level 2 of the fair value hierarchy, valued using a matrix pricing technique determined by a third-party. This method values securities based on their relationship to benchmark quoted prices.

See Independent Auditors' Report.

(3) CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30:

	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Capital assets not being depreciated:					
Dam and reservoir	$ 4,605,177	-	-	-	4,605,177
Land improvements	38,375	-	-	-	38,375
Construction in progress:					
Land improvements	-	-	-	-	-
Total capital assets not being depreciated	4,643,552	-	-	-	4,643,552
Other capital assets:					
Vehicles	575,215	37,870	-	-	613,085
Pipelines	4,262,751	6,328	-	-	4,269,079
Pumping plant	1,593,952	-	-	-	1,593,952
Office equipment	84,492	-	-	-	84,492
Buildings and structures	1,222,254	-	-	-	1,222,254
Energy Project equipment	2,536,613	-	-	-	2,536,613
Fencing and equipment	2,202,648	4,218	-	-	2,206,866
Total other capital assets	12,477,925	48,416	-	-	12,526,341
Accumulated depreciation:					
Vehicles	(307,605)	(54,658)	-	-	(362,263)
Pipelines	(3,468,145)	(42,622)	-	-	(3,510,767)
Pumping plant	(1,557,440)	(2,356)	-	-	(1,559,796)
Office equipment	(73,038)	(6,787)	-	-	(79,825)
Buildings and structures	(330,129)	(46,642)	-	-	(376,771)
Energy Project equipment	(760,985)	(126,831)	-	-	(887,816)
Fencing and equipment	(990,853)	(102,770)	-	-	(1,093,623)
Total accumulated depreciation	(7,488,195)	(382,666)	-	-	(7,870,861)
Capital assets, net	$ 9,633,282	(334,250)	-	-	9,299,032

See Independent Auditors' Report.

(3) CAPITAL ASSETS, CONTINUED

	Balance at June 30, 2014	Additions	Retirements	Transfers	Balance at June 30, 2015
Capital assets not being depreciated:					
Dam and reservoir	$ 4,605,177	-	-	-	4,605,177
Land improvements	38,375	-	-	-	38,375
Construction in progress:					
Land improvements	25,000	-	-	(25,000)	-
Total capital assets not being depreciated	4,668,552	-	-	(25,000)	4,643,552
Other capital assets:					
Vehicles	429,882	145,333	-	-	575,215
Pipelines	4,262,751	-	-	-	4,262,751
Pumping plant	1,593,952	-	-	-	1,593,952
Office equipment	84,492	-	-	-	84,492
Buildings and structures	1,197,254	-	-	25,000	1,222,254
Energy Project equipment	2,536,613	-	-	-	2,536,613
Fencing and equipment	2,117,574	85,074	-	-	2,202,648
Total other capital assets	12,222,518	230,407	-	25,000	12,477,925
Accumulated depreciation:					
Vehicles	(263,349)	(44,256)	-	-	(307,605)
Pipelines	(3,425,734)	(42,411)	-	-	(3,468,145)
Pumping plant	(1,555,084)	(2,356)	-	-	(1,557,440)
Office equipment	(65,178)	(7,860)	-	-	(73,038)
Buildings and structures	(283,429)	(46,700)	-	-	(330,129)
Energy Project equipment	(634,155)	(126,830)	-	-	(760,985)
Fencing and equipment	(887,549)	(103,304)	-	-	(990,853)
Total accumulated depreciation	(7,114,478)	(373,717)	-	-	(7,488,195)
Capital assets, net	$ 9,776,592	(143,310)	-	-	9,633,282

See Independent Auditors' Report.

