



# GROWING TOGETHER

**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, 2012



# **OKLAHOMA CITY ENVIRONMENTAL ASSISTANCE TRUST**

A Blended Component Unit Enterprise Fund of  
Oklahoma City, Oklahoma

## ***Board of Trustees***

Mick Cornett, Chairman

Gary Marrs

Ed Shadid

Larry McAtee

Pete White

David Greenwell

Margaret S. "Meg" Salyer

Ronald "Skip" Kelly

Patrick J. Ryan

## ***Management***

James D. Couch, General Manager

Marsha Slaughter, Director Utilities Department

Annual Financial Report for the Fiscal Year Ended June 30, 2012

Prepared by The Oklahoma City Finance Department, Accounting Services Division  
Glen D. Earley, Controller



# **Introductory Section**



**OKLAHOMA CITY ENVIRONMENTAL ASSISTANCE TRUST**

**TABLE OF CONTENTS**

For the Fiscal Years Ended June 30, 2012 and 2011

	<b>PAGE</b>
Transmittal Letter	ii
Oklahoma City Environmental Assistance Trust Organization Chart	iv
Independent Accountants' Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Assets	10
Statements of Revenues, Expenses, and Changes in Net Assets	11
Statements of Cash Flows	12
Notes to Financial Statements	13
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27



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

December 10, 2012

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 year ended June 30, 2012. 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 accountants, 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 year ended June 30, 2012, is in the MD&A section of this report, immediately following the independent accountants' 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 current economic environment and the economic outlook for Oklahoma City remain very positive. Because of a cost of living rating consistently below the national average; a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location, Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States, many of which were a number one ranking. This promises an immediate and sustainable economic growth outlook for the next several years.



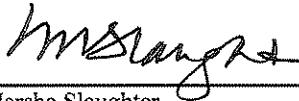
In a report of the 2012 Economic Forecast: State and Oklahoma City Outlook, prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), the Institute reported the U.S. national economy is still in a recovery mode. However, the Institute reported in Oklahoma nearly all jobs have been recovered or projected shortly for recovery, indicating the issue for Oklahoma City is now one of sustainable trajectory. While there were impacts of the economy for Oklahoma City, many of the effects of the recession were largely passed over according to this report. In addition to job recovery and as a result of it, sales tax receipts have been impressive and were projected by the Institute to grow by 3.15% in FY 2012 and 1.84% in FY 2013. Sales tax receipts, which are evaluated to determine the health of the economy of Oklahoma City, exceeded these projections in FY 2012, increasing by 6.43%.

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.

The economy in Oklahoma City has been strong in the past two years and the future for Oklahoma City is bright. Oklahoma City is poised to meet the challenges of the future as it has done so well in the past.

By City Council resolution, public trusts of which the City is the beneficiary are encouraged to use the independent accountants 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 accountants.

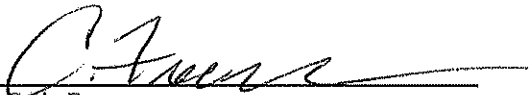
Respectfully submitted,



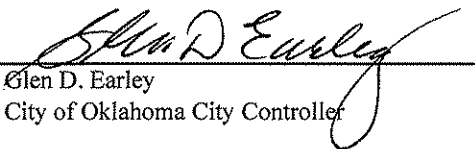
\_\_\_\_\_  
Marsha Slaughter  
City of Oklahoma City Director Utilities Department



\_\_\_\_\_  
Bret Weingart  
City of Oklahoma City Assistant Director Utilities Department

