



Oklahoma City Water Utilities Trust

A discrete component unit enterprise fund of The City of Oklahoma City, Oklahoma
Annual Financial Report | for the Fiscal Year ended June 30, 2015

Photo courtesy of the Oklahoma City National Memorial & Museum

OKLAHOMA CITY WATER UTILITIES TRUST

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

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Management

Marsha Slaughter, General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2015

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

OKLAHOMA CITY WATER UTILITIES TRUST

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Introductory Section



December 4, 2015

The Board of Trustees
Oklahoma City Water Utilities Trust

The Oklahoma City Water Utilities Trust (Consolidated Trust) annual financial report (annual report) provides a comprehensive overview of the Consolidated Trust financial position and the results of operations during the fiscal years ended June 30, 2015 and 2014. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Consolidated Trust's management.

The Consolidated Trust's annual report includes the report of independent auditors, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Consolidated Trust for the fiscal years ended June 30, 2015 and 2014 is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Consolidated Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Consolidated Trust. The Consolidated Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

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

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

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

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

During the fiscal year ended June 30, 2015, OCWUT issued \$67.65 million in revenue bonds with a premium of \$12.34 million. The proceeds were used to retire \$75 million in commercial paper. Significant capital projects ongoing at this time are the Draper Water Treatment Plant high service pump station, Draper Water Treatment Plant residuals handling facility, Hefner Water Treatment Plant improvements, and the water main extension on MacArthur Boulevard between SW 8th & 29th.

The current economic environment in Oklahoma City is positive; however, the economic outlook has been recently muted due to low oil and natural gas prices that are negatively impacting the many energy-related companies working in and around Oklahoma City. The cost of living rating is consistently below the national average and the City has a strong industry presence, low commuting times, convenient airline travel, high quality education, entertainment and sports opportunities, favorable weather, and is centrally located within the State of Oklahoma. According to The Brookings Institution, greater Oklahoma City ranks No. 7 in the U.S. for economic growth, and Forbes says that Oklahoma City is among the fastest growing cities in 2015.

In a report prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), dated February 10, 2015 and entitled "National, State, and Local Economic Outlook," the Institute reported that the U.S. economy will continue to have positive but slow growth in 2015. The baseline forecast is for Oklahoma City metro area private sector employment to expand at a 1.7% annual pace; roughly half the average of the last four years. Employment gains will be led again by demand for consumer services including construction, leisure, health care, and retail trade. Metro area unemployment rates are expected to tick up in 2015, averaging 4.3% for the year compared to the 4.1% average set in 2014. Oklahoma City per capita personal income is estimated to have grown to \$44,899 in 2014 and is expected to reach \$45,611 in 2015. The Institute described the economic and fiscal outlook as "conflicted." Short run challenges from falling oil prices are moving into the state's economy. The extent of the short run weakness will be determined by the future price path of oil and the speed with which economic activity rebounds in the state. Oklahoma City's fiscal outlook is bolstered somewhat by long-term trends favoring concentrations of economic activity along the I-35 corridor. The fiscal outlook will be determined by the interplay of short run distress and long run development. Using a model that balances both long and short-term influences the Institute projected sales tax growth of 2.15% for fiscal year 2015-2016.

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

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

Respectfully submitted,



Marsha Slaughter
General Manager



Bret Weingart
City of Oklahoma City
Utilities Department Assistant Director



Laura L. Papas
City of Oklahoma City Controller

Financial Section

Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities and each major fund of the Oklahoma City Water Utilities Trust (the Trust), a discrete component unit of the City of Oklahoma City, Oklahoma (the City), which are comprised of the statements of net position as of June 30, 2015 and 2014, 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 which collectively comprise the Trust's 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 opinions 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 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.

Board of Trustees
Oklahoma City Water Utilities Trust

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Trust as of June 30, 2015 and 2014, and the respective 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.

Other Matters

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 transmittal 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 4, 2015, 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 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Water Utilities Trust (Consolidated Trust) annual financial report, the Consolidated Trust's management provides narrative discussion and analysis of the financial activities of the Consolidated Trust for the fiscal years ended June 30, 2015 and 2014. The Consolidated Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Consolidated Trust reports services for which customers are charged a fee. Services are provided to customers external to the Consolidated Trust consisting primarily of water and wastewater utility services provided to the public, and water storage and supply services. The Consolidated Trust is a discrete component unit of the City of Oklahoma City (City).

Financial Summary

- Consolidated Trust assets and deferred outflows of resources exceeded liabilities by \$752,723,014 (net position) for 2015. This compares to the previous year when assets exceeded liabilities by \$695,461,210.
- Total liabilities for the Consolidated Trust increased \$17,938,891 to \$660,559,126 during the fiscal year. This compares to the previous year when liabilities increased \$17,224,539 to \$642,620,235.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$561,308,323 and \$536,479,377 for year ended June 30, 2015 and 2014, respectively, includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position in the amount of \$22,672,349 and \$23,352,613 for year ended June 30, 2015 and 2014, respectively, is restricted for capital projects and by debt service constraints imposed by debt covenants.
 - (3) Unrestricted net position of \$168,742,342 and \$135,629,220 is reported for the year ended June 30, 2015 and 2014, respectively.

Overview of the Financial Statements

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

Financial Statements

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

The first basic financial statement is the statement of net position. This statement presents all of the Consolidated Trust's assets and deferred outflows less liabilities resulting in net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Consolidated Trust, as a whole, is improving or deteriorating, identify financial strengths and weaknesses, and assess liquidity.

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

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

Notes to the Financial Statements

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

Financial Analysis

The Consolidated Trust's net position at June 30, 2015 is \$752,723,014. This is an increase of \$57,261,804 over fiscal year 2014 net position of \$695,461,210. The overall financial position of the Consolidated Trust improved during the 2015 fiscal year.

