



## **Oklahoma City Environmental Assistance Trust**

A blended component unit enterprise fund of The City of Oklahoma City, Oklahoma

Annual Financial Report | for the Fiscal Year ended June 30, 2014



# **OKLAHOMA CITY ENVIRONMENTAL ASSISTANCE TRUST**

A Blended Component Unit Enterprise Fund of  
Oklahoma City, Oklahoma

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James D. Couch, General Manager

Marsha Slaughter, Director Utilities Department

Annual Financial Report for the Fiscal Year Ended June 30, 2014

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



# OKLAHOMA CITY ENVIRONMENTAL ASSISTANCE TRUST

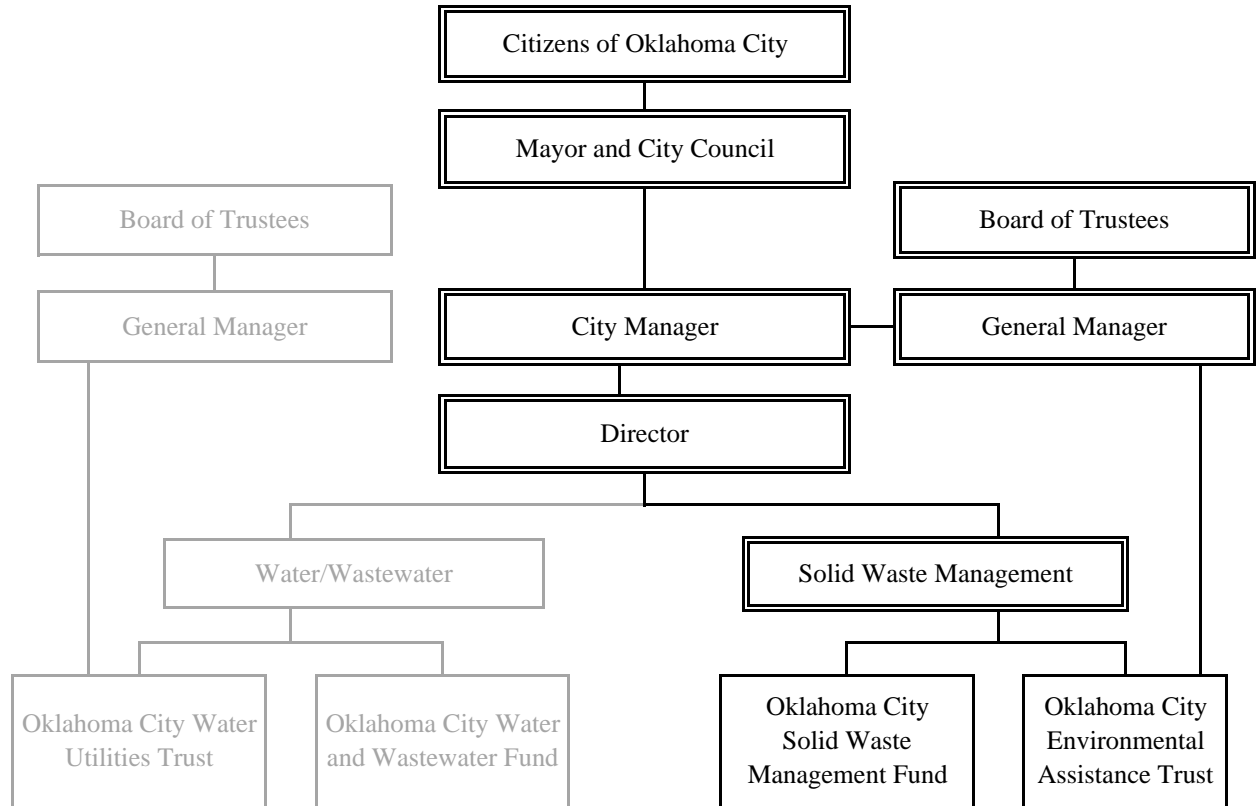
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# Oklahoma City Environmental Assistance Trust

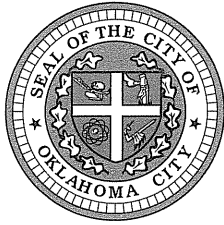
## Organization Chart



# **Introductory Section**







The City of  
**OKLAHOMA CITY**  
DEPARTMENT OF FINANCE

December 10, 2014

The Board of Trustees  
Oklahoma City Environmental Assistance Trust

The Oklahoma City Environmental Assistance Trust (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal years ended June 30, 2014 and 2013. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States of America. It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust.

The Trust's annual report includes the reports of independent auditor's, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2014 and 2013, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a blended component unit of the City of Oklahoma City (City) and, as such, is included within the funds of the City's Comprehensive Annual Financial Report (CAFR).

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

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

The Trust Board approved new service contracts for the disposal of solid waste, effective February 1, 2012 through January 31, 2017. The contracts included a price adjustment which will increase each year based upon the Consumer Price Index for Wage Earners. Effective, September 1, 2013, the cost of disposal services increased 1.45%.

The current economic environment and the economic outlook for Oklahoma City continue to remain very positive. 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; quality education, entertainment and sports opportunities; favorable weather; and a central location within the State of Oklahoma. Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States including Forbes 2014 ranking of Oklahoma City as the 7th Best Place for Business and Careers. This rating was based on a dozen factors related to jobs, costs of business and living, income growth, quality of life, and the education of the workforce. These factors promise an immediate and sustainable economic growth outlook for the next several years.

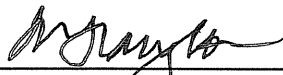
In a report prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, dated February 4, 2014 and entitled "Greater Oklahoma City Economic Forecast", the Institute reported that the U.S. economy will carry positive economic momentum in 2014 and in future years will support the continued economic growth in Oklahoma City. However, the Institute cites that cities who have had a low unemployment rate for an extended period of time, such as Oklahoma City, can face some unique challenges in the areas of talent recruitment and wages. Since November of 2013, Oklahoma City has experienced the lowest unemployment rate among cities with more than 1 million in population for 26 of the past 35 months. The unemployment rate is expected to trend down to 4.5% by the end of 2014 and 4.11% by the end of 2015. Additionally, for the 6th straight year, it has remained 2 percentage points below the nation's unemployment rate. The Institute reported that recent employment and earnings growth should result in positive sales tax momentum with a general projection of 4% to 6% annual growth in sales tax revenues for calendar years 2014 and 2015 depending on the national economy. Average weekly earnings, a key driver of sales tax growth, is expected to grow 5.1 percent in fiscal year 2015. Without any significant changes in the national economy, overall job growth is expected to be around 3.0 percent for fiscal year 2015.