(4) LONG-TERM DEBT

Long-term debt activity for the years ended June 30 was as follows:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Amounts Due Within 1 Year
U.S. Department of the Interior contract payable	$ 992,769	-	(630,588)	362,181	362,181
Drinking Water SRF note payable	1,077,155	-	(84,439)	992,716	94,350
	$ 2,069,924	-	(715,027)	1,354,897	456,531

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amounts Due Within 1 Year
U.S. Department of the Interior contract payable	$ 1,476,735	-	(483,966)	992,769	497,236
Drinking Water SRF note payable	1,157,923	-	(80,768)	1,077,155	84,438
	$ 2,634,658	-	(564,734)	2,069,924	581,674

U.S. Department of the Interior Contract Payable

In 1961, the District entered into a contract with the U.S. Department of the Interior to provide for the repayment of the District's share of the costs incurred in the construction of the water facilities. The original contract payable was for $10,928,511 at 2.74% interest over 55 years. Interest and principal payments are due annually on October 1. As of June 30, 2016 and 2015, the District had the necessary $50,000 of restricted funds set aside for maintenance and operations.

Subsequent to June 30, 2016, the U.S. Department of the Interior provided the District a final invoice which indicated the remaining principal due on October 1, 2016, was $133,352 less than the principal balance recorded by the District. The difference was related to maintenance credits provided by the U.S. Department of the Interior that the District was not aware of. The District recorded this as a forgiveness of debt in 2016. The District also forgave the Cities their share of these credits as a reduction in the assessment receivables from the Cities. Such forgiveness of debts resulted in no net impact on the District's financial statements.

(4) LONG-TERM DEBT, CONTINUED

Series 2007 Note Payable and Drinking Water SRF Note Payable

In January 2007, the District entered into a $1,500,000 note payable agreement with a financial institution (the Series 2007 note payable) to help fund the District's Energy Project.

In October 2009, the District refinanced the Series 2007 note payable with a note payable (Drinking Water SRF note payable) from the Oklahoma Water Resources Board through its "Drinking Water SRF Financing Program." The Drinking Water SRF note payable has an annual interest rate of 1.74% in 2016, 1.66% in 2017, and 0.50% in 2018 through maturity, matures on September 15, 2026, and is secured by the District's revenues. Semiannual interest and principal payments are due on March 15 and September 15. The note has certain financial, restrictive, and negative covenants that the District must meet. As of June 30, 2016, the District was in compliance with such covenants.

Future payments of principal and interest of the District's long-term debt for the next 5 years and to maturity are as follows:

Year	Total	Interest	Principal
2017	$ 475,149	18,618	456,531
2018	98,723	4,374	94,349
2019	98,263	3,902	94,361
2020	97,856	3,430	94,426
2021	97,386	2,958	94,428
2022–2026	481,015	7,700	473,315
2027	47,606	119	47,487
	$ 1,395,998	41,101	1,354,897

(5) ASSESSMENTS RECEIVABLE

The Cities entered into separate contracts with the District for the repayment of their share of the original contract payable with the U.S. Department of the Interior (see Note 4). The original assessments for the City of Norman, the City of Midwest City, and the City of Del City were $4,083,149, $4,672,610, and $2,172,752, respectively, payable annually on September 1 at 2.74% interest over 55 years. The balance of the assessments receivable at June 30, 2016 and 2015, was $362,181 and $992,769, respectively. See Note 4 related to forgiveness of debt in 2016.

(5) ASSESSMENTS RECEIVABLE, CONTINUED

In connection with the District's Energy Project, the District entered into contracts with the City of Norman and the City of Del City, in which the two cities agreed to repay their share of the note payable related to the project through an assessment receivable. The assessments mirror the terms of the Drinking Water SRF note payable. See Note 4 for the respective terms. The assessments are secured by gross revenues received from the sale of water by the respective cities. The balance of the assessments receivable for the Energy Project at June 30, 2016 and 2015, was $962,856 and $1,052,399, respectively.