Summary of Net Position

	2015 - 2014		2015 - 2014		2014 - 2013		2014 - 2013	
	2015	2014	Amount of	%	2013	Amount of	%	
			Change	Change		Change	Change	
Assets								
Current assets	\$169,789,206	\$146,060,811	\$23,728,395	16.2%	\$142,287,445	\$3,773,366	2.7%	
Capital assets, net	1,141,239,351	1,095,340,153	45,899,198	4.2	1,054,830,091	40,510,062	3.8	
Other non-current assets	<u>93,729,654</u>	<u>87,812,802</u>	<u>5,916,852</u>	6.7	<u>80,746,944</u>	<u>7,065,858</u>	8.8	
Total assets	<u>1,404,758,211</u>	<u>1,329,213,766</u>	<u>75,544,445</u>	5.7	<u>1,277,864,480</u>	<u>51,349,286</u>	4.0	
Deferred Outflows								
of Resources	<u>8,523,929</u>	<u>8,867,679</u>	<u>(343,750)</u>	(3.9)	<u>9,211,429</u>	<u>(343,750)</u>	(3.7)	
Liabilities								
Current liabilities	70,577,618	108,246,038	(37,668,420)	(34.8)	74,330,820	33,915,218	45.6	
Non-current liabilities	<u>589,981,508</u>	<u>534,374,197</u>	<u>55,607,311</u>	10.4	<u>551,064,876</u>	<u>(16,690,679)</u>	(3.0)	
Total liabilities	<u>660,559,126</u>	<u>642,620,235</u>	<u>17,938,891</u>	2.8	<u>625,395,696</u>	<u>17,224,539</u>	2.8	
Net position								
Invested in capital assets	561,308,323	536,479,377	24,828,946	4.6	517,123,283	19,356,094	3.7	
Restricted	22,672,349	23,352,613	(680,264)	(2.9)	22,488,529	864,084	3.8	
Unrestricted	<u>168,742,342</u>	<u>135,629,220</u>	<u>33,113,122</u>	24.4	<u>122,068,401</u>	<u>13,560,819</u>	11.1	
Total net position	<u>\$752,723,014</u>	<u>\$695,461,210</u>	<u>\$57,261,804</u>	8.2	<u>\$661,680,213</u>	<u>\$33,780,997</u>	5.1	

Current assets increased by \$23.73 million in 2015. Cash and investments increased \$16.67 million and accounts receivable increased by \$6.45 million due to an increase in unbilled receivables. In 2014, current assets increased by \$3.77 million. Cash and investments increased by \$5.61 million, offset by decreased accounts receivable of \$1.7 million due to a decrease in unbilled receivables.

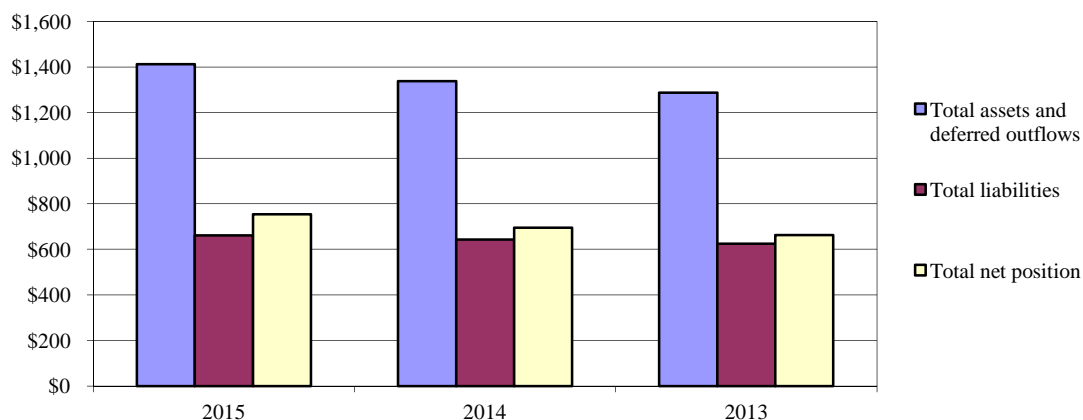
The \$45.90 million and \$42.35 million increase in capital assets for fiscal year 2015 and 2014, respectively, is the result of continued construction and purchase of capital assets, offset by normal depreciation. Non-current assets increased \$5.92 million during 2015 due to an increase in aliquot share receivable of \$2.23 million related to increased cash requirements and an increase in non-current investments of \$3.76 million due to the reserve for the 2015 bonds. In 2014, non-current assets increased \$7.07 million due to an increase in aliquot share receivable of \$1.07 million related to increased cash requirements and an increase in non-current investments of \$5.48 million that matured on June 30, 2013 and were reinvested in fiscal year 2014.

Deferred outflows of resources decreased by \$344 thousand in 2015 and 2014 due to normal amortization of deferred amounts on refunding.

Current liabilities decreased during 2015 by \$37.67 million primarily due to commercial paper retirements of \$75 million, offset by commercial paper borrowings of \$36.5 million. Current liabilities increased during 2014 by \$33.92 million primarily due to increased commercial paper borrowings of \$39 million, offset by a decrease in accounts payable of \$8.40 million due to timing of vendor payments.

The \$55.61 million increase in non-current liabilities during 2015 is largely due to the issuance of 2015 revenue bonds, offset by a reduction of deferred bond interest payable of \$7.63 million due to normal amortization, and a decrease in bonds payable of \$12.33 million due to regularly scheduled debt service payments. During 2014 non-current liabilities decreased by \$16.69 million largely due to a reduction of deferred bond interest payable of \$6.88 million due to bond payments applied to the deferred interest balance and a decrease in bonds payable of \$14.18 million due to regularly scheduled bond debt service payments, offset by an increase in the payable to the City Water and Wastewater fund of \$3.06 million for administration costs and an increase in intergovernmental payables of \$1.81 million primarily related to accrued interest on the liability for the construction of Sardis Lake.