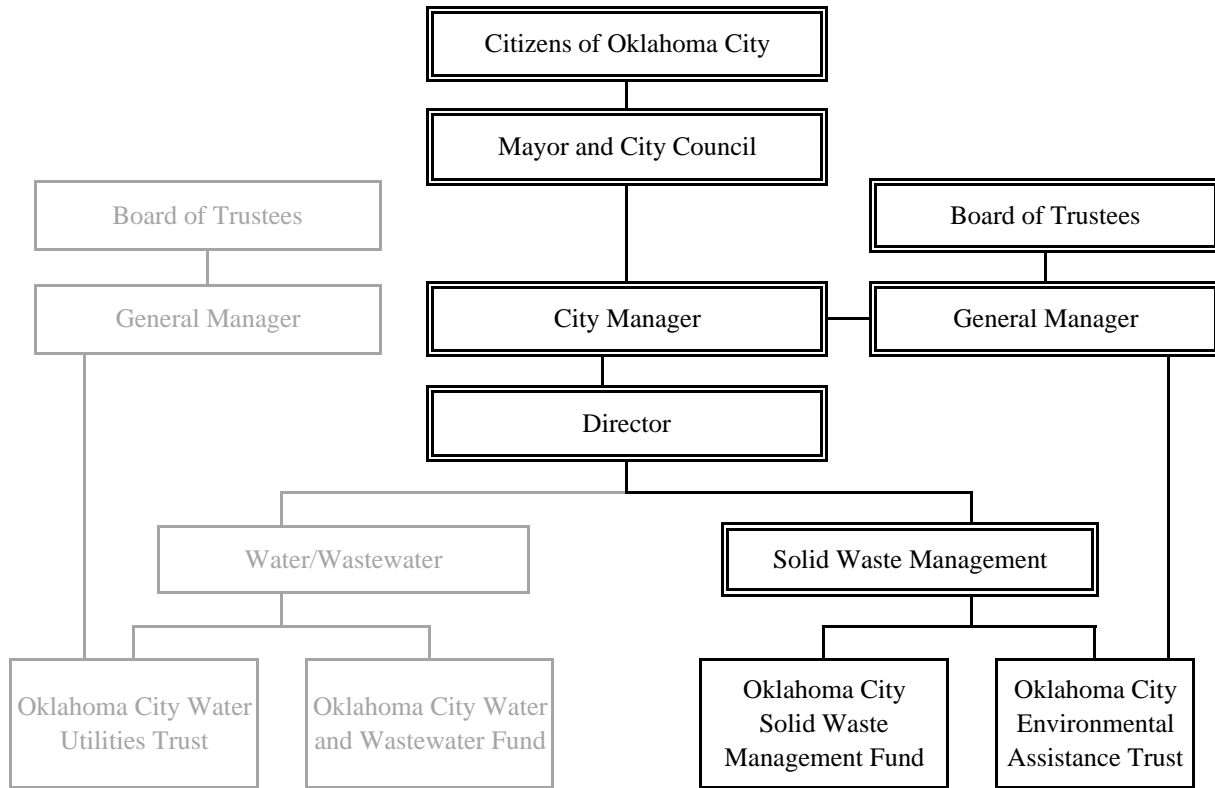


\_\_\_\_\_  
Craig Freeman  
City of Oklahoma City Finance Director



\_\_\_\_\_  
Glen D. Earley  
City of Oklahoma City Controller

# Oklahoma City Environmental Assistance Trust Organization Chart



# **Financial Section**



## Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying basic financial statements of the Oklahoma City Environmental Assistance Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note III, the previously issued 2011 financial statements have been restated. Our previously issued report on those financial statements dated December 2, 2011, is no longer to be relied upon because the previously issued 2011 financial statements were materially misstated and that report is replaced by this report on the restated 2011 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, 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* and should be considered in assessing the results of our audits.

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.

*BKD, LLP*

December 10, 2012

## 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, 2012 and 2011. 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 \$21,345,268 (net assets) for 2012. This compares to the previous year when assets exceeded liabilities by \$17,586,553.
- Total net assets are comprised of the following:
  - (1) Investment in capital assets net of related debt of \$4,441,674 and \$4,162,558 for 2012 and 2011, respectively, includes property and equipment, net of accumulated depreciation and related debt.
  - (2) Net assets at June 30, 2012 and 2011 of \$348,288 and \$334,992, respectively, are restricted for debt service by constraints imposed by debt covenants.
  - (3) Unrestricted net assets are \$16,555,306 for 2012 and \$13,089,003 for 2011.

### *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 assets, (2) statement of revenues, expenses, and changes in net assets, (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 assets. This is the statement of position presenting information that includes all of the Trust's assets and liabilities, with the difference reported as net assets. Increases or decreases in net assets 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 assets which reports how the Trust's net assets 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 assets at June 30, 2012 and 2011 are \$21,345,268 and \$17,586,553, respectively. The overall financial condition improved in fiscal year 2012. The 2011 balances have been adjusted to reflect the restatement of prior year balances related to a prior period adjustment. See Note III for more information.

**Summary of Net Assets**

	2012	2011 (Restated)	2012-2011 Amount of Change	2012-2011 %	2010	2011-2010 Amount of Change	2011-2010 %
<b>Assets</b>							
Current assets	\$28,608,411	\$25,114,722	\$3,493,689	13.9%	\$20,323,475	\$4,791,247	23.6%
Capital assets, net	8,413,060	9,819,257	(1,406,197)	(14.3)	10,856,076	(1,036,819)	(9.6)
Other non-current assets	<u>75,342</u>	<u>100,932</u>	<u>(25,590)</u>	(25.4)	<u>129,402</u>	<u>(28,470)</u>	(22.0)
<b>Total assets</b>	<b><u>37,096,813</u></b>	<b><u>35,034,911</u></b>	<b><u>2,061,902</u></b>	5.9	<b><u>31,308,953</u></b>	<b><u>3,725,958</u></b>	11.9
<b>Liabilities</b>							
Current liabilities	10,727,744	10,812,255	(84,511)	(0.8)	10,980,407	(168,152)	(1.5)
Non-current liabilities	<u>5,023,801</u>	<u>6,636,103</u>	<u>(1,612,302)</u>	(24.3)	<u>5,710,837</u>	<u>925,266</u>	16.2
<b>Total liabilities</b>	<b><u>15,751,545</u></b>	<b><u>17,448,358</u></b>	<b><u>(1,696,813)</u></b>	(9.7)	<b><u>16,691,244</u></b>	<b><u>757,114</u></b>	4.5
<b>Net assets</b>							
Invested in capital assets, net of related debt	4,441,674	4,162,558	279,116	6.7	3,191,071	971,487	30.4
Restricted for capital projects	-	-	-	0.0	-	-	0.0
Restricted for debt service	348,288	334,992	13,296	4.0	1,027,110	(692,118)	(67.4)
Unrestricted	<u>16,555,306</u>	<u>13,089,003</u>	<u>3,466,303</u>	26.5	<u>10,399,528</u>	<u>2,689,475</u>	25.9
<b>Total net assets</b>	<b><u>\$21,345,268</u></b>	<b><u>\$17,586,553</u></b>	<b><u>\$3,758,715</u></b>	21.4	<b><u>\$14,617,709</u></b>	<b><u>\$2,968,844</u></b>	20.3

The \$3.49 million increase in current assets for 2012 is due to a \$3.32 million increase in cash and investments primarily due to the deferral of capital expenditures for mobile equipment and a \$225 thousand increase in inventory. The \$4.79 million increase in current assets for 2011 is due primarily to a \$5.59 million increase in investments, offset by a decrease of \$509 thousand in due from the City Water and Wastewater Fund for cash collections from customers not yet transferred to the Trust. Inventory decreased \$195 thousand due to a large purchase of waste containers at the end of fiscal year 2010 that have since been distributed to customers.

The \$1.41 million decrease in capital assets for 2012 is due to scheduled depreciation of \$1.79 million, offset by capital outlay for mobile equipment of \$558 thousand and disposal of a capital asset of \$175 thousand. The \$1.04 million decrease in capital assets for 2011 is due to a disposal of surplus equipment of \$2.87 million, net of accumulated depreciation of \$2.86 million and scheduled depreciation of \$1.71 million, offset by capital outlays of \$695 thousand.