(6) DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in OMRF, an agent multiple public employer retirement system (PERS) defined benefit pension plan. The Plan provides pensions for all regular, full-time employees. The OMRF plan issues a separate financial report and can be obtained from OMRF or from their website: www.okmrf.org/reports.html. PERS is a retirement system that provides benefits to employees of one or more state or local governmental entities. An agent PERS maintains pooled administrative and investment functions for all participating entities. The authority to establish and amend the benefit provisions of the plans that participate in the OMRF is assigned to the respective employer entities, which is the District's Board of Directors. Actuary valuations are performed each year on July 1.

Benefits Provided

The Plan provides retirement, disability, and death benefits. Retirement benefits for employees are calculated as 3 percent of the employee's average 5 highest consecutive years of salaries out of the last 10 years of service multiplied by the number of years of credited service. Employees with 10 or more years of vesting service can retire at the age of 65 or at the age of 55 with 80 points. Points are equal to age plus completed years of service. The Plan allows for early retirement at the age of 55 with 10 years of vested service. The early retirement benefit is the normal retirement benefit reduced 5 percent per year for commencement prior to the normal retirement age. All employees are eligible for disability benefits after 10 or more years of service. Disability benefits are determined in the same manner as normal retirement benefits and are payable upon disablement without an actuarial reduction for early payment. In-service death benefits equal 50 percent of the normal retirement benefit payable to the spouse until death or remarriage, or 50 percent of the normal retirement benefit payable to the elected beneficiary for 5 years certain (for non-married employees). An employee who deceases or terminates service with the District prior to vesting may withdraw his or her contributions, plus any accumulated interest.

(6) DEFINED BENEFIT PENSION PLAN, CONTINUED

Benefits Provided, Continued

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. Benefits in payments status are adjusted each July 1 based on the percentage change in the Consumer Price Index, limited to a maximum increase or decrease in any year of 3 percent.

The Plan allows for normal and optional forms of benefit payments. The normal form of payment is a monthly lifetime annuity with 5 years certain. Disability retirement benefits are paid only under the normal form. Optional forms of payment consist of jointed and 50% survivor annuity, joint and 66 and two-thirds percent last survivor annuity, and joint and 100% survivor annuity.

Employees Covered Under the Plan

At June 30 the following employees were covered under the Plan:

	2016	2015
Retirees, disabled participants, and beneficiaries currently receiving benefits	4	6
Terminated vested participants	1	-
Active participants	4	5
	9	11

Contributions

The District's Board of Directors has the authority to set and amend contribution rates to the Plan. Participating employees contribute 6% of their annual compensation to the Plan. The District's contribution rates for fiscal years 2016 and 2015 were based on actuarially determined rates. The rates for the fiscal years 2016 and 2015 were 26.51% and 36.73%, respectively, of covered salary. The District contributed $124,865 and $82,270 in employer contributions to the Plan in 2016 and 2015, respectively.

(6) DEFINED BENEFIT PENSION PLAN, CONTINUED

Total and Net Pension Liability

The total pension liability as of June 30, 2016 and 2015, was determined based on actuarial valuations performed as of July 1, 2015, and July 1, 2014, respectively, which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability as of June 30, 2016 and 2015. There were also no changes between the measurement date of July 1, 2015 and 2014, and the District's report ending date of June 30, 2016 and 2015, that would have a significant impact on the net pension liability as of June 30, 2016 or 2015.

Actuarial Assumptions

The total pension liability as of the July 1, 2015 and 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment return and discount rate:	7.75% compounded annually net of investment expense and including inflation.
Salary increases:	Varies between 4.0% to 7.4% per year
Mortality rates:	UP-1994 Mortality Table with projected mortality improvement by the Scale AA based on the employee's year of birth
Assumed inflation rate:	3.0%
Actuarial cost method:	Entry age normal

The actuarial assumptions used in the July 1, 2015 and 2014, valuation are based on the results of the most recent actuarial experience study, which covers the 5-year period ending June 30, 2011. The experience study report is dated September 28, 2012.