Summary of Net Position
(dollars are in millions)



	Summary of Changes in Net Position						
			2015 - 2014		2014 - 2013		
	<u>2015</u>	<u>2014</u>	Amount of <u>Change</u>	% <u>Change</u>	<u>2013</u>	Amount of <u>Change</u>	% <u>Change</u>
Operating revenues							
Charges for services:							
Water	\$123,041,080	\$112,633,219	\$10,407,861	9.2%	\$111,139,787	\$1,493,432	1.3%
Wastewater	86,831,456	82,161,811	4,669,645	5.7	76,167,004	5,994,807	7.9
Aliquot share charges	2,476,367	1,914,251	562,116	29.4	2,518,808	(604,557)	(24.0)
Other charges for services and other revenues	<u>829,841</u>	<u>831,507</u>	<u>(1,666)</u>	(0.2)	<u>1,265,072</u>	<u>(433,565)</u>	(34.3)
Total operating revenues	213,178,744	197,540,788	15,637,956	7.9	191,090,671	6,450,117	3.4
Operating expenses	<u>145,953,494</u>	<u>153,307,951</u>	<u>(7,354,457)</u>	(4.8)	<u>153,861,756</u>	<u>(553,805)</u>	(0.4)
Operating income	<u>67,225,250</u>	<u>44,232,837</u>	<u>22,992,413</u>	52.0	<u>37,228,915</u>	<u>7,003,922</u>	18.8
Net non-operating expenses	(9,963,446)	(10,559,578)	596,132	5.6	(14,464,874)	3,905,296	27.0
Capital contributions	-	107,738	(107,738)	(100.0)	-	107,738	100.0
Special items	-	-	-	0.0	<u>36,262</u>	<u>(36,262)</u>	(100.0)
Changes in net position	57,261,804	33,780,997	23,480,807	69.5	22,800,303	10,980,694	48.2
Beginning net position	<u>695,461,210</u>	<u>661,680,213</u>	<u>33,780,997</u>	<u>5.1</u>	<u>638,879,910</u>	<u>22,800,303</u>	<u>3.6</u>
Ending net position	<u>\$752,723,014</u>	<u>\$695,461,210</u>	<u>\$57,261,804</u>	8.2	<u>\$661,680,213</u>	<u>\$33,780,997</u>	5.1

Operating revenues increased by \$15.64 million or 7.9% during 2015 related to increases in rates. Operating revenues increased \$6.45 million or 3.4% during 2014 as a result of an annual volume charge rate adjustment of 4.0% and an annual water and wastewater base adjustment of 4.0% approved by City Council in September 2010.

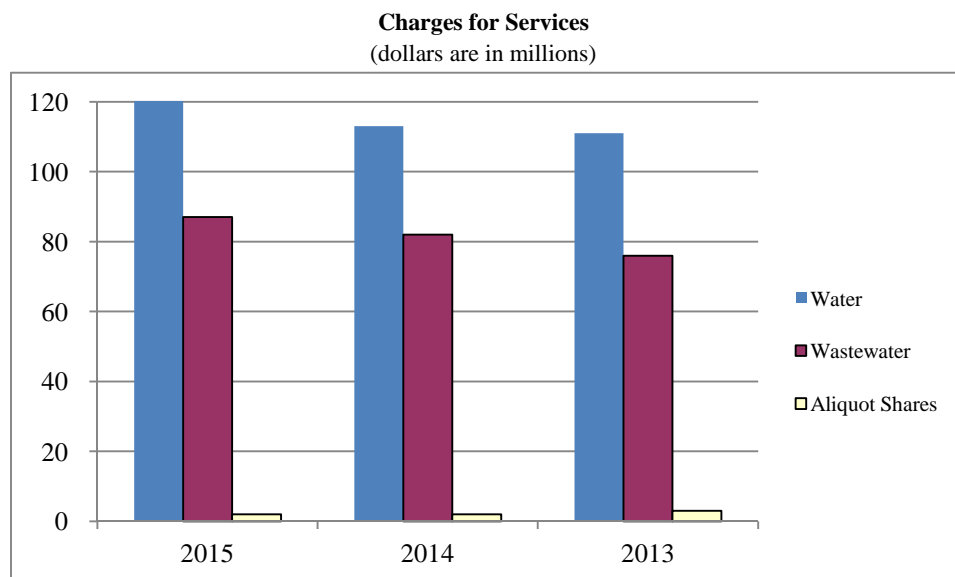
Operating expenses decreased by \$7.35 million or 4.8% in 2015 primarily due to a \$7.95 million decrease in maintenance, operations and contracted services due to a decrease in payments to the City related to a net pension asset from the implementation of Government Accounting Standards Board statement number 68. In 2014, operating expenses remained comparable decreasing only 0.4%.

During 2015, net non-operating expenses decreased \$596 thousand or 5.6%. This is attributed to a \$1.04 million increase in bond interest expense due primarily to the interest on the 2015 revenue bond series and normal principal reductions, and a \$575 thousand increase caused by bond issue costs for the 2015 Series bond. Investment income increased \$801 thousand due to appreciated market value and increased interest earnings on investments. In addition, payments from the City increased \$883 thousand primarily related to increased administrative and billing service fees paid.

In 2014, net non-operating expenses decreased \$3.91 million or 27.0%. This is attributed to a \$1.25 million decrease in bond interest expense due to normal principal reductions, a \$1.12 million decrease caused by bond issue costs in 2013 that did not reoccur in 2014, and a decrease of \$1.29 million due to a prior year write off for dismissal of a \$1.22 million note receivable.

The \$108 thousand in 2014 capital contributions was due to the return of prior year payments to the City for the unspent portion of OCWUT's share of infrastructure projects.

Special items recognized during 2013 include a \$1.10 million purchase of real estate, offset by a \$1.14 million gain on the defeasance of the Series 2004 and 2008 bonds.



Capital Assets

The Consolidated Trust's investment in capital assets, net of accumulated depreciation, as of June 30, 2015 and 2014, was \$1,141,239,351 and \$1,095,340,153, respectively.