The decrease in current liabilities of \$85 thousand for 2012 is primarily due to a reduction in debt service for lease obligations of \$373 thousand, offset by an increase in deferred revenues of \$314 thousand related to advance billings for services. The decrease in current liabilities for 2011 of \$168 thousand is due mostly to a decrease in the scheduled bond payment of \$695 thousand, offset by decrease in accounts payable of \$514 million. For fiscal years 2012 and 2011, non-current liabilities decreased \$1.61 million and increased \$925 thousand, respectively. This is due to a reclassification of the regularly scheduled capital lease and bond principal payments to current liabilities of \$1.16 million in 2012 and \$1.53 million in 2011, offset by an decrease of \$449 thousand and increase in \$2.45 million advance from the City Solid Waste Management Fund related to unfunded cost reimbursements at June 30, 2012 and 2011, respectively.

	Summary of Changes in Net Assets						
	2012	2011 (Restated)	2012-2011 Amount of Change	2012-2011 %	2010	2011-2010 Amount of Change	2011-2010 %
<b>Operating revenues</b>							
Charges for services	\$41,210,875	\$39,900,420	\$1,310,455	3.3%	\$38,247,451	\$1,652,969	4.3%
<b>Operating expenses</b>							
Solid waste management	<u>36,626,700</u>	<u>34,957,514</u>	<u>1,669,186</u>	4.8	<u>24,624,074</u>	<u>10,333,440</u>	42.0
<b>Operating income</b>	<b>4,584,175</b>	<b>4,942,906</b>	<b>(358,731)</b>	<b>(7.3)</b>	<b>13,623,377</b>	<b>(8,680,471)</b>	<b>(63.7)</b>
<b>Non-operating expenses</b>	<b>(49,588)</b>	<b>(174,934)</b>	<b>125,346</b>	<b>(71.7)</b>	<b>(103,089)</b>	<b>(71,845)</b>	<b>69.7</b>
<b>Transfers</b>	<b>(775,872)</b>	<b>(753,084)</b>	<b>(22,788)</b>	<b>3.0</b>	<b>(9,402,295)</b>	<b>8,649,211</b>	<b>(92.0)</b>
<b>Changes in net assets</b>	<b>3,758,715</b>	<b>4,014,888</b>	<b>(256,173)</b>	<b>(6.4)</b>	<b>4,117,993</b>	<b>(103,105)</b>	<b>(2.5)</b>
Beginning net assets,							
As previously reported	17,586,553	14,617,709	2,968,844	20.3	10,499,716	4,117,993	39.2
Prior period adjustment	-	<u>(1,046,044)</u>	<u>1,046,044</u>	(100.0)	-	<u>(1,046,044)</u>	100.0
As restated	<u>17,586,553</u>	<u>13,571,665</u>	<u>4,014,888</u>	29.6	<u>10,499,716</u>	<u>3,071,949</u>	29.3
<b>Ending net assets</b>	<b>\$21,345,268</b>	<b>\$17,586,553</b>	<b>\$3,758,715</b>	<b>21.4</b>	<b>\$14,617,709</b>	<b>\$2,968,844</b>	<b>20.3</b>

The \$1.31 million increase in 2012 and the \$1.65 million increase in 2011 for charges for services is primarily due to scheduled rate increases effective in October 2011 and October 2010. The 2012 increase of \$1.70 million in operating expenses is primarily due to a scheduled rate increase paid to contractors which became effective January 2012. The 2011 increase of \$10.33 million in operating expenses is primarily due to the prior period adjustment in 2011 which increased expenses of \$9.78 million for cost reimbursements to the City Solid Waste Management Fund and an overall increase in solid waste charges of \$311 thousand related to increases in rates per unit effective October 2009.

Transfers in 2012 and 2011 were primarily to the City General Fund for transfers in lieu of franchise fees. Transfers in 2010 include transfers to the City Solid Waste Management Fund for cost reimbursements. In 2011, a prior period adjustment was made to record the expenses reimbursed and decrease transfers to the City Solid Waste Management Fund.

### Capital Assets and Debt Administration

#### Capital Assets

The Trust's capital assets, net of accumulated depreciation, as of 2012 and 2011 were \$8,413,060 and \$9,819,257, respectively.

**Capital Assets, Net of Accumulated Depreciation**

			2012-2011	2012-2011			2011-2010	2011-2010
	2012	2011	Amount of	%	2010	Amount of	%	
			Change	Change		Change	Change	
<b>Non-Depreciable Assets</b>								
Construction in progress	\$38,108	\$ -	\$38,108	100.0%	\$ -	\$ -		0.0%
<b>Depreciable Assets</b>								
Buildings	2,009,908	2,230,113	(220,205)	(9.9)	2,012,997	217,116		10.8
Infrastructure	993,179	1,037,402	(44,223)	(4.3)	1,138,125	(100,723)		(8.8)
Equipment	<u>5,371,865</u>	<u>6,551,742</u>	<u>(1,179,877)</u>	(18.0)	<u>7,704,954</u>	<u>(1,153,212)</u>		(15.0)
Total depreciable assets	<u>8,374,952</u>	<u>9,819,257</u>	<u>(1,444,305)</u>	(14.7)	<u>10,856,076</u>	<u>(1,036,819)</u>		(9.6)
	<b><u>\$8,413,060</u></b>	<b><u>\$9,819,257</u></b>	<b><u>(\$1,406,197)</u></b>	(14.3)	<b><u>\$10,856,076</u></b>	<b><u>(\$1,036,819)</u></b>		(9.6)

The decrease in capital assets of \$1.40 million for 2012 is due to scheduled depreciation of \$1.79 million, offset by capital outlay primarily for the purchase of mobile equipment of seven vehicles, one solid waste cherry picker, two solid waste roll offs and construction in progress of the solid waste management compressed natural gas facility of \$558 thousand and disposal of assets of \$175 thousand. The decrease in capital assets of \$1.04 million for 2011 is due to the disposal of \$2.87 million of equipment, net of depreciation of \$2.86 million and the scheduled depreciation of \$1.71 million, offset by the capital outlay of \$695 thousand. The equipment was retired because of new equipment purchased in 2010. See Note II. A. 3. for more information regarding capital assets.