Fiscal year 2014, in terms of sales tax revenue growth, substantiates this positive outlook for fiscal year 2015. The first three quarters of fiscal year 2014 saw growth of less than 1.0 percent. The final quarter of the year saw growth of 8.4%. For the year, sales tax revenue grew at 2.7%. This strong performance at the end of the year, coupled with better than expected performance in several other revenue categories allowed for increases in several programs for fiscal year 2015. Budgeted expenditures for fiscal year 2015 also were based on the positive projected economic growth.

Any economic outlook is predicated on sustainable factors. The City Council has a continuing priority to its citizens to fulfill the promises made to them with regard to completing the projects established in voter initiatives to invest in the City. In addition, the City Council is focused on pursuing a financial model that provides adequate resources to meet the expectations for services as Oklahoma City grows and maintaining strong financial management that is evidenced by the highest possible rating of the City's general obligation bonds by both Moody's and Standard and Poor's.

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

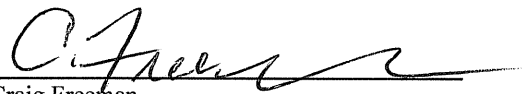
Respectfully submitted,



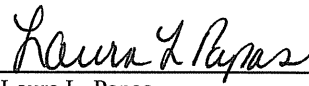
Marsha Slaughter  
Utilities Department Director  
City of Oklahoma City



Bret Weingart  
Utilities Department Assistant Director  
City of Oklahoma City



Craig Freeman  
Finance Director  
City of Oklahoma City



Laura L. Papas  
Controller  
City of Oklahoma City

## **Financial Section**



## **Independent Auditor's Report on Financial Statements and Supplementary Information**

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

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Oklahoma City Environmental Assistance Trust (the Trust), a blended component unit of the City of Oklahoma City, Oklahoma (the City), which are comprised of statements of net position as of June 30, 2014 and 2013, and the statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The transmittal letter preceding this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. That letter has not been subjected to the auditing procedures applied in the audits 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 December 10, 2014, on our consideration of the Trust's internal control over financial reporting and 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.

*BKD, LLP*

Oklahoma City, Oklahoma  
December 10, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Oklahoma City Environmental Assistance Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2014 and 2013. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust reports services for which the Trust charges customers a fee. Services are provided to customers external to the Trust for solid waste management services. The Trust is a blended component unit of the City of Oklahoma City (City).

### ***Financial Summary***

- Trust assets exceeded liabilities by \$29,886,876 (net position) for 2014. This compares to the previous year when assets exceeded liabilities by \$25,050,152.
- Total net position are comprised of the following:
  - (1) Net investment in capital assets of \$12,424,489 and \$9,232,970 for 2014 and 2013, respectively, includes property and equipment, net of accumulated depreciation and related debt.
  - (2) Net position at June 30, 2014 and 2013 of \$375,023 and \$360,087, respectively, is restricted for debt service by constraints imposed by debt covenants.
  - (3) Unrestricted net position is \$17,087,364 for 2014 and \$15,457,095 for 2013.

### ***Overview of the Financial Statements***

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

### **Financial Statements**

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

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

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

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

### Notes to the Financial Statements

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

### Financial Analysis

The Trust's net position at June 30, 2014 and 2013 is \$29,886,876 and \$25,050,152, respectively. The overall financial condition improved in fiscal year 2014.

Summary of Net Position							
	2014	2013	2014-2013 Amount of Change	2014-2013 %	2012	2013-2012 Amount of Change	2013-2012 %
<b>Assets</b>							
Current assets	\$31,646,915	\$27,708,334	\$3,938,581	14.2%	\$28,612,231	(\$903,897)	(3.2%)
Capital assets, net	14,927,224	12,404,766	2,522,458	20.3	8,413,060	3,991,706	47.4
Other non-current assets	<u>14,052</u>	<u>16,953</u>	<u>(2,901)</u>	(17.1)	<u>20,321</u>	<u>(3,368)</u>	(16.6)
<b>Total assets</b>	<b><u>46,588,191</u></b>	<b><u>40,130,053</u></b>	<b><u>6,458,138</u></b>	16.1	<b><u>37,045,612</u></b>	<b><u>3,084,441</u></b>	8.3
<b>Liabilities</b>							
Current liabilities	12,453,633	10,695,993	1,757,640	16.4	10,727,744	(31,751)	(0.3)
Non-current liabilities	<u>4,247,682</u>	<u>4,383,908</u>	<u>(136,226)</u>	(3.1)	<u>5,023,801</u>	<u>(639,893)</u>	(12.7)
<b>Total liabilities</b>	<b><u>16,701,315</u></b>	<b><u>15,079,901</u></b>	<b><u>1,621,414</u></b>	10.8	<b><u>15,751,545</u></b>	<b><u>(671,644)</u></b>	(4.3)
<b>Net position</b>							
Net investment in							
Capital Assets	12,424,489	9,232,970	3,191,519	34.6	4,441,674	4,791,296	107.9
Restricted for debt service	375,023	360,087	14,936	4.1	348,288	11,799	3.4
Unrestricted	<u>17,087,364</u>	<u>15,457,095</u>	<u>1,630,269</u>	10.5	<u>16,504,105</u>	<u>(1,047,010)</u>	(6.3)
<b>Total net position</b>	<b><u>\$29,886,876</u></b>	<b><u>\$25,050,152</u></b>	<b><u>\$4,836,724</u></b>	19.3	<b><u>\$21,294,067</u></b>	<b><u>\$3,756,085</u></b>	17.6

Current assets for 2014 increased by \$3.94 million. This is primarily due to increases in cash and investments of \$3.75 million and an increase in interest receivable of \$79 thousand due to the improvement in market interest rates. The \$904 thousand decrease in current assets for 2013 is primarily due to a decreases in cash and investments of \$1.19 million, offset by an increase in inventory of \$87 thousand for new carts purchased at year-end and an increase in the due from the City Water and Wastewater Fund of \$201 thousand due to changing the method of recording unapplied cash receipts.