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

	Capital Assets						
	Net of Accumulated Depreciation						
	<u>2015</u>	<u>2014</u>	<u>2015 - 2014</u> Amount of <u>Change</u>	<u>2015 - 2014</u> %	<u>2013</u>	<u>2014 - 2013</u> Amount of <u>Change</u>	<u>2014 - 2013</u> %
Non-Depreciable Assets							
Land and water storage rights	\$167,664,162	\$165,626,219	\$2,037,943	1.2%	\$162,629,288	\$2,996,931	1.8%
Construction in progress	<u>102,569,381</u>	<u>120,286,295</u>	<u>(17,716,914)</u>	(14.7)	<u>167,646,002</u>	<u>(47,359,707)</u>	(28.2)
Total non-depreciable assets	<u>270,233,543</u>	<u>285,912,514</u>	<u>(15,678,971)</u>	(5.5)	<u>330,275,290</u>	<u>(44,362,776)</u>	(13.4)
Depreciable Assets							
Buildings	43,163,983	44,719,631	(1,555,648)	(3.5)	46,045,151	(1,325,520)	(2.9)
Improvements other than buildings	805,277,842	744,525,590	60,752,252	8.2	651,549,085	92,976,505	14.3
Furniture, machinery, and equipment	<u>22,563,983</u>	<u>20,182,418</u>	<u>2,381,565</u>	11.8	<u>26,960,565</u>	<u>(6,778,147)</u>	(25.1)
Total depreciable assets	<u>871,005,808</u>	<u>809,427,639</u>	<u>61,578,169</u>	7.6	<u>724,554,801</u>	<u>84,872,838</u>	11.7
	<u>\$1,141,239,351</u>	<u>\$1,095,340,153</u>	<u>\$45,899,198</u>	4.2	<u>\$1,054,830,091</u>	<u>\$40,510,062</u>	3.8

Capital assets, net of accumulated depreciation, increased by 4.2% during 2015 due to OCWUT's construction and improvement projects for the water utilities system. Depreciation expense increased by \$660 thousand in 2015 due to finalized construction in progress projects. Major construction projects finalized during 2015 include; Witcher Pump Station improvements and the rehabilitation of sanitary sewer lines from Martin Luther King Avenue to Miramar Boulevard. Major construction projects in progress at June 30, 2015 include; Draper Water Treatment Plant pump station, Hefner Water Treatment Plant improvements, and the water main extension on MacArthur Boulevard between SW 8th & 29th. Capital assets, net of accumulated depreciation, increased 3.8% during 2014 due to OCWUT's construction and improvement projects for the water utilities system. Depreciation expense decreased by \$725 thousand in 2014 due to capitalizing construction in progress projects at year-end. Major construction projects in progress at June 30, 2014 include; Deer Creek Wastewater Treatment Plant improvements, Witcher Pump Station improvements, Draper Water Treatment Plant high service pump station and eleven miles of water mains. See Note II. E. for more information regarding capital assets.

Long-term Liabilities

At the end of the 2015 and 2014 fiscal years, the Consolidated Trust had total debt outstanding of \$555,232,191 and \$498,976,124, respectively.

Intergovernmental Payable

OCWUT has agreed to repay the Federal government for certain costs related to construction of Sardis Lake. Accrued interest on these construction costs in the amount of \$1.86 million and \$1.81 million were added to the future liability in 2015 and 2014, respectively. Moreover, an additional amount of \$15 million is payable to reimburse the OWRB for related costs upon the issuance of a water use permit by the OWRB in accordance with Oklahoma law. The balance due is \$63.21 million and \$61.35 million at June 30, 2015 and 2014, respectively. See Note III. B. for more information regarding intergovernmental payable.

OWRB Notes Payable

The OWRB provided partial funding to OCWUT for several clean water and drinking water projects during the past five years. These agreements provided up to \$59.50 million in loans, of which \$54.55 million and \$55.82 million remained outstanding at June 30, 2015 and 2014, respectively. On January 20, 2015, OCWUT approved two additional revolving loans for a maximum of \$800 thousand for wastewater improvements and \$36 million for water improvements. As of June 30, there have been no draws on these loans leaving no outstanding balance. See Note III. C. for more information regarding notes payable.

Revenue Bonds

At June 30, 2015 and 2014, the Consolidated Trust had total revenue bond debt outstanding of \$437.43 million and \$381.77 million, respectively. See Note III.E. for more information regarding revenue bonds.

OCWUT

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

At June 30, 2015 and 2014, OCWUT had total revenue bond debt outstanding of \$396.13 million and \$336.54 million, respectively. This debt is supported by pledged water and wastewater revenues generated by OCWUT's utility services.

MCA

MCA issued Series 1992 revenue bonds to purchase water storage rights and related assets, which in effect, repaid construction costs to the Bureau of Reclamation for McGee Creek Reservoir. These bonds are secured by aliquot share revenues from participants of MCA and agreement of support with OCWUT. At June 30, 2015 and 2014, MCA had total revenue bond debt outstanding of \$41.30 million and \$45.23 million, respectively.

	Outstanding Long Term Debt							
			2015 - 2014		2014 - 2013		2014 - 2013	
	<u>2015</u>	<u>2014</u>	Amount of	%	Amount of	%	Amount of	%
		<u>Change</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>	<u>Change</u>		
Intergovernmental payable	\$63,255,001	\$61,380,190	\$1,874,811	3.1%	\$59,575,031	\$1,805,159		3.0%
OWRB notes payable	54,547,221	55,821,956	(1,274,735)	(2.3)	56,560,661	(738,705)		(1.3)
Revenue bonds	<u>437,429,969</u>	<u>381,773,978</u>	<u>55,655,991</u>	14.6	<u>393,352,792</u>	<u>(11,578,814)</u>		(2.9)
	<u>\$555,232,191</u>	<u>\$498,976,124</u>	<u>\$56,256,067</u>	11.3	<u>\$509,488,484</u>	<u>(\$10,512,360)</u>		(2.1)

The \$1.87 million and \$1.81 million increase in the intergovernmental payable during 2015 and 2014, respectively, was due to accrued interest. OWRB notes payable decreased \$1.27 million and \$739 thousand in 2015 and 2014, respectively, as a result of regularly scheduled payments of \$1.27 million in 2015 and \$1.55 million of regularly scheduled payments, partially offset by \$816 thousand in new borrowings in 2014. The \$55.66 million increase in revenue bonds during 2015 is primarily due a \$67.5 million series 2015 revenue bond issue, offset by regularly scheduled debt service payments. The \$11.58 million decrease in revenue bonds during 2014 is due to regularly scheduled debt service payments.

Bond Ratings

As of June 30, 2015, Standard and Poor's Rating Services reported a credit rating on the Trust's debt of 'AAA' and Moody's Rating Services reported a credit rating of 'Aa1'.