**Long-term debt**

At the end of 2012 and 2011, the Trust had total long-term debt outstanding of \$4,182,875 and \$5,709,090, 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 years 2012 and 2011, the Trust had outstanding capital lease debt of \$813 thousand and \$2.00 million, respectively. See Note II. B. 1. 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 2012 and 2011, the Trust had outstanding bond debt of \$3.37 million and \$3.71 million, respectively. The bonds are payable solely from the Trust. See Note II. B. 2. for more information regarding revenue bonds.

**Outstanding Long-term Debt**

			2012 - 2011	2012 - 2011			2011 - 2010	2011 - 2010
	2012	2011	Amount of	%	2010	Amount of	%	
			Change	Change		Change	Change	
Capital lease	\$812,875	\$1,999,090	(\$1,186,215)	(59.3%)	\$3,146,736	(\$1,147,646)		(36.5%)
Revenue bonds	<u>3,370,000</u>	<u>3,710,000</u>	<u>(340,000)</u>	(9.2)	<u>4,745,000</u>	<u>(1,035,000)</u>		(21.8)
	<b><u>\$4,182,875</u></b>	<b><u>\$5,709,090</u></b>	<b><u>(\$1,526,215)</u></b>	(26.7)	<b><u>\$7,891,736</u></b>	<b><u>(\$2,182,646)</u></b>		(27.7)

The change in outstanding debt for both 2012 and 2011 is the result of scheduled debt service payments. See Note II. B. 3. for more information regarding changes in long-term debt.

**Bond Ratings**

Standard and Poor's rating agency rates the Trust bonds AAA/AA-.

*Economic Factors and Rates*

**Economic Factors**

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

**Utility Rates**

The Trust increased solid waste disposal volume charges 3.5% effective October 1, 2011.

*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.

This Page Intentionally Left Blank

# **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 ASSETS**  
**June 30,**

**OKLAHOMA CITY ENVIRONMENTAL**  
**ASSISTANCE TRUST**

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Non-pooled cash-----	\$7,388,671	\$10,142,070
Investments-----	17,180,549	11,103,928
Accounts receivable, net-----	3,450,271	3,304,901
Interest receivable-----	56,714	48,822
Due from other funds-----	12,753	239,988
Inventories-----	500,391	275,013
Prepays-----	19,062	-
Total current assets-----	<u>28,608,411</u>	<u>25,114,722</u>
<b><u>NON-CURRENT ASSETS</u></b>		
Deferred debt expense, net-----	75,342	100,932
Capital assets:		
Land and construction in progress-----	38,108	-
Other capital assets, net of accumulated depreciation-----	8,374,952	9,819,257
Total capital assets-----	<u>8,413,060</u>	<u>9,819,257</u>
Total non-current assets-----	<u>8,488,402</u>	<u>9,920,189</u>
<b>Total assets-----</b>	<b><u>37,096,813</u></b>	<b><u>35,034,911</u></b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable-----	2,701,376	2,785,927
Due to other funds-----	98,411	39,199
Interest payable-----	2,242	5,514
Lease obligations payable-----	812,875	1,186,215
Deferred revenue-----	6,697,352	6,383,750
Bond interest payable-----	65,488	71,650
Bonds payable-----	350,000	340,000
Total current liabilities-----	<u>10,727,744</u>	<u>10,812,255</u>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Lease obligations payable-----	-	812,875
Advance from other funds-----	2,002,617	2,451,741
Bonds payable:		
Bonds payable-----	3,020,000	3,370,000
Unamortized bond discount/premium-----	1,184	1,487
Bonds payable, net-----	<u>3,021,184</u>	<u>3,371,487</u>
Total non-current liabilities-----	<u>5,023,801</u>	<u>6,636,103</u>
<b>Total liabilities-----</b>	<b><u>15,751,545</u></b>	<b><u>17,448,358</u></b>
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt-----	4,441,674	4,162,558
Restricted for:		
Debt service-----	348,288	334,992
Unrestricted-----	16,555,306	13,089,003
<b>Total net assets-----</b>	<b><u>\$21,345,268</u></b>	<b><u>\$17,586,553</u></b>

See accompanying notes to financial statements.



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

**OKLAHOMA CITY ENVIRONMENTAL  
ASSISTANCE TRUST**

	<b>2012</b>	<b>2011 (Restated)</b>
<b><u>OPERATING REVENUES</u></b>		
Solid waste charges-----	\$41,208,825	\$39,900,420
Concessions-----	2,050	-
<b>Total operating revenues-----</b>	<b>41,210,875</b>	<b>39,900,420</b>
<b><u>OPERATING EXPENSES</u></b>		
Personal services-----	7,724,129	7,355,204
Maintenance, operations, and contractual services-----	24,356,670	23,128,700
Materials and supplies-----	2,755,860	2,760,422
Depreciation-----	1,790,041	1,713,188
<b>Total operating expenses-----</b>	<b>36,626,700</b>	<b>34,957,514</b>
<b>Operating income-----</b>	<b>4,584,175</b>	<b>4,942,906</b>
<b><u>NON-OPERATING REVENUE (EXPENSES)</u></b>		
Investment income-----	72,981	48,148
Interest on bonds-----	(175,681)	(226,724)
Amortization-----	(25,591)	(28,470)
Other revenue-----	78,703	32,112
<b>Net non-operating expenses-----</b>	<b>(49,588)</b>	<b>(174,934)</b>
<b>Income before transfers-----</b>	<b>4,534,587</b>	<b>4,767,972</b>
<b><u>TRANSFERS</u></b>		
Transfers to other funds-----	(775,872)	(753,084)
<b>Total transfers-----</b>	<b>(775,872)</b>	<b>(753,084)</b>
<b>Changes in net assets-----</b>	<b>3,758,715</b>	<b>4,014,888</b>
Total net assets, beginning, as previously reported-----	17,586,553	14,617,709
Prior period adjustment-----	-	(1,046,044)
Total net assets, beginning, as restated-----	17,586,553	13,571,665
<b>Total net assets, ending-----</b>	<b>\$21,345,268</b>	<b>\$17,586,553</b>

See accompanying notes to financial statements.