Discount Rate

The discount rate used to value benefits was the long-term expected rate of return on plan investments of 7.75% as of both July 1, 2015 and 2014, since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The District has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

See Independent Auditors' Report.

(6) DEFINED BENEFIT PENSION PLAN, CONTINUED

Discount Rate, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of July 1 are summarized in the following table:

	2015			2014		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Return	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Return
Large cap stocks S&P 500	25%	5.40%	1.35%	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%	5%	4.80%	0.24%
Cash and cash equivalents 3-month Treasury	0%	0.00%	0.00%	0%	0.00%	0.00%
Total	100%			100%		
Average real return			4.75%			4.75%
Inflation			3.00%			3.00%
Long-term expected return			7.75%			7.75%

See Independent Auditors' Report.

(6) DEFINED BENEFIT PENSION PLAN, CONTINUED

Changes in the Net Pension Liability

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	$ 1,492,775	1,011,838	480,937
Changes for the year:			
Service cost	36,379	-	36,379
Interest cost	115,436	-	115,436
Contributions—employer	-	180,423	(180,423)
Contributions—employee	-	13,138	(13,138)
Net investment income	-	168,530	(168,530)
Benefit payments, including refunds of employee contributions	(80,831)	(80,831)	-
Administrative expense	-	(2,508)	2,508
Net changes	70,984	278,752	(207,768)
Balance at June 30, 2015	1,563,759	1,290,590	273,169
Changes for the year:			
Service cost	39,199	-	39,199
Interest cost	118,178	-	118,178
Difference between expected and actual experience	(205,605)	-	(205,605)
Contributions—employer	-	82,298	(82,298)
Contributions—employee	-	13,444	(13,444)
Net investment income	-	36,413	(36,413)
Benefit payments, including refunds of employee contributions	(79,253)	(79,253)	-
Administrative expense	-	(2,672)	2,672
Net changes	(127,481)	50,230	(177,711)
Balance at June 30, 2016	$ 1,436,278	1,340,820	95,458

See Independent Auditors' Report.

(6) DEFINED BENEFIT PENSION PLAN, CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.75% as of both July 1, 2015 and 2014, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability July 1, 2015	$ 285,861	95,458	(62,929)
Net pension liability July 1, 2014	$ 476,815	273,169	103,251

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016 and 2015, the District recognized pension expense of $5,319 and $22,621, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	153,945	-	-
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	51,332	37,475	-	49,966
District contributions subsequent to measurement date	124,865	-	82,270	-
	$ 176,197	191,420	82,270	49,966

See Independent Auditors' Report.

(6) DEFINED BENEFIT PENSION PLAN, CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Reported deferred outflows of resources of $124,865 related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2017	$	(51,318)
2018		(51,318)
2019		(50,285)
2020		12,833
	$	(140,088)

(7) DEFINED CONTRIBUTION PLAN

The District has a defined contribution retirement plan and trust, known as the "Employee Retirement System of Central Oklahoma Master Conservancy District in Norman, Oklahoma, Defined Contribution Plan" (the "Contribution Plan"), in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan. The Contribution Plan is available only to the General Manager and contains a provision requiring the District to contribute up to 15% of the General Manager's eligible compensation. For both years ended June 30, 2016 and 2015, the District contributed approximately $19,000 to the Contribution Plan. Benefits depend solely on amounts contributed to the Contribution Plan plus investment earnings.

(8) DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan (the "Deferred Compensation Plan") as authorized by Section 457(b) of the Internal Revenue Code, as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The Deferred Compensation Plan is available to all District employees. Participants may make voluntary contributions up to the maximum permitted by law. The District matches salary deferrals at 50%, up to 3% of the participant's annual compensation. Participants are fully vested in their contributions and the District's contributions. Participants may direct the investment of their contributions and the District's contributions in available investment options offered by the Deferred Compensation Plan. All interest, dividends, and investment fees are allocated to participants' accounts. The District's contribution to the Deferred Compensation Plan in 2016 and 2015 approximated $6,400 and $6,500, respectively.