Commercial Paper ratings

OCWUT received a short-term bond rating for its commercial paper program of A-1+ and P1 from Standard & Poor's and Moody's, respectively.

Economic Factors and Rates

Economic Factors

The current economic environment in Oklahoma City is positive; however, the economic outlook has been recently muted due to low oil and natural gas prices that are negatively impacting the many energy-related companies working in and around Oklahoma City. The increase in revenue is related to the tiered rate plan put into effect as a result of a rate study.

Utility Rates

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

Aliquot Shares

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

Contacting the Consolidated Trust's Financial Management

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

Basic Financial Statements

Proprietary Fund Financial Statements

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

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

STATEMENTS OF NET POSITION
June 30,

OKLAHOMA CITY
WATER UTILITIES TRUST

	2015				2014			
	Water	McGee Creek	Eliminations	Consolidated	Water	McGee Creek	Eliminations	Consolidated
	Utilities Trust	Authority			Utilities Trust	Authority		
ASSETS								
CURRENT ASSETS								
Non-pooled cash-----	\$25,422,500	\$236,045	\$ -	\$25,658,545	\$10,573,964	\$522,032	\$ -	\$11,095,996
Investments-----	112,786,664	3,522,022	-	116,308,686	110,473,255	3,728,220	-	114,201,475
Accounts receivable, net-----	25,916,240	42,354	-	25,958,594	19,496,860	16,654	-	19,513,514
Interest, dividends, and royalties receivable	369,879	263,000	-	632,879	254,185	27,434	-	281,619
Receivable from primary government-----	550,189	-	-	550,189	455,791	-	-	455,791
Intergovernmental receivables-----	188,298	31,821	-	220,119	17,207	52,511	-	69,718
Prepays-----	443,723	16,471	-	460,194	424,169	18,529	-	442,698
Total current assets-----	165,677,493	4,111,713	-	169,789,206	141,695,431	4,365,380	-	146,060,811
NON-CURRENT ASSETS								
Investments-----	36,091,846	6,871,368	-	42,963,214	32,549,004	6,653,493	-	39,202,497
Advance to McGee Creek Authority-----	50,873,272	-	(50,873,272)	-	48,917,070	-	(48,917,070)	-
Intergovernmental aliquot share receivable-	-	50,669,127	-	50,669,127	-	48,436,799	-	48,436,799
Prepays-----	42,199	55,114	-	97,313	103,003	70,503	-	173,506
Capital assets:								
Land, water storage rights								
and construction in progress-----	208,388,191	61,845,352	-	270,233,543	224,299,722	61,612,792	-	285,912,514
Other capital assets, net of								
accumulated depreciation-----	858,172,056	12,833,752	-	871,005,808	795,937,140	13,490,499	-	809,427,639
Total capital assets-----	1,066,560,247	74,679,104	-	1,141,239,351	1,020,236,862	75,103,291	-	1,095,340,153
Total non-current assets-----	1,153,567,564	132,274,713	(50,873,272)	1,234,969,005	1,101,805,939	130,264,086	(48,917,070)	1,183,152,955
Total assets-----	1,319,245,057	136,386,426	(50,873,272)	1,404,758,211	1,243,501,370	134,629,466	(48,917,070)	1,329,213,766
DEFERRED OUTFLOWS								
OF RESOURCES-----	8,523,929	-	-	8,523,929	8,867,679	-	-	8,867,679
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable and accrued expenses----	20,101,066	85,109	-	20,186,175	20,748,283	49,070	-	20,797,353
Wages and benefits payable-----	-	8,563	-	8,563	-	6,665	-	6,665
Payable to primary government-----	1,223,820	493	-	1,224,313	1,280,305	-	-	1,280,305
Interest payable-----	568,495	-	-	568,495	639,721	-	-	639,721
Compensated absences-----	-	11,786	-	11,786	-	6,908	-	6,908
Commercial paper-----	16,000,000	-	-	16,000,000	54,500,000	-	-	54,500,000
Notes payable-----	1,314,088	-	-	1,314,088	1,274,735	-	-	1,274,735
Unearned revenue-----	60,101	-	-	60,101	72,938	-	-	72,938
Bond interest payable-----	17,630,140	1,238,850	-	18,868,990	16,316,504	1,356,900	-	17,673,404
Bonds payable-----	8,165,107	4,170,000	-	12,335,107	8,059,009	3,935,000	-	11,994,009
Total current liabilities-----	65,062,817	5,514,801	-	70,577,618	102,891,495	5,354,543	-	108,246,038
NON-CURRENT LIABILITIES								
Compensated absences-----	-	45,575	-	45,575	-	43,610	-	43,610
Payable to primary government-----	3,445,891	-	-	3,445,891	6,296,145	-	-	6,296,145
Intergovernmental payable-----	63,213,732	41,269	-	63,255,001	61,354,009	26,181	-	61,380,190
Notes payable-----	53,233,133	-	-	53,233,133	54,547,221	-	-	54,547,221
Advance from other funds-----	-	50,873,272	(50,873,272)	-	-	48,917,070	(48,917,070)	-
Unearned revenue-----	4,299	-	-	4,299	4,528	-	-	4,528
Bond interest payable-----	8,414,597	-	-	8,414,597	16,045,352	-	-	16,045,352
Bonds payable, net-----	424,782,752	36,800,260	-	461,583,012	355,165,001	40,892,150	-	396,057,151
Total non-current liabilities-----	553,094,404	87,760,376	(50,873,272)	589,981,508	493,412,256	89,879,011	(48,917,070)	534,374,197
Total liabilities-----	618,157,221	93,275,177	(50,873,272)	660,559,126	596,303,751	95,233,554	(48,917,070)	642,620,235
NET POSITION								
Net investment in capital assets-----	525,623,246	35,685,077	-	561,308,323	504,170,013	32,309,364	-	536,479,377
Restricted for:								
Capital projects-----	-	-	-	-	2	-	-	2
Debt service-----	14,413,694	8,258,655	-	22,672,349	15,252,596	8,100,015	-	23,352,611
Unrestricted-----	169,574,825	(832,483)	-	168,742,342	136,642,687	(1,013,467)	-	135,629,220
Total net position-----	\$709,611,765	\$43,111,249	\$ -	\$752,723,014	\$656,065,298	\$39,395,912	\$ -	\$695,461,210

See accompanying notes to financial statements.