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

**OKLAHOMA CITY ENVIRONMENTAL  
ASSISTANCE TRUST**

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers-----	\$41,606,423	\$40,714,406
Cash payments to suppliers for goods and services-----	(25,213,498)	(22,928,347)
Cost reimbursements from (to) other funds-----	(10,520,000)	(8,375,000)
Other cash receipts-----	494,500	2,386
<b>Net cash provided by operating activities-----</b>	<b><u>6,367,425</u></b>	<b><u>\$9,413,445</u></b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Transfers received from (paid to) other funds-----	(716,743)	(841,559)
<b>Net cash used by non-capital financing activities-----</b>	<b><u>(716,743)</u></b>	<b><u>(841,559)</u></b>
<b><u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u></b>		
Payments for acquisition and construction of capital assets-----	(717,241)	(520,162)
Principal paid on long-term debt-----	(1,526,518)	(2,182,906)
Interest paid on long-term debt-----	(185,115)	(248,003)
Proceeds from sale of assets-----	45,760	47,536
<b>Net cash used by capital and capital related financing activities-----</b>	<b><u>(2,383,114)</u></b>	<b><u>(2,903,535)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of investments-----	(46,443,437)	(45,438,279)
Proceeds from sale of investments-----	40,255,227	39,846,113
Investment income received-----	140,595	33,796
Purchased interest-----	26,648	(34,492)
<b>Net cash used by investing activities-----</b>	<b><u>(6,020,967)</u></b>	<b><u>(5,592,862)</u></b>
<b>Net increase (decrease) in cash-----</b>	<b><u>(2,753,399)</u></b>	<b><u>75,489</u></b>
Cash, beginning-----	10,142,070	10,066,581
<b>Cash, ending-----</b>	<b><u>\$7,388,671</u></b>	<b><u>\$10,142,070</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH  PROVIDED BY OPERATING ACTIVITIES</u></b>		
Operating income-----	\$4,584,175	\$4,942,906
<b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH  PROVIDED BY OPERATING ACTIVITIES</u></b>		
Depreciation-----	1,790,041	1,713,188
Non-operating revenue (expense)-----	216,974	3,400
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable-----	(145,368)	183,463
(Increase) decrease in due from other funds-----	227,319	546,244
(Increase) decrease in inventories-----	(225,378)	195,021
(Increase) decrease in prepaid assets-----	(19,063)	-
Increase (decrease) in accounts payable-----	74,252	339,248
Increase (decrease) in due to other funds-----	(449,125)	1,405,698
Increase (decrease) in deferred revenue-----	313,598	84,277
Total adjustments-----	1,783,250	4,470,539
<b>Net cash provided by operating activities-----</b>	<b><u>\$6,367,425</u></b>	<b><u>\$9,413,445</u></b>
<b><u>NON-CASH INVESTING, CAPITAL, AND FINANCING  ACTIVITIES</u></b>		
Net increase (decrease) in fair value of investments-----	(\$302)	\$11,867
<b>Total non-cash investing, capital, and financing activities-----</b>	<b><u>(\$302)</u></b>	<b><u>\$11,867</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 2012 and 2011. The fiscal year 2011 cost of investments have been adjusted to correct for a presentation error.

### I. B. BASIS OF PRESENTATION

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

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

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

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

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

The Trust is a component unit of the City and is included in the City's financial reporting entity. The financial activity of the Trust is presented as a blended component unit in the City's CAFR. CAFR financial statements may be obtained from 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 assets; the statement of revenues, expenses, and changes in net assets; 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**

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

Effective July 1, 2011 the Trust implemented Governmental Accounting Standards Board (GASB) statement number 62, Codification of Accounting and Financial Guidance Contained in FASB and Accounting Standards Board (APB) opinions issued on or before November 30, 1989. This statement places all Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, within the authoritative GASB literature. Prior to implementation, the Trust applied all relevant reporting guidance contained in FASB pronouncements and APB opinions issued on or before November 30, 1989, unless they conflicted with GASB pronouncements, therefore implementation had no financial or reporting impact to the Trust's financial statements.

#### ***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 AND LIABILITIES**

#### **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 March 2011. 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. INVENTORIES**

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.

**I. D. 3. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS**

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

**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. INTERFUND BALANCES**

Generally, outstanding balances between funds reported as due to/from other funds include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, or other miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans).

Certain outstanding balances (due to/from and advances to/from) have not been eliminated in the financial statements because they include amounts due to/from the City.

Net transfers reported on the statement of changes in net assets do not net to zero. The amounts reported include transfers to/from the City.

**I. D. 6. 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. 7. DEFERRED DEBT EXPENSE AND BOND PREMIUM**

The costs of issuing revenue bonds and the related bond premium were capitalized and are amortized over the term of the respective bonds using a method that approximates the effective interest method.

#### **I. D. 8. DEFERRED REVENUES**

Deferred 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 Assets*

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

##### **Net Assets Invested in Capital Assets, Net of Related Debt**

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 assets.

##### **Restricted Net Assets**

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 assets restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net assets also include purpose restrictions from enabling legislation and other external sources.

#### **I. D. 10. 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. D. 11. RISK MANAGEMENT**

The Trust's risk management activities are administered by the City Risk Management Fund and the Oklahoma City Municipal Facilities Authority (OCMFA) OCMFA Services Fund. These funds administer employee life, employee health, property and liability, workers' compensation, unemployment, and disability insurance programs for the City and related Trusts, Authorities and System. The Trust pays premiums to the City to cover its estimated share of the current costs incurred by the insurance programs.

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.

The City and OCMFA record estimated liabilities for indemnity health care, worker's compensation, torts, and other claims against the City and related Trusts and Authorities. Retiree health insurance claims liabilities are reported in the Oklahoma City Post-Employment Benefit Trust. The Trust does not recognize any separate liabilities related to risk management.