The \$2.52 million increase in capital assets for 2014 is primarily for capital outlay of \$5.18 million, offset by the normal depreciation of \$2.70 million. The \$3.99 million increase in capital assets for 2013 is primarily related to capital outlay for mobile equipment of \$6.37 million, offset by scheduled depreciation of \$2.38 million.

The increase in current liabilities of \$1.76 million for 2014 is primarily due to an increase in accounts payable of \$1.63 million related to the timing of payments for contract billings, an increase in the unearned revenues of \$375 thousand related to advance billing for services and an increase in the current portion of bonds payable of \$15 thousand. The decrease in current liabilities of \$32 thousand for 2013 is primarily due to a reduction in debt service for lease obligations of \$813 thousand due to the payoff of the lease agreement, offset by increases in accounts payable of \$420 thousand related to mobile equipment purchases and \$329 thousand in unearned revenue related to advance billings for services.

For fiscal years 2014 and 2013, non-current liabilities decreased \$136 thousand and \$640 thousand, respectively. This is due to a reclassification of the regularly scheduled bond principal payments to current liabilities of \$375 thousand in 2014 and \$360 thousand in 2013, and an increase of \$239 thousand and a decrease of \$280 thousand in the advance from the City Solid Waste Management Fund related to unfunded cost reimbursements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2014 and 2013**

**OKLAHOMA CITY ENVIRONMENTAL  
ASSISTANCE TRUST**

<b>Summary of Changes in Net Position</b>							
	<u>2014</u>	<u>2013</u>	<u>2014-2013</u> Amount of <u>Change</u>	<u>2014-2013</u> %	<u>2012</u>	<u>2013-2012</u> Amount of <u>Change</u>	<u>2013-2012</u> %
<b>Operating revenues</b>							
Charges for services	\$46,061,930	\$43,404,655	\$2,657,275	6.1%	\$41,210,875	\$2,193,780	5.3%
<b>Operating expenses</b>							
Solid waste management	<u>40,194,884</u>	<u>38,944,411</u>	<u>1,250,473</u>	3.2	<u>36,626,700</u>	<u>2,317,711</u>	6.3
<b>Operating income</b>	<b>5,867,046</b>	<b>4,460,244</b>	<b>1,406,802</b>	31.5	<b>4,584,175</b>	<b>(123,931)</b>	(2.7)
<b>Non-operating expenses</b>	<u>(1,030,322)</u>	<u>(704,159)</u>	<u>(326,163)</u>	46.3	<u>(804,125)</u>	<u>99,966</u>	(12.4)
<b>Changes in net position</b>	<b>4,836,724</b>	<b>3,756,085</b>	<b>1,080,639</b>	28.8	<b>3,780,050</b>	<b>(23,965)</b>	(0.6)
<b>Beginning net position</b>							
As previously reported	25,050,152	21,294,067	3,756,085	17.6	17,586,553	3,707,514	21.1
Change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	0.0	<u>(72,536)</u>	<u>72,536</u>	(100.0)
As restated	<u>25,050,152</u>	<u>21,294,067</u>	<u>3,756,085</u>	17.6	<u>17,514,017</u>	<u>3,780,050</u>	21.6
<b>Ending net position</b>	<b><u>\$29,886,876</u></b>	<b><u>\$25,050,152</u></b>	<b><u>\$4,836,724</u></b>	19.3	<b><u>\$21,294,067</u></b>	<b><u>\$3,756,085</u></b>	17.6

The \$2.66 million increase in 2014 and the \$2.19 million increase in 2013 for charges for services is primarily due to scheduled rate increases effective in October 2013 and October 2012. The 2014 and 2013 increases in operating expenses of \$1.25 million and \$2.32 million, respectively, is primarily due to a scheduled rate increases paid to contractors which became effective in January of each year.

In 2012, the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board statement number 65 resulted in the immediate recognition of bond issuance costs previously reported as deferred debt expense, net of prepaid insurance.

***Capital Assets and Debt Administration***

**Capital Assets**

The Trust's capital assets, net of accumulated depreciation, as of 2014 and 2013 were \$14,927,224 and \$12,404,766, respectively.

<b>Capital Assets, Net of Accumulated Depreciation</b>							
	<u>2014</u>	<u>2013</u>	<u>2014-2013</u> Amount of <u>Change</u>	<u>2014-2013</u> %	<u>2012</u>	<u>2013-2012</u> Amount of <u>Change</u>	<u>2013-2012</u> %
<b>Non-Depreciable Assets</b>							
Construction in progress	\$557,053	\$165,522	\$391,531	236.5%	\$38,108	\$127,414	334.3%
<b>Depreciable Assets</b>							
Buildings	1,912,992	1,961,450	(48,458)	(2.5)	2,009,908	(48,458)	(2.4)
Infrastructure	1,065,723	889,377	176,346	19.8	993,179	(103,802)	(10.5)
Equipment	<u>11,391,456</u>	<u>9,388,417</u>	<u>2,003,039</u>	21.3	<u>5,371,865</u>	<u>4,016,552</u>	74.8
Total depreciable assets	<u>14,370,171</u>	<u>12,239,244</u>	<u>2,130,927</u>	17.4	<u>8,374,952</u>	<u>3,864,292</u>	46.1
	<b><u>\$14,927,224</u></b>	<b><u>\$12,404,766</u></b>	<b><u>\$2,522,458</u></b>	20.3	<b><u>\$8,413,060</u></b>	<b><u>\$3,991,706</u></b>	47.4

The increase in capital assets for 2014 of \$2.52 million is primarily for capital outlay for solid waste mobile equipment of \$4.48 million, expansion of a compressed natural gas (CNG) facility of \$532 thousand and expansion of the solid waste maintenance facility of \$25 thousand, offset by the increase for normal depreciation of \$2.70 million. The increase in capital assets for 2013 of \$3.99 million is primarily due to the increase of capital purchases of solid waste mobile equipment of \$6.24 million, expansion of a CNG facility of \$76 thousand and other construction projects of \$51 thousand, offset by scheduled depreciation of \$2.38 million. See Note II. D. for more information regarding capital assets.

### ***Long-term debt***

At the end of 2014 and 2013, the Trust had total long-term debt outstanding of \$2,660,000 and \$3,020,000, respectively.