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

**OKLAHOMA CITY
WATER UTILITIES TRUST**

For the Years Ended June 30,

	2015				2014			
	Water	McGee Creek	Eliminations	Consolidated	Water	McGee Creek	Eliminations	Consolidated
	Utilities Trust	Authority			Utilities Trust	Authority		
OPERATING REVENUES								
CHARGES FOR SERVICES								
Water charges-----	\$123,041,080	\$ -	\$ -	\$123,041,080	\$112,633,219	\$ -	\$ -	\$112,633,219
Wastewater charges-----	86,831,456	-	-	86,831,456	82,161,811	-	-	82,161,811
Aliquot share charges-----	-	2,476,367	-	2,476,367	-	1,914,251	-	1,914,251
Total charges for services-----	209,872,536	2,476,367	-	212,348,903	194,795,030	1,914,251	-	196,709,281
Lease and rental income-----	608,464	-	-	608,464	661,596	-	-	661,596
Other-----	221,377	-	-	221,377	169,901	10	-	169,911
Total operating revenues-----	210,702,377	2,476,367	-	213,178,744	195,626,527	1,914,261	-	197,540,788
OPERATING EXPENSES								
Personal services-----	-	240,415	-	240,415	-	219,837	-	219,837
Maintenance, operations, and contractual services----	109,577,725	616,754	-	110,194,479	117,752,508	387,770	-	118,140,278
Materials and supplies-----	211,198	52,215	-	263,413	287,682	65,119	-	352,801
Depreciation-----	34,538,301	716,886	-	35,255,187	33,927,176	667,859	-	34,595,035
Total operating expenses-----	144,327,224	1,626,270	-	145,953,494	151,967,366	1,340,585	-	153,307,951
Operating income-----	66,375,153	850,097	-	67,225,250	43,659,161	573,676	-	44,232,837
NON-OPERATING REVENUES (EXPENSES)								
Grant operating-----	188,298	-	-	188,298	-	-	-	-
Investment income-----	1,618,302	596,785	-	2,215,087	812,842	601,317	-	1,414,159
Interest on bonds-----	(13,086,237)	(2,673,859)	-	(15,760,096)	(11,810,686)	(2,910,180)	-	(14,720,866)
Bond issue costs-----	(574,685)	-	-	(574,685)	-	-	-	-
Bond insurance-----	(4,100)	(16,958)	-	(21,058)	(6,358)	(18,438)	-	(24,796)
Arbitrage-----	-	(15,088)	-	(15,088)	-	(17,171)	-	(17,171)
Oil and gas royalties-----	137,093	-	-	137,093	143,400	-	-	143,400
Payments from primary government-----	3,631,560	-	-	3,631,560	2,641,000	-	-	2,641,000
Other revenue (expenses)-----	243,483	(8,040)	-	235,443	(13,816)	18,512	-	4,696
Net non-operating expenses-----	(7,846,286)	(2,117,160)	-	(9,963,446)	(8,233,618)	(2,325,960)	-	(10,559,578)
Income (loss) before contributions and transfers--	58,528,867	(1,267,063)	-	57,261,804	35,425,543	(1,752,284)	-	33,673,259
CONTRIBUTIONS AND TRANSFERS								
Payments from primary government-----	-	-	-	-	107,738	-	-	107,738
Transfers from other funds-----	-	4,982,400	(4,982,400)	-	-	5,426,125	(5,426,125)	-
Transfers to other funds-----	(4,982,400)	-	4,982,400	-	(5,426,125)	-	5,426,125	-
Total contributions and transfers-----	(4,982,400)	4,982,400	-	-	(5,318,387)	5,426,125	-	107,738
Changes in net position-----	53,546,467	3,715,337	-	57,261,804	30,107,156	3,673,841	-	33,780,997
Total net position, beginning-----	656,065,298	39,395,912	-	695,461,210	625,958,142	35,722,071	-	661,680,213
Total net position, ending-----	\$709,611,765	\$43,111,249	\$ -	\$752,723,014	\$656,065,298	\$39,395,912	\$ -	\$695,461,210