## **I. E. MAJOR REVENUES**

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

## **I. F. 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. G. RETAINAGES**

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

## **II. ASSETS AND LIABILITIES**

### **II. A. ASSETS**

#### **II. A. 1. 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 and capital lease agreement 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, 2012 and 2011, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust, 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.

<b>2012</b>				
	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	\$10,038,160	\$10,084,567	AA+/Aaa	12.15
Fannie Mae	4,027,536	4,027,440	AA+/Aaa	12.17
Money market funds	1,083,683	1,083,683	AAA/Aaa	1.85
U.S. Treasury notes	<u>2,031,170</u>	<u>2,078,594</u>	N/A	7.17
	<b><u>\$17,180,549</u></b>	<b><u>\$17,274,284</u></b>		
<b>2011</b>				
	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	\$4,076,276	\$4,074,260	AAA/Aaa	17.83
Fannie Mae	2,003,260	2,000,780	AAA/Aaa	16.27
Money market funds	932,440	932,440	AAA/Aaa	1.45
U.S. Treasury notes	<u>4,091,952</u>	<u>4,093,438</u>	N/A	14.77
	<b><u>\$11,103,928</u></b>	<b><u>\$11,100,918</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. Additionally, no more than 5% of the total Trust portfolio may be placed with any single financial institution. U.S. government securities, SLGS, City judgments, repurchase agreements, and money market funds are excluded from these restrictions.

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 (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>2012</u>	<u>2011</u>
Bond principal and interest accounts	\$415,570	\$411,708
Capital lease debt service account	445	445
	<u>\$416,015</u>	<u>\$412,153</u>

**II. A. 2. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE**

	<u>2012</u>	<u>2011</u>
Accounts receivable	\$7,885,507	\$7,553,431
Less allowance for uncollectible accounts	(4,435,236)	(4,248,530)
<b>Net accounts receivable</b>	<u><b>\$3,450,271</b></u>	<u><b>\$3,304,901</b></u>
<b>Affect on revenues for change in uncollectibles</b>	<u><b>(\$186,706)</b></u>	<u><b>(\$39,038)</b></u>
<b>Deferred revenue</b>	<u><b>\$6,697,352</b></u>	<u><b>\$6,383,750</b></u>

II. A. 3. CAPITAL ASSETS

*Changes in Capital Assets*

	<b>2012</b>						
	<u>Capital Assets, not depreciated</u>	<u>Capital Assets, depreciated</u>					
	Construction in Progress	Infrastructure and Improvements			Furniture, Machinery, and Equipment	Total Capital Assets, depreciated	Total Capital Assets, net
		<u>Buildings</u>	<u>Buildings</u>	<u>Buildings</u>	<u>Equipment</u>	<u>depreciated</u>	<u>Assets, net</u>
<b><u>CAPITAL ASSETS</u></b>							
Balance, July 01, 2011	\$ -	\$2,418,607	\$1,581,541	\$13,685,827	\$17,685,975	\$17,685,975	
Increases	40,655	2,547	61,878	455,913	520,338	560,993	
Decreases	<u>(2,547)</u>	<u>(174,600)</u>	-	<u>(74,273)</u>	<u>(248,873)</u>	<u>(251,420)</u>	
Balance, June 30, 2012	<u>38,108</u>	<u>2,246,554</u>	<u>1,643,419</u>	<u>14,067,467</u>	<u>17,957,440</u>	<u>17,995,548</u>	
<b><u>ACCUMULATED DEPRECIATION</u></b>							
Balance, June 30, 2011		188,494	544,139	7,134,085	7,866,718	7,866,718	
Increases		48,152	106,101	1,635,788	1,790,041	1,790,041	
Decreases		-	-	<u>(74,271)</u>	<u>(74,271)</u>	<u>(74,271)</u>	
Balance, June 30, 2012		<u>236,646</u>	<u>650,240</u>	<u>8,695,602</u>	<u>9,582,488</u>	<u>9,582,488</u>	
<b>Capital Assets, Net</b>	<b><u>\$38,108</u></b>	<b><u>\$2,009,908</u></b>	<b><u>\$993,179</u></b>	<b><u>\$5,371,865</u></b>	<b><u>\$8,374,952</u></b>	<b><u>\$8,413,060</u></b>	
<b>2011</b>							
<u>Capital Assets, depreciated</u>							
Infrastructure							
and Improvements							
Furniture, Machinery, and							
Total							
Capital							
Assets, net							
<b><u>CAPITAL ASSETS</u></b>							
Balance, June 30, 2010		\$2,154,007	\$1,581,541	\$16,128,834		\$19,864,382	
Increases		264,600	-	430,161		694,761	
Decreases		-	-	<u>(2,873,168)</u>		<u>(2,873,168)</u>	
Balance, June 30, 2011		<u>2,418,607</u>	<u>1,581,541</u>	<u>13,685,827</u>		<u>17,685,975</u>	
<b><u>ACCUMULATED DEPRECIATION</u></b>							
Balance, June 30, 2010		141,010	443,416	8,423,880		9,008,306	
Increases		47,484	100,723	1,564,981		1,713,188	
Decreases		-	-	<u>(2,854,776)</u>		<u>(2,854,776)</u>	
Balance, June 30, 2011		<u>188,494</u>	<u>544,139</u>	<u>7,134,085</u>		<u>7,866,718</u>	
<b>Capital Assets, Net</b>		<b><u>\$2,230,113</u></b>	<b><u>\$1,037,402</u></b>	<b><u>\$6,551,742</u></b>		<b><u>\$9,819,257</u></b>	

*Depreciation Expense*

Depreciation expense was charged to the Trust in the amount of \$1,790,041, for the year ending June 30, 2012, and \$1,713,188 for the year ending June 30, 2011.

## II. B. LIABILITIES

### II. B. 1. INTERGOVERNMENTAL PAYABLE - ARBITRAGE COMPLIANCE

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Trust invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The arbitrage filing requirements for the bond issue is 60 days from year end. There was no outstanding arbitrage payable at June 30, 2012 or 2011.