### **Capital Lease**

On March 4, 2008 the Trust entered into an agreement with Chase Equipment Leasing, Inc. for the purpose of financing equipment of \$5.60 million plus interest of \$470 thousand at a rate of 3.31% with monthly lease payments of \$103 thousand beginning April 1, 2008 and ending February 1, 2013. At the end of fiscal year 2013, the lease had been repaid. See Note III. A. for more information regarding capital leases.

### **Revenue Bonds**

On September 8, 2005, the Trust issued Series 2005 Revenue Bonds for \$8.41 million, including the cost of issuance, bearing interest at 3% to 4.25%, to finance the cost of construction and acquisition of certain solid waste management collection and disposal facilities. At the end of fiscal years 2014 and 2013, the Trust had outstanding bond debt of \$2.66 million and \$3.02 million, respectively. The bonds are payable solely from the Trust. See Note III. B. for more information regarding revenue bonds.

	<b>Outstanding Long-term Debt</b>							
	2014 - 2013		2014 - 2013		2013 - 2012		2013 - 2012	
	Amount of		%		Amount of		%	
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>	<u>Change</u>	
Capital lease	\$ -	\$ -	\$ -	0.0%	\$812,875	(\$812,875)	(100.0%)	
Revenue bonds	<u>2,660,000</u>	<u>3,020,000</u>	<u>(360,000)</u>	(11.9)	<u>3,370,000</u>	<u>(350,000)</u>	(10.4)	
	<b><u>\$2,660,000</u></b>	<b><u>\$3,020,000</u></b>	<b><u>(\$360,000)</u></b>	(11.9)	<b><u>\$4,182,875</u></b>	<b><u>(\$1,162,875)</u></b>	(27.8)	

The change in outstanding debt for both 2014 and 2013 is the result of scheduled debt service payments. See Note III. C. for more information regarding changes in long-term debt.

### **Bond Ratings**

On May 6, 2013, Standard and Poor's Rating Services raised its credit rating on the Trust's debt to AAA from AA+.

### ***Economic Factors and Rates***

#### **Economic Factors**

The growth in the economy improved but did not translate to a significant increased financial position in the Trust.

#### **Utility Rates**

The Trust increased solid waste disposal volume charges 3.5% effective October 1, 2013 and 2012, respectively.

### ***Contacting the Trust's Financial Management***

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

# **Basic Financial Statements**



## ***Proprietary Fund Financial Statements***

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

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

**STATEMENTS OF NET POSITION**  
**June 30,**

**OKLAHOMA CITY ENVIRONMENTAL  
ASSISTANCE TRUST**

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Non-pooled cash-----	\$6,893,148	\$4,760,058
Investments-----	20,236,101	18,618,852
Accounts receivable, net-----	3,391,772	3,397,693
Interest receivable-----	151,886	72,866
Receivable from City of Oklahoma City-----	385,402	258,969
Receivable from component units-----	83	423
Intergovernmental receivables-----	-	7,893
Inventories-----	583,033	587,400
Prepays-----	5,490	4,180
Total current assets-----	<u>31,646,915</u>	<u>27,708,334</u>
<b><u>NON-CURRENT ASSETS</u></b>		
Other-----	14,052	16,953
Capital assets:		
Land and construction in progress-----	557,053	165,522
Other capital assets, net of accumulated depreciation-----	14,370,171	12,239,244
Total capital assets-----	<u>14,927,224</u>	<u>12,404,766</u>
Total non-current assets-----	<u>14,941,276</u>	<u>12,421,719</u>
<b>Total assets-----</b>	<b><u>46,588,191</u></b>	<b><u>40,130,053</u></b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable-----	4,480,961	3,121,369
Payable to City of Oklahoma City-----	143,582	129,196
Unearned revenue-----	7,401,465	7,026,503
Bond interest payable-----	52,625	58,925
Bonds payable-----	375,000	360,000
Total current liabilities-----	<u>12,453,633</u>	<u>10,695,993</u>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Payable to City of Oklahoma City-----	1,961,850	1,722,911
Bonds payable:		
Bonds payable-----	2,285,000	2,660,000
Unamortized bond discount/premium-----	832	997
Bonds payable, net-----	<u>2,285,832</u>	<u>2,660,997</u>
Total non-current liabilities-----	<u>4,247,682</u>	<u>4,383,908</u>
<b>Total liabilities-----</b>	<b><u>16,701,315</u></b>	<b><u>15,079,901</u></b>
<b><u>NET POSITION</u></b>		
Net investment in capital assets-----	12,424,489	9,232,970
Restricted for:		
Debt service-----	375,023	360,087
Unrestricted-----	17,087,364	15,457,095
<b>Total net position-----</b>	<b><u>\$29,886,876</u></b>	<b><u>\$25,050,152</u></b>

See accompanying notes to financial statements.

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

**OKLAHOMA CITY ENVIRONMENTAL  
ASSISTANCE TRUST**

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>OPERATING REVENUES</u></b>		
Solid waste charges-----	\$46,061,930	\$43,399,841
Concessions-----	-	4,814
<b>Total operating revenues-----</b>	<b><u>46,061,930</u></b>	<b><u>43,404,655</u></b>
<b><u>OPERATING EXPENSES</u></b>		
Personal services-----	8,110,779	7,940,904
Maintenance, operations, and contractual services-----	26,507,444	25,625,936
Materials and supplies-----	2,878,112	2,999,026
Depreciation-----	2,698,549	2,378,545
<b>Total operating expenses-----</b>	<b><u>40,194,884</u></b>	<b><u>38,944,411</u></b>
<b>Operating income-----</b>	<b><u>5,867,046</u></b>	<b><u>4,460,244</u></b>
<b><u>NON-OPERATING REVENUE (EXPENSES)</u></b>		
Investment income-----	115,182	34,023
Interest on bonds and leases-----	(105,085)	(125,543)
Bond insurance-----	(3,369)	(3,819)
Payments from City of Oklahoma City-----	19,117	-
Payments to City of Oklahoma City-----	(923,794)	(826,137)
Other revenue (expenses)-----	(132,373)	217,317
<b>Net non-operating expenses-----</b>	<b><u>(1,030,322)</u></b>	<b><u>(704,159)</u></b>
<b>Changes in net position-----</b>	<b><u>4,836,724</u></b>	<b><u>3,756,085</u></b>
Total net position, beginning-----	25,050,152	21,294,067
<b>Total net position, ending-----</b>	<b><u>\$29,886,876</u></b>	<b><u>\$25,050,152</u></b>

See accompanying notes to financial statements.