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

OKLAHOMA CITY
WATER UTILITIES TRUST

	2015				2014			
	Water	McGee Creek	Eliminations	Consolidated	Water	McGee Creek	Eliminations	Consolidated
	Utilities Trust	Authority			Utilities Trust	Authority		
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers-----	\$204,697,561	\$218,338	\$ -	\$204,915,899	\$196,837,312	\$421,765	\$ -	\$197,259,077
Cash payments to suppliers for goods and services-----	(27,600,152)	(688,939)	-	(28,289,091)	(27,904,258)	(435,172)	-	(28,339,430)
Cash payments to employees and professional contractors for services	-	(231,673)	-	(231,673)	-	(209,902)	-	(209,902)
Operating payments from City of Oklahoma City-----	3,592,904	-	-	3,592,904	2,704,000	-	-	2,704,000
Operating payments to City of Oklahoma City-----	(5,595,593)	-	-	(5,595,593)	(5,196,875)	-	-	(5,196,875)
Cost reimbursements from (to) other funds-----	(78,535,583)	-	-	(78,535,583)	(81,100,000)	-	-	(81,100,000)
Other cash receipts-----	144,868	51,999	-	196,867	-	18,513	-	18,513
Net cash provided (used) by operating activities-----	96,704,005	(650,275)	-	96,053,730	85,340,179	(204,796)	-	85,135,383
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Transfers paid to other funds-----	-	6,938,602	(6,938,602)	-	-	6,909,607	(6,909,607)	-
Transfers received from other funds-----	(6,938,602)	-	6,938,602	-	(6,909,607)	-	6,909,607	-
Non-financing payments from City of Oklahoma City-----	-	-	-	-	67,355	-	-	67,355
Net cash provided (used) by non-capital financing activities-----	(6,938,602)	6,938,602	-	-	(6,842,252)	6,909,607	-	67,355
CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES								
Proceeds from issuance of long-term debt and commercial paper-----	115,919,659	-	-	115,919,659	39,809,738	-	-	39,809,738
Payments for acquisition and construction of capital assets-----	(76,752,870)	(275,057)	-	(77,027,927)	(74,841,810)	(589,840)	-	(75,431,650)
Principal paid on long-term debt and commercial paper-----	(84,333,743)	(3,935,000)	-	(88,268,743)	(9,418,562)	(3,715,000)	-	(13,133,562)
Interest paid on long-term debt and commercial paper-----	(25,560,639)	(2,713,800)	-	(28,274,439)	(24,230,972)	(2,936,700)	-	(27,167,672)
Capital/financing payments from City of Oklahoma City-----	-	-	-	-	107,738	-	-	107,738
Proceeds from sale of assets-----	27,275	-	-	27,275	68,925	-	-	68,925
Other capital and capital related financing activities-----	-	-	-	-	14,292	-	-	14,292
Net cash used by capital financing activities-----	(70,700,318)	(6,923,857)	-	(77,624,175)	(68,490,651)	(7,241,540)	-	(75,732,191)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments-----	(443,869,644)	(21,224,454)	-	(465,094,098)	(416,934,672)	(17,435,984)	-	(434,370,656)
Proceeds from sale of investments-----	438,331,289	21,144,826	-	459,476,115	396,928,325	16,310,188	-	413,238,513
Investment income received-----	1,211,174	427,738	-	1,638,912	1,719,068	561,837	-	2,280,905
Purchased interest-----	(26,461)	1,433	-	(25,028)	(26,252)	(2,599)	-	(28,851)
Receipts from oil and gas royalties-----	137,093	-	-	137,093	160,643	-	-	160,643
Net cash provided (used) by investing activities-----	(4,216,549)	349,543	-	(3,867,006)	(18,152,888)	(566,558)	-	(18,719,446)
Net increase (decrease) in cash-----	14,848,536	(285,987)	-	14,562,549	(8,145,612)	(1,103,287)	-	(9,248,899)
Cash, beginning-----	10,573,964	522,032	-	11,095,996	18,719,576	1,625,319	-	20,344,895
Cash, ending-----	\$25,422,500	\$236,045	\$ -	\$25,658,545	\$10,573,964	\$522,032	\$ -	\$11,095,996

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

OKLAHOMA CITY
WATER UTILITIES TRUST

	2015				2014			
	Water Utilities Trust	McGee Creek Authority	Eliminations	Consolidated	Water Utilities Trust	McGee Creek Authority	Eliminations	Consolidated
RECONCILIATION OF OPERATING INCOME								
PROVIDED BY OPERATING ACTIVITIES TO NET CASH								
Operating income-----	\$66,375,153	\$850,097	\$ -	\$67,225,250	\$43,659,161	\$573,676	\$ -	\$44,232,837
ADJUSTMENTS TO RECONCILE OPERATING INCOME								
PROVIDED BY OPERATING ACTIVITIES TO NET CASH								
Depreciation-----	34,538,301	716,886	-	35,255,187	33,927,176	667,859	-	34,595,035
Non-operating revenue (expense)-----	135,632	(16,958)	-	118,674	2,762,491	-	-	2,762,491
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable-----	(6,419,379)	(25,702)	-	(6,445,081)	1,562,206	29,387	-	1,591,593
(Increase) decrease in receivable from component units-----	3,631,560	-	-	3,631,560	-	-	-	-
(Increase) decrease in receivable from City of Oklahoma City-----	(94,404)	-	-	(94,404)	232,317	-	-	232,317
(Increase) decrease in prepaid assets-----	37,151	17,447	-	54,598	(144,353)	(1,571)	-	(145,924)
(Increase) decrease in intergovernmental receivable-----	17,208	(2,180,330)	-	(2,163,122)	(14,926)	(1,503,370)	-	(1,518,296)
Increase (decrease) in accounts payable and accrued expenses-----	1,402,583	(20,952)	-	1,381,631	97,800	19,287	-	117,087
Increase (decrease) in wages and benefits payable-----	-	1,900	-	1,900	-	31	-	31
Increase (decrease) in payable to City of Oklahoma City-----	(2,906,734)	493	-	(2,906,241)	3,254,798	-	-	3,254,798
Increase (decrease) in compensated absences-----	-	6,844	-	6,844	-	9,905	-	9,905
Increase (decrease) in deferred revenue-----	(13,066)	-	-	(13,066)	3,509	-	-	3,509
Total adjustments-----	30,328,852	(1,500,372)	-	28,828,480	41,681,018	(778,472)	-	40,902,546
Net cash provided (used) by operating activities-----	\$96,704,005	(\$650,275)	\$ -	\$96,053,730	\$85,340,179	(\$204,796)	\$ -	\$85,135,383
NON-CASH INVESTING, CAPITAL								
AND FINANCING ACTIVITIES								
Net increase (decrease) in fair value of investments-----	\$317,897	(\$67,953)	\$ -	\$249,944	(\$225,456)	\$20,426	\$ -	(\$205,030)
Water storage rights-----	1,859,723	-	-	1,859,723	1,787,991	-	-	1,787,991
Total non-cash investing, capital, and financing activities-----	\$2,177,620	(\$67,953)	\$ -	\$2,109,667	\$1,562,535	\$20,426	\$ -	\$1,582,961

See accompanying notes to financial statements.

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Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Oklahoma City Water Utilities Trust (Consolidated Trust) financial activities for the fiscal year ended June 30, 2015 and 2014. Reclassifications between net investment in capital assets and unrestricted net position have been made to 2014 prior year amounts.

I. B. REPORTING ENTITY

Fund Types and Major Funds

Major Proprietary Funds

Oklahoma City Water Utilities Trust (OCWUT) Fund

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

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

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

McGee Creek Authority (MCA) Fund

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

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

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

Component Unit

MCA

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

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

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

I. B. 1. RELATIONSHIP WITH THE CITY

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing, and to provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City.