See Independent Auditors' Report.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CONDITION RATING AND ESTIMATE-TO-ACTUAL COMPARISON OF MAINTENANCE OF INFRASTRUCTURE ASSETS

Fiscal Year Ended June 30, 2016

Condition Rating of Infrastructure Assets

	Years Ended June 30,		
	2015	2014	2012
Infrastructure assets (dam and reservoir)	94	96	97

Condition assessments of the infrastructure assets are made by the U.S. Department of the Interior's Bureau of Reclamation (BOR). The BOR typically performs a comprehensive assessment every 3 years and a limited condition assessment for other annual periods. The ratings are based on the BOR's "Facility Reliability Rating System for High and Significant Hazard Dams." The ratings are as follows: Good (rating of 80 or greater); Fair (rating of 60 to 79); and Poor (rating of 59 or less).

Estimate-to-Actual Comparison of Maintenance of Infrastructure Assets

	Years Ended June 30,				
	2016	2015	2014	2013	2012
Estimate	$ 70,000	65,000	65,000	55,000	50,000
Actual	246,271	93,985	88,720	135,437	86,416

See Independent Auditors' Report.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Fiscal Years Ended June 30,	*2016*	*2015*
Total pension liability		
Service cost	$ 39,199	36,379
Interest cost	118,178	115,436
Differences between expected and actual experience	(205,605)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(79,253)	(80,831)
Net change in total pension liability	(127,481)	70,984
Total pension liability, beginning of year	1,563,759	1,492,775
Total pension liability, end of year (a)	$ 1,436,278	1,563,759
Plan fiduciary net position		
Contributions—employer	$ 82,298	180,423
Contributions—employees	13,444	13,138
Net investment income	36,413	168,530
Administrative expenses	(2,672)	(2,508)
Benefit payments, including refunds of employee contributions	(79,253)	(80,831)
Net change in plan fiduciary net position	50,230	278,752
Plan fiduciary net position, beginning of year	1,290,590	1,011,838
Plan fiduciary net position, end of year (b)	$ 1,340,820	1,290,590
Plan's net pension liability (a) - (b)	$ 95,458	273,169

The amounts presented for each year-end were determined as of July 1 of the current year.
Only the last 2 fiscal years are presented because data for the prior 8 years is not readily available.

See Independent Auditors' Report.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

SCHEDULE OF NET PENSION LIABILITY RATIOS

Fiscal Years Ended June 30,	*2016*	*2015*
Total pension liability	$ 1,436,278	1,563,759
Plan fiduciary net position	1,340,820	1,290,590
Plan's net pension liability	$ 95,458	273,169
Plan fiduciary net position as a percentage of the total pension liability	93.35%	82.53%
Covered-employee payroll	$ 252,604	223,981
Plan's net pension liability as a percentage of covered-employee payroll	37.79%	121.96%

The amounts presented for each year-end were determined as of July 1 of the current year.
Only the last 2 fiscal years are presented because data for the prior 8 years is not readily available.

See Independent Auditors' Report.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Years Ended June 30,		*2016*	*2015*
Actuarially determined contribution	$	74,865	82,298
Contributions in relation to the actuarially determined contribution		124,865	82,298
Contribution excess	$	(50,000)	-
Covered-employee payroll	$	252,604	223,921
Contributions as a percentage of covered-employee payroll		49.43%	36.75%

The amounts presented for each year-end were determined as of July 1 of the current year.

Only the last 2 fiscal years are presented because data for the prior 8 years is not readily available.

See Independent Auditors' Report.

INDEPENDENT AUDITORS' 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*

Board of Directors
Central Oklahoma Master Conservancy District

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Central Oklahoma Master Conservancy District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2016. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes an explanatory paragraph to emphasize the adoption of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, by the Authority.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' 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*, CONTINUED

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley & Cook, PLLC

Shawnee, Oklahoma
December 29, 2016