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30,**

**OKLAHOMA CITY ENVIRONMENTAL  
ASSISTANCE TRUST**

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers-----	\$46,640,697	\$43,524,986
Cash payments to suppliers for goods and services-----	(24,215,222)	(24,466,820)
Cash payments for internal services-----	(83,074)	-
Operating payments to component units-----	(1,672,000)	(1,720,000)
Operating payments from City of Oklahoma City-----	490,461	-
Operating payments to City of Oklahoma City-----	(1,318,307)	(826,137)
Cost reimbursements from (to) other funds-----	(10,300,000)	(10,620,000)
Other cash receipts-----	(6,373)	102,081
<b>Net cash provided by operating activities-----</b>	<b><u>\$9,536,182</u></b>	<b><u>\$5,994,110</u></b>
<b><u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u></b>		
Payments for acquisition and construction of capital assets-----	(5,530,552)	(6,017,118)
Principal paid on long-term debt-----	(360,000)	(1,163,062)
Interest paid on long-term debt-----	(111,550)	(134,348)
Proceeds from sale of assets-----	191,128	115,235
<b>Net cash used by capital and capital related financing activities-----</b>	<b><u>(5,810,974)</u></b>	<b><u>(7,199,293)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of investments-----	(55,890,618)	(55,071,535)
Proceeds from sale of investments-----	53,959,975	53,508,290
Investment income received-----	298,372	173,930
Purchased interest-----	40,153	(34,115)
<b>Net cash used by investing activities-----</b>	<b><u>(1,592,118)</u></b>	<b><u>(1,423,430)</u></b>
<b>Net increase (decrease) in cash-----</b>	<b><u>2,133,090</u></b>	<b><u>(2,628,613)</u></b>
Cash, beginning-----	4,760,058	7,388,671
<b>Cash, ending-----</b>	<b><u>\$6,893,148</u></b>	<b><u>\$4,760,058</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH  PROVIDED BY OPERATING ACTIVITIES</u></b>		
Operating income-----	\$5,867,046	\$4,460,244
<b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH  PROVIDED BY OPERATING ACTIVITIES</u></b>		
Depreciation-----	2,698,551	2,378,545
Non-operating revenue (expense)-----	(1,190,205)	(721,056)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable-----	5,921	52,578
(Increase) decrease in receivable from City of Oklahoma City-----	(117,715)	(246,174)
(Increase) decrease in receivable from component units-----	338	(423)
(Increase) decrease in inventories-----	4,366	(87,009)
(Increase) decrease in prepaid assets-----	(1,777)	18,251
(Increase) decrease in intergovernmental receivable-----	7,893	(7,893)
Increase (decrease) in accounts payable-----	1,658,152	66,861
Increase (decrease) in payable to City of Oklahoma City-----	228,650	(248,965)
Increase (decrease) in unearned revenue-----	374,962	329,151
Total adjustments-----	3,669,136	1,533,866
<b>Net cash provided by operating activities-----</b>	<b><u>\$9,536,182</u></b>	<b><u>\$5,994,110</u></b>
<b><u>NON-CASH INVESTING, CAPITAL, AND FINANCING  ACTIVITIES</u></b>		
Net increase (decrease) in fair value of investments-----	\$26,873	(\$35,383)
<b>Total non-cash investing, capital, and financing activities-----</b>	<b><u>\$26,873</u></b>	<b><u>(\$35,383)</u></b>

See accompanying notes to financial statements



## **Notes to Financial Statements**



## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **I. A. INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Environmental Assistance Trust (Trust) financial activities for the fiscal years ended 2014 and 2013. Certain reclassifications to the 2013 statement of revenues, expenses, and changes in net position have been made to reclass amounts previously reported as transfers to other funds outside the Trust to payments to City of Oklahoma City (City).

### **I. B. BASIS OF PRESENTATION**

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

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

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

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

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

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

The financial activity of the Trust is presented as a blended component unit of the City's CAFR. The CAFR financial statement may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

#### ***Trust Administration***

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

## **I. B. 2. BASIC FINANCIAL STATEMENTS**

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

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

### ***Financial Statements***

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

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

## **I. C. BUDGET LAW AND PRACTICE**

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

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

### ***Implementation of New Accounting Standard***

Effective July 1, 2012, the City implemented GASB statement number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement defines deferred outflows and deferred inflows of resources and where they are to be reported in the financial statements and redefine and provide new calculations for the classifications of net position.

## **I. D. 1. CASH AND INVESTMENTS**

The Trust participates in the investment policy approved by the City Council. The Trust's governing board formally adopted the updated City's deposit and investment policy in October 2012. Where applicable, deposit and investment policies for restricted funds are specified in the respective bond indentures.

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

## **I. D. 2. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS**

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

### **I. D. 3. INVENTORIES AND PREPAIDS**

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

Prepays are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Non-current prepaids benefit periods beyond the following 12 month period.

### **I. D. 4. RESTRICTED ASSETS**

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

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

### **I. D. 5. CAPITAL ASSETS AND DEPRECIATION**

Capital assets are reported at historical cost. The Trust generally capitalizes assets with cost of \$7,500 or more as purchase and construction outlays occur. Depreciation is computed on the straight-line method over the estimated useful life of the assets as follows in years:

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

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

### **I. D. 6. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

#### ***Implementation of New Accounting Standard***

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

### **I. D. 7. BOND PREMIUM**

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

#### **I. D. 8. UNEARNED REVENUES**

Unearned revenue is reported for accounts billed two months in advance of services such as recycle bins and trash carts for residential and commercial customers. The related revenue is recognized in the period the services are provided.

#### **I. D. 9. FUND EQUITY**

##### ***Net Position***

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

##### **Net Investment in Capital Assets**

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

##### **Restricted Net Position**

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

#### **I. E. USE OF ESTIMATES**

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

#### **I. F. RISK MANAGEMENT**

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

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

#### **I. G. MAJOR REVENUES**

The Trust has only one primary revenue source which is charges to customers for solid waste disposal.