### II. B. 1. 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.

The lease payments are payable solely from the Trust. Trust income is comprised of revenue and receipts derived or to be derived from the Trust's leasehold interest in the Solid Waste 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.

Total mobile equipment acquired under the lease is \$5,635,970, net of accumulated depreciation of \$2,598,882 and \$1,792,576 at June 30, 2012 and 2011 respectively.

#### *Capital Lease Payment Requirements to Maturity*

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$812,875</u>	<u>\$10,122</u>	<u>\$822,997</u>

### II. B. 2. 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>
2013	\$350,000	\$124,413	\$474,413
2014	360,000	111,550	471,550
2015	375,000	98,500	473,500
2016	390,000	84,535	474,535
2017	160,000	74,280	234,280
2018-2022	885,000	270,067	1,155,067
2023-2026	<u>850,000</u>	<u>73,240</u>	<u>923,240</u>
	<b><u>\$3,370,000</u></b>	<b><u>\$836,585</u></b>	<b><u>\$4,206,585</u></b>

***Revenue Bonds Outstanding***

	Amount	Interest	Issue	Principal	<u>2012</u>	<u>2011</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Principal Balance</u>	<u>Principal Balance</u>
Solid Waste Revenue Bonds, Series 2005	\$8,410,000	3.00-4.25%	9/8/2005	7/1/2025	\$3,370,000	\$3,710,000

***Bond Coverage***

Gross revenue, including investment income and transfers in	<u>2012</u>	<u>2011</u>
	\$41,283,856	\$39,948,568
Direct operating expenses and transfers out, excluding depreciation and amortization	<u>35,612,531</u>	<u>33,997,410</u>
<b>Net revenue available for debt service</b>	<b><u>\$5,671,325</u></b>	<b><u>\$5,951,158</u></b>
Principal amounts	\$340,000	\$1,035,000
Interest amounts	<u>137,138</u>	<u>161,413</u>
<b>Total debt service requirements</b>	<b><u>\$477,138</u></b>	<b><u>\$1,196,413</u></b>
<b>Revenue bond coverage</b>	<b><u>11.89</u></b>	<b><u>4.97</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.

II. B. 3. CHANGES IN LONG-TERM DEBT

	<b>2012</b>					
	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012	Due Within One Year	Due After One Year
Capital lease agreement	\$1,999,090	\$ -	\$1,186,215	\$812,875	\$812,875	\$ -
Revenue bonds	<u>3,710,000</u>	<u>-</u>	<u>340,000</u>	<u>3,370,000</u>	<u>350,000</u>	<u>3,020,000</u>
	<b><u>\$5,709,090</u></b>	<b><u>\$-</u></b>	<b><u>\$1,526,215</u></b>	<b><u>\$4,182,875</u></b>	<b><u>\$1,162,875</u></b>	<b><u>\$3,020,000</u></b>

	<b>2011</b>					
	Balance July 1, 2010	Issued	Retired	Balance June 30, 2011	Due Within One Year	Due After One Year
Capital lease agreement	\$3,146,736	\$ -	\$1,147,646	\$1,999,090	\$1,186,215	\$812,875
Revenue bonds	<u>4,745,000</u>	<u>-</u>	<u>1,035,000</u>	<u>3,710,000</u>	<u>340,000</u>	<u>3,370,000</u>
	<b><u>\$7,891,736</u></b>	<b><u>\$-</u></b>	<b><u>\$2,182,646</u></b>	<b><u>\$5,709,090</u></b>	<b><u>\$1,526,215</u></b>	<b><u>\$4,182,875</u></b>

II. B. 4. 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 \$41,208,825 and \$39,900,420 in solid waste charges in 2012 and 2011, respectively.

II. C. INTERFUND BALANCES

*Due Within the City*

	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>DUE FROM OTHER FUNDS</b>		
City Medical Services Fund	\$4,305	\$25,826
Oklahoma City Water Utilities Trust	3,103	69,310
City Water and Wastewater Fund	-	57,533
City Stormwater Drainage Fund	<u>5,345</u>	<u>87,319</u>
	<b><u>\$12,753</u></b>	<b><u>\$239,988</u></b>
<b>DUE TO OTHER FUNDS</b>		
City General Fund	\$84,639	\$39,199
City Water and Wastewater Fund	<u>13,772</u>	<u>-</u>
	<b><u>\$98,411</u></b>	<b><u>\$39,199</u></b>



*Advance from 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 liabilities of the City Solid Waste Management Fund.

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
Beginning balance	\$2,451,741	\$1,046,044
Personal services	7,724,129	7,355,204
Other services	1,155,930	1,348,346
Material and supplies	1,200,248	1,078,162
Interest income	(9,431)	(434)
Other non operating revenue	-	(581)
Reimbursement to the City	<u>(10,520,000)</u>	<u>(8,375,000)</u>
<b>Advance from City Solid Waste Management Fund</b>	<b><u>\$2,002,617</u></b>	<b><u>\$2,451,741</u></b>

**III. NET ASSETS**

*Prior Period Adjustment*

The financial statements for 2011 have been restated for the effect of a prior period adjustment which resulted in a change in beginning net assets as of June 30, 2010 of \$1,046,044. The City Solid Waste Management Fund pays for the personal services and certain other costs related to solid waste removal. The Trust reimburses the City Solid Waste Management Fund for those costs. In prior years, a liability had not been reflected for costs incurred by the City Solid Waste Management Fund that had not been reimbursed by the Trust. A prior period adjustment has been recorded to report the accrued costs of the City Solid Waste Management Fund not yet reimbursed by the Trust. The effect of the prior period adjustment reduced previously reported 2011 changes in net assets by \$235,697 and previously reported unrestricted net assets as of June 30, 2011 by \$1,281,741.