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

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

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

Trust Administration

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

I. B. 2. BASIC FINANCIAL STATEMENTS

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

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

Generally Accepted Accounting Principles (U.S. GAAP)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Operating income includes revenues and expenses related to the primary, continuing operations of the Consolidated Trust. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

I. C. BUDGET LAW AND PRACTICE

OCWUT

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

MCA

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

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

I. D. 1. CASH AND INVESTMENTS

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

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

Investments are reported at fair value determined by quoted market prices except for guaranteed investment contracts which are carried at cost. Cash deposits are reported at carrying amount, which approximates fair value.

I. D. 2. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Significant receivables include amounts due from customers for utility services and amounts due from Participants and surrogates or designees of Participants for actual water usage. Unbilled accounts receivable represent amounts recognized as revenue for which invoices have not yet been sent to customers. Unbilled receivables are calculated as a ratio of days of the total billing period for water meters read after year-end. Accounts receivable are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 90 days.

I. D. 3. PREPAIDS

Prepays are recorded when purchased and expensed when used. Prepays consist of memberships and dues, subscriptions, bond insurance, and maintenance support agreements. Non-current prepaids will be expensed in periods beyond the twelve month period subsequent to the reporting date.

I. D. 4. RESTRICTED ASSETS

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

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

I. D. 5. INTERFUND BALANCES

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

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

I. D. 6. CAPITALIZED INTEREST

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

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

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

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

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

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

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

Bond discounts and premiums are capitalized and amortized over the term of the respective bonds using the method that approximates the effective interest method. Deferred charges on refunding of bonds results from a difference in the carrying value of refunded debt to its reacquisition price. The amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

I. D. 10. COMPENSATED ABSENCES

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

I. D. 11. RISK MANAGEMENT

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

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

I. D. 12. FUND EQUITY

Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

I. D. 13. USE OF ESTIMATES

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

I. E. MAJOR REVENUES

OCWUT

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

MCA

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

I. F. TAX STATUS

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

I. G. RETAINAGES

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

II. ASSETS AND DEFERRED OUTFLOWS

II. A. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, Consolidated Trust deposits may not be returned or the Consolidated Trust will not be able to recover collateral securities in the possession of an outside party. The OCWUT Investment Policy requires deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Treasurer. Custodial credit risk for deposits is not addressed by bond indentures. Bond indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. MCA has not adopted a policy addressing custodial credit risk.

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

OKLAHOMA CITY
WATER UTILITIES TRUST

At June 30, 2015 and 2014, the Consolidated Trust's cash is insured or collateralized with securities held by OCWUT, MCA, or the City, less the amount of the Federal depository insurance.

Investments

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

2015				
	Fair Value/ Carrying Amount	Cost	Rating (1)	Weighted Average Months to Maturity (2)
Federal obligations	\$45,586,909	\$45,764,051	AA/Aaa	33.63
Money market funds	58,695,212	58,695,212	AAA/Aaa	1.03
Fannie Mae	27,160,613	27,143,505	AA/Aaa	23.76
U.S. Treasury notes	21,176,666	20,959,367	N/A	30.23
Guaranteed investment contract	<u>6,652,500</u>	<u>6,652,500</u>	A/A2	91.43
Total investments	<u>\$159,271,900</u>	<u>\$159,214,635</u>		
2014				
	Fair Value/ Carrying Amount	Cost	Rating (1)	Weighted Average Months to Maturity (2)
Federal obligations	\$49,365,572	\$49,544,314	AA/Aaa	20.35
Money market funds	73,195,884	73,308,640	AAA/Aaa	1.80
Fannie Mae	20,113,001	20,141,606	AA/Aaa	29.00
U.S. Treasury notes	4,077,015	4,023,359	N/A	12.50
Guaranteed investment contract	<u>6,652,500</u>	<u>6,652,500</u>	A/A2	103.60
Total investments	<u>\$153,403,972</u>	<u>\$153,670,419</u>		

- (1) Ratings are provided where applicable to indicate associated credit risk.
(2) Interest rate risk is estimated using weighted average months to maturity.

OCWUT Investment Policy

OCWUT Trustees adopted a separate investment policy in addition to the investment provisions of bond indentures. OCWUT funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in the City when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of obligations of the U.S. government, its agencies, and instrumentalities; and (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law.

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

The OCWUT Investment Policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of OCWUT's investments in a single issuer. Cumulatively, portfolios may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the OCWUT's total portfolio may be placed with any single financial institution with the exception of repurchase agreements and money market funds. U.S. government securities, SLGS, and City judgments are excluded from these restrictions.

Portfolio Structure (1)

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100%	0-1 year	100%
U.S. Treasury securities (3)	100	1-3 years	90
Certificates of deposit	50	3-5 years	90
Money market funds	100		
Savings accounts	100		

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

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

Bond Indenture Restrictions

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

OCWUT

Concentration of credit risk is the risk of loss attributed to the magnitude of OCWUT's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The bond indenture provides that investments mature not later than the respective dates, as estimated, when the monies in said funds and accounts shall be required for the purposes intended, but in no event more than six months for the interest account, twelve months for the principal account and sixty months for the renewal and replacement account and the bond reserve account.

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

MCA

Concentration of credit risk is the risk of loss attributed to the magnitude of the MCA's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The bond indenture provides that investments mature in no more than twelve months, depending on the purpose of the funds and the requirements of the account in which funds are deposited. This provision does not apply to the reserve fund which includes a guaranteed investment contract that is 105% collateralized with government backed securities.

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

Investments Held by Others

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

Compliance with State Requirements

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

Restricted Deposits and Investments

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

	2015		2014	
	OCWUT	MCA	OCWUT	MCA
Commercial paper construction account	\$56,636	\$ -	\$162,089	\$ -
Bond principal and interest accounts	25,581,250	3,522,022	25,458,167	3,731,173
Bond reserve	37,291,846	6,871,368	32,626,337	6,871,362
	<u>\$62,929,732</u>	<u>\$10,393,390</u>	<u>\$58,246,593</u>	<u>\$10,602,535</u>

II. B. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

OCWUT

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$26,765,486	\$20,924,066
Less: allowance for uncollectible accounts	(849,246)	(1,427,206)
Net accounts receivable	<u>\$25,916,240</u>	<u>\$19,496,860</u>
Affect on revenues for