#### **I. H. TAX STATUS**

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

## I. I. RETAINAGES

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

## II. ASSETS

### II. A. DEPOSITS AND INVESTMENTS

#### *Deposits*

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

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

At June 30, 2014 and 2013, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less the Federal depository insurance.

#### *Investments*

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

	2014			
	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	Average Credit Quality/ <u>Ratings (1)</u>	Weighted Average Months to <u>Maturity (2)</u>
Federal obligations	\$11,629,851	\$11,863,441	AA/Aaa	18.21
Fannie Mae	6,159,040	6,266,920	AA+/Aaa	25.40
Money market funds	<u>2,447,210</u>	<u>2,447,210</u>	AAA/Aaa	1.80
	<b><u>\$20,236,101</u></b>	<b><u>\$20,577,571</u></b>		

(continued)

*Investments (continued)*

	2013			
	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Weighted Average Months to Maturity (2)
Federal obligations	\$12,221,586	\$12,252,819	AA+/Aaa	14.20
Fannie Mae	4,184,870	4,218,680	AA+/Aaa	18.00
Money market funds	<u>2,212,396</u>	<u>2,212,396</u>	AAA/Aaa	1.76
	<b><u>\$18,618,852</u></b>	<b><u>\$18,683,895</u></b>		

(1) Ratings are provided where applicable to indicate associated credit risk.

(2) Interest rate risk is estimated using weighted average months to maturity.

**Investment policy**

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

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

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

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



**Portfolio Structure (1)**

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100.0%	0-1 year	100%
U.S. Treasury securities (3)	100.0	1-3 years	90
Certificates of deposit	50.0	3-5 years	90
Money market funds	100.0		
Savings accounts	100.0		
U.S. noncallable agencies securities	100.0		
U.S. Callable Agency Securities	20.0		
Prime Commercial Paper	7.5		
City judgments	5.0		

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

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

**Bond Indenture Restrictions**

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

**Investments Held by Others**

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

### Compliance with State Restrictions

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

### Restricted Deposits and Investments

	<u>2014</u>	<u>2013</u>
Bond principal and interest accounts	<u>\$427,648</u>	<u>\$419,009</u>

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

### Accounts Receivable

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$7,656,125	\$7,507,052
Less allowance for uncollectible accounts	<u>(4,264,353)</u>	<u>(4,109,359)</u>
<b>Net accounts receivable</b>	<b><u>\$3,391,772</u></b>	<b><u>\$3,397,693</u></b>
 <b>Affect on revenues for change in uncollectibles</b>	 <b><u>(\$154,994)</u></b>	 <b><u>\$325,877</u></b>
 <b>Unearned revenue</b>	 <b><u>\$7,401,465</u></b>	 <b><u>\$7,026,503</u></b>

### Intergovernmental Receivable

In May 2013, severe weather resulted in the declaration of a disaster for damage to City property. A Federal Emergency Management Agency grant award was awarded. In connection with this award, a receivable of \$7,893 from the Oklahoma Emergency Management Agency to supplement matching fund requirements was reported as of June 30, 2013.

## 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, 2014 and 2013 the Trust had prepaid items of \$19,542 and \$21,133, respectively.

	<u>2014</u>	<u>2013</u>
Bond prepaid insurance	\$16,953	\$20,321
Communication system enhancements	-	812
Service fees	902	-
Storage fees	<u>1,687</u>	<u>-</u>
	<b><u>\$19,542</u></b>	<b><u>\$21,133</u></b>

## II. D. CAPITAL ASSETS

### *Changes in Capital Assets*

<b>2014</b>						
	Capital Assets, not depreciated	Capital Assets, depreciated				
		Infrastructure and Improvements	Furniture, Machinery, and Other Than	Total Capital Assets, depreciated	Total Capital Assets, net	
	Construction in Progress	Buildings	Buildings	Equipment		
<b>CAPITAL ASSETS</b>						
Balance, June 30, 2013	\$165,522	\$2,246,554	\$1,651,714	\$19,380,633	\$23,278,901	\$23,444,423
Increases	556,921	-	298,252	4,542,212	4,840,464	5,397,385
Decreases	(165,390)	-	-	(124,217)	(124,217)	(289,607)
Balance, June 30, 2014	<u>557,053</u>	<u>2,246,554</u>	<u>1,949,966</u>	<u>23,798,628</u>	<u>27,995,148</u>	<u>28,552,201</u>
<b>ACCUMULATED DEPRECIATION</b>						
Balance, June 30, 2013		285,104	762,337	9,992,216	11,039,657	11,039,657
Increases		48,458	121,906	2,528,185	2,698,549	2,698,549
Decreases		-	-	(113,229)	(113,229)	(113,229)
Balance, June 30, 2014		<u>333,562</u>	<u>884,243</u>	<u>12,407,172</u>	<u>13,624,977</u>	<u>13,624,977</u>
<b>Capital Assets, Net</b>	<b><u>\$557,053</u></b>	<b><u>\$1,912,992</u></b>	<b><u>\$1,065,723</u></b>	<b><u>\$11,391,456</u></b>	<b><u>\$14,370,171</u></b>	<b><u>\$14,927,224</u></b>

<b>2013</b>						
	Capital Assets, not depreciated	Capital Assets, depreciated				
		Infrastructure and Improvements	Furniture, Machinery, and Other Than	Total Capital Assets, depreciated	Total Capital Assets, net	
	Construction in Progress	Buildings	Buildings	Equipment		
<b>CAPITAL ASSETS</b>						
Balance, June 30, 2012	\$38,108	\$2,246,554	\$1,643,419	\$14,067,467	\$17,957,440	\$17,995,548
Increases	127,414	-	8,295	6,234,542	6,242,837	6,370,251
Decreases	-	-	-	(921,376)	(921,376)	(921,376)
Balance, June 30, 2013	<u>165,522</u>	<u>2,246,554</u>	<u>1,651,714</u>	<u>19,380,633</u>	<u>23,278,901</u>	<u>23,444,423</u>
<b>ACCUMULATED DEPRECIATION</b>						
Balance, June 30, 2012		236,646	650,240	8,695,602	9,582,488	9,582,488
Increases		48,458	112,097	2,217,990	2,378,545	2,378,545
Decreases		-	-	(921,376)	(921,376)	(921,376)
Balance, June 30, 2013		<u>285,104</u>	<u>762,337</u>	<u>9,992,216</u>	<u>11,039,657</u>	<u>11,039,657</u>
<b>Capital Assets, Net</b>	<b><u>\$165,522</u></b>	<b><u>\$1,961,450</u></b>	<b><u>\$889,377</u></b>	<b><u>\$9,388,417</u></b>	<b><u>\$12,239,244</u></b>	<b><u>\$12,404,766</u></b>

### *Depreciation Expense*

Depreciation expense was charged to the Trust in the amount of \$2,698,549, for the year ending June 30, 2014, and \$2,378,545 for the year ending June 30, 2013.