*Invested in Capital Assets, Net of Related Debt*

	<u>2012</u>	<u>2011</u>
Capital assets, net	\$8,413,060	\$9,819,257
Retainages and accounts payable	(15,805)	(174,600)
Capital lease payable	(812,875)	(1,999,090)
Bonds payable, net	(3,371,184)	(3,711,487)
Bond issuance costs paid from bond proceeds	<u>228,478</u>	<u>228,478</u>
	<b><u>\$4,441,674</u></b>	<b><u>\$4,162,558</u></b>

*Restricted for Debt Service*

	<u>2012</u>	<u>2011</u>
Bond principal and interest accounts	\$415,570	\$411,708
Capital lease principal and interest accounts	445	445
Interest receivable on bond investments	3	3
Current capital lease interest payable	(2,242)	(5,514)
Current bond interest payable	<u>(65,488)</u>	<u>(71,650)</u>
	<b><u>\$348,288</u></b>	<b><u>\$334,992</u></b>

*Unrestricted*

	<u>2012</u>	<u>2011</u>
Unrestricted	<b><u>\$16,555,306</u></b>	<b><u>\$13,089,003</u></b>

**IV. INTERFUND TRANSFERS**

*Transfers in Lieu of Franchise Fees*

During fiscal year 2012 and 2011, \$775,872 and \$753,084, respectively, were transferred to the City General Fund in lieu of fees paid for the exclusive right to provide solid waste services to the citizens of the City.

**V. 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.

	2012						Total
	Refuse Collection	Landfill Disposal	Recycling	Street Sweeping	Fleet Maintenance	Other	
2013	\$12,730,000	\$5,000,000	\$3,250,000	\$675,000	\$2,450,000	\$ -	\$24,105,000
2014	13,428,200	5,275,000	3,428,750	705,375	2,560,250	222,000	25,619,575
2015	14,164,723	5,565,125	3,617,331	737,117	2,675,461	222,000	26,981,757
2016	14,868,557	5,871,207	3,816,284	385,144	-	222,000	25,163,192
2017	2,601,532	3,613,239	671,030	-	-	222,000	7,107,801
2018	-	-	-	-	-	222,000	222,000
	<b><u>\$57,793,012</u></b>	<b><u>\$25,324,571</u></b>	<b><u>\$14,783,395</u></b>	<b><u>\$2,502,636</u></b>	<b><u>\$7,685,711</u></b>	<b><u>\$1,110,000</u></b>	<b><u>\$109,199,325</u></b>

	2011						Total
	Refuse Collection	Landfill Disposal	Recycling	Street Sweeping	Fleet Maintenance	Other	
2012	\$10,510,097	\$2,608,713	\$2,818,391	\$305,877	\$1,226,319	\$581,080	\$18,050,477
2013	10,825,400	-	2,902,943	-	-	467,457	14,195,800
2014	11,150,162	-	2,990,031	-	-	119,906	14,260,099
2015	11,484,667	-	3,079,732	-	-	123,503	14,687,902
2016	11,829,207	-	3,172,124	-	-	-	15,001,331
2017	<u>2,030,680</u>	<u>-</u>	<u>544,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,575,228</u>
	<b><u>\$57,830,213</u></b>	<b><u>\$2,608,713</u></b>	<b><u>\$15,507,769</u></b>	<b><u>\$305,877</u></b>	<b><u>\$1,226,319</u></b>	<b><u>\$1,291,946</u></b>	<b><u>\$78,770,837</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.

**VI. RELATED PARTY TRANSACTIONS**

*Billing System Chargebacks*

The Oklahoma City Water Utilities Trust (OCWUT) manages all billings and collections for the Trust. The Trust reimburses OCWUT for the cost of these services. In 2012 and 2011, respectively, the Trust paid \$1,800,000 and \$1,724,000 for this service. The payment is reported with operating expense, maintenance, operations and contractual services.

**Independent Accountants' 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 the financial statements of the Oklahoma City Environmental Assistance Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma (the City) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012, which included an explanatory paragraph disclosing that the 2011 financial statements have been restated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

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

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 Trust's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-01 and 12-02 to be material weaknesses.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to the Trust's management in a separate letter dated December 10, 2012.

The Independent Accountants' 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.

The Trust's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Trust's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management, the City and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

December 10, 2012

**Oklahoma City Environmental Assistance Trust**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

<b>Reference Number</b>	<b>Finding</b>
12-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Interfund reimbursements were not properly recorded within the Trust’s financial statements to reflect the fund responsible for the particular expense. As a result, the Trust has not historically reported a liability to the City for expenses incurred on behalf of the Trust which had not yet been reimbursed by the Trust as of year-end. This matter required a restatement of the prior year’s financial statements to properly reflect this liability.</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 – Material misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner, resulting in a restatement of prior year’s financial statements.</p> <p>Cause – Previously issued accounting guidance was not properly implemented and the accruals recorded by the Trust were not properly monitored.</p> <p>Recommendation – We recommend management increase monitoring of activity/transactions of the Trust to ensure proper year-end accruals and proper presentation in accordance with prescribed guidance.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the change in treatment of these transactions and have recorded these transactions in the current year and will record the appropriate amounts in the future.</p>

**Oklahoma City Environmental Assistance Trust**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

<b>Reference Number</b>	<b>Finding</b>
12-02	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – In an effort to improve reporting of unrecorded payables, the City and related trusts and authorities changed the method used to identify certain payables to be accrued at year-end. The City and related trusts and authorities implemented a process whereby the department managers provided estimates of payables based on the progress of projects. The Accounting Services Division relied on the payable information provided by the department managers and did not validate the information. Based on our testing of payables, we identified certain instances where payables recorded under this new method were both overstated and understated.</p> <p>Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Potential material misstatements in the financial statements due to error could occur and not be detected and/or corrected in a timely manner.</p> <p>Cause – Insufficient education of department managers regarding what information was actually needed and the testing of the new process methodology was not completed.</p> <p>Recommendation – We recommend that new processes implemented be clearly communicated and results tested to ensure the accuracy of the information being generated by the new process.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree the process needs improvement and will implement year-end training and a process that includes requiring documentation of amounts provided by departments in order to validate accuracy of information.</p>