### III. LIABILITIES

#### III. A. CAPITAL LEASE

On March 4, 2008, the Trust entered into an agreement with Chase Equipment Leasing, Inc. for the purpose of financing \$5,600,000 of equipment acquisitions. The Capital Lease agreement was entered pursuant to the Trust Indenture dated January 23, 1979, and as amended March 5, 2002, August 1, 2005 and February 1, 2008. The agreement sets forth that Chase Equipment Leasing, Inc. will finance and deposit funds into Trust accounts. Pursuant to the agreement the Trust will make monthly lease payments of \$102,875 beginning April 1, 2008 and ending February 1, 2013. Total interest to be paid is \$469,606 at a rate of 3.31%. Issuance cost was \$68,450. As of June 30, 2013, the lease has been repaid.

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

#### III. B. REVENUE BONDS

##### *Solid Waste Revenue Bonds*

On September 8, 2005, the Trust sold Series 2005 Revenue Bonds for \$8,410,000. Series 2005 bonds consist of bonds bearing interest at 3% to 4.25%. Bond proceeds financed the cost of construction and acquisition of certain solid waste management collection and disposal facilities and paid the cost of issuance.

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

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

##### *Bonded Debt Service Requirements to Maturity*

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$375,000	\$98,500	\$473,500
2016	390,000	84,535	474,535
2017	160,000	74,280	234,280
2018	165,000	67,940	232,940
2019	170,000	61,240	231,240
2020-2024	960,000	195,269	1,155,269
2025-2029	<u>440,000</u>	<u>18,858</u>	<u>458,858</u>
	<b><u>\$2,660,000</u></b>	<b><u>\$600,622</u></b>	<b><u>\$3,260,622</u></b>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**OKLAHOMA CITY ENVIRONMENTAL  
ASSISTANCE TRUST**

***Revenue Bonds Outstanding***

	Amount	Interest	Issue	Principal	<u>2014</u> Principal	<u>2013</u> Principal
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Balance</u>	<u>Balance</u>
Solid Waste Revenue Bonds, Series 2005	\$8,410,000	3.00-4.25%	9/8/2005	7/1/2025	\$2,660,000	\$3,020,000

***Bond Coverage***

	<u>2014</u>	<u>2013</u>
Gross revenue, including investment income and payments from the City	\$46,196,229	\$43,438,678
Direct operating expenses and payments from the City, excluding depreciation and amortization	38,552,502	37,392,003
<b>Net revenue available for debt service</b>	<b><u>\$7,643,727</u></b>	<b><u>\$6,046,675</u></b>
Principal amounts	\$360,000	\$350,000
Interest amounts	111,550	124,413
<b>Total debt service requirements</b>	<b><u>\$471,550</u></b>	<b><u>\$474,413</u></b>
<b>Revenue bond coverage</b>	<b><u>16.20</u></b>	<b><u>12.74</u></b>

The 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. The required revenue bond coverage is 1.2.

**III. C. CHANGES IN LONG-TERM DEBT**

	<u>2014</u>					
	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014	Due Within One Year	Due After One Year
Revenue bonds	<u>\$3,020,000</u>	<u>\$ -</u>	<u>\$360,000</u>	<u>\$2,660,000</u>	<u>\$375,000</u>	<u>\$2,285,000</u>

	<u>2013</u>					
	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013	Due Within One Year	Due After One Year
Capital lease agreement	\$812,875	\$ -	\$812,875	\$ -	\$ -	\$ -
Revenue bonds	<u>3,370,000</u>	<u>-</u>	<u>350,000</u>	<u>3,020,000</u>	<u>360,000</u>	<u>2,660,000</u>
	<u>\$4,182,875</u>	<u>\$ -</u>	<u>\$1,162,875</u>	<u>\$3,020,000</u>	<u>\$360,000</u>	<u>\$2,660,000</u>

**III. D. SEGMENT INFORMATION AND PLEDGED REVENUES**

The Trust issued revenue bonds to support its solid waste activities. The financial statements report revenue-supported debt. The Trust recognized \$46,061,930 and \$43,399,841 in solid waste charges in 2014 and 2013, respectively.

#### IV. NET POSITION

##### *Net Investment in Capital Assets*

	<u>2014</u>	<u>2013</u>
Capital assets, net	\$14,927,224	\$12,404,766
Retainages and accounts payable	(70,381)	(379,277)
Bonds payable, net	(2,660,832)	(3,020,997)
Bond issuance costs paid from bond proceeds	<u>228,478</u>	<u>228,478</u>
	<u><b>\$12,424,489</b></u>	<u><b>\$9,232,970</b></u>

##### *Restricted for Debt Service*

	<u>2014</u>	<u>2013</u>
Bond principal and interest accounts	\$427,648	\$419,009
Interest receivable on bond investments	-	3
Current bond interest payable	<u>(52,625)</u>	<u>(58,925)</u>
	<u><b>\$375,023</b></u>	<u><b>\$360,087</b></u>

##### *Unrestricted*

	<u>2014</u>	<u>2013</u>
Unrestricted	<u><b>\$17,087,364</b></u>	<u><b>\$15,457,095</b></u>

#### V. TRANSACTIONS WITHIN THE CITY AND THE TRUST

##### V. A. INTERFUND BALANCES

##### *Receivable From/Payable To City*

<b>RECEIVABLE FROM</b>	<b><u>Purpose</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
City Capital Improvement Fund	Capital projects funding	\$ -	\$1,900
City Grants Management Fund	Grant related cost reimbursement	149,166	54,658
City Medical Service Fund	Utility billing adjustments	181	280
City Solid Waste Management Fund	Utility billing adjustments	5,484	-
City Stormwater Drainage Fund	Utility billing adjustments	348	432
City Water and Wastewater Fund	Utility billing adjustments	<u>230,223</u>	<u>201,699</u>
		<u><b>\$385,402</b></u>	<u><b>\$258,969</b></u>
<b>PAYABLE TO</b>			
City General Fund	Payments in lieu of franchise fees	\$139,812	\$129,196
Oklahoma City Public Property Authority	Cost reimbursements	<u>3,770</u>	<u>-</u>
		<u><b>\$143,582</b></u>	<u><b>\$129,196</b></u>

***Cost Reimbursement Receivable From City Solid Waste Management Fund***

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

	<u>2014</u>	<u>2013</u>
Beginning balance	\$1,722,911	\$2,002,617
Personal services	8,110,778	7,940,904
Other services	1,442,090	1,222,675
Material and supplies	936,228	1,179,714
Interest income	(11,032)	(2,999)
Reimbursement to the City	<u>(10,239,125)</u>	<u>(10,620,000)</u>
<b>Advance from City Solid Waste Management Fund</b>	<b><u>\$1,961,850</u></b>	<b><u>\$1,722,911</u></b>

***Receivable From Component Unit***

	<u>Purpose</u>	<u>2014</u>	<u>2013</u>
Oklahoma City Water Utilities Trust (OCWUT)	Utility billing adjustments	<u>\$83</u>	<u>\$423</u>

**V. B. INTERFUND PAYMENTS**

***Payments in Lieu of Franchise Fees***

During fiscal year 2014 and 2013, \$862,919 and \$817,654, respectively, were paid to the City General Fund in lieu of fees paid for the exclusive right to provide solid waste services to the citizens of the City.

***Payments to City Solid Waste Management Fund***

During 2014 and 2013, the Trust reimbursed the City Solid Waste Management Fund \$60,875 and \$8,483 in amounts exceeding the actual cash expenditures.

***Payment from City Capital Projects and Grants Management Funds***

The City Capital Improvement Fund refunded the Trust \$19,102 in 2014 for capital costs provided by the Trust in prior years which was not needed to complete the funded projects. Additionally, the Trust reimbursed the Grants Management Fund \$15 for expenses related to the May 2013 storms.

**V. C. PAYMENTS TO COMPONENT UNITS**

***Billing System Chargebacks***

OCWUT manages all billings and collections for the Trust. The Trust reimburses OCWUT for the cost of these services. In 2014 and 2013, respectively, the Trust paid \$1,672,000 and \$1,720,000 for this service. The payment is reported with operating expense, maintenance, operations and contractual services.

## VI. OPERATING LEASE

The Trust entered an equipment rental agreement with CNG Equipment 1, LLC for a compressed natural gas fueling station. The lease commenced on December 30, 2013. The monthly lease payment is \$47,056 for a term of 60 months. The trust paid \$285,473 in rent for the year ended June 30, 2014.

### *Future Minimum Lease Payments for Operating Lease*

2015	\$564,672
2016	564,672
2017	564,672
2018	564,672
2019	<u>279,199</u>
	<b><u>\$2,537,887</u></b>

## VII. CONTRACT COMMITMENTS

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

2014							
	Refuse Collection	Landfill Disposal	Recycling	Street Sweeping	Fleet Maintenance	Other	Total
2015	\$13,815,000	\$5,380,000	\$3,400,000	\$668,000	\$2,500,000	\$111,000	\$25,874,000
2016	14,502,600	5,675,900	3,587,000	698,060	-	222,000	24,685,560
2017	2,537,697	3,493,043	630,714	364,736	-	222,000	7,248,190
2018	-	-	-	-	-	222,000	222,000
2019	-	-	-	-	-	<u>111,000</u>	<u>111,000</u>
	<b><u>\$30,855,297</u></b>	<b><u>\$14,548,943</u></b>	<b><u>\$7,617,714</u></b>	<b><u>\$1,730,796</u></b>	<b><u>\$2,500,000</u></b>	<b><u>\$888,000</u></b>	<b><u>\$58,140,750</u></b>

2013							
	Refuse Collection	Landfill Disposal	Recycling	Street Sweeping	Fleet Maintenance	Other	Total
2014	\$12,948,706	\$5,108,161	\$3,230,967	\$650,844	\$2,436,814	\$111,000	\$24,486,492
2015	13,659,132	5,389,110	3,408,670	680,132	2,546,471	222,000	25,905,515
2016	14,345,354	5,685,511	3,596,147	710,738	-	222,000	24,559,750
2017	2,511,277	3,498,958	632,323	371,361	-	222,000	7,235,919
2018	-	-	-	-	-	222,000	222,000
2019	-	-	-	-	-	<u>111,000</u>	<u>111,000</u>
	<b><u>\$43,464,469</u></b>	<b><u>\$19,681,740</u></b>	<b><u>\$10,868,107</u></b>	<b><u>\$2,413,075</u></b>	<b><u>\$4,983,285</u></b>	<b><u>\$1,110,000</u></b>	<b><u>\$82,520,676</u></b>

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



**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited, 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, the financial statements of the Oklahoma City Environmental Assistance Trust (the Trust), a blended component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2014.

***Internal Control over Financial Reporting***

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Trust's 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and, therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 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. 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 Trust's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 14-01 to be a material weakness.

### ***Compliance***

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*.

### ***Trust's Responses to the Finding***

The Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Other Matters***

We noted certain matters that we reported to the Trust's management in a separate letter dated December 10, 2014.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* of the City should be read in conjunction with this report.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or 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.

*BKD, LLP*

Oklahoma City, Oklahoma  
December 10, 2014

**Oklahoma City Environmental Assistance Trust**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
14-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – While performing a search for unrecorded liabilities, we identified two invoices aggregating approximately \$318,000 for land fill expenses that were improperly excluded from the initial year-end accounts payable balance. An audit entry was proposed and recorded to report this liability at June 30, 2013.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner, which resulted in a material adjustment to the current financial statements.</p> <p>Cause – The review process failed to identify the proper accrual of expenditures and posting of liabilities to the general ledger.</p> <p>Recommendation – We recommend management review their procedures for ensuring expenditures are recognized and posted in the proper period.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We will continue to train and develop our professional staff to perform reviews effectively.</p>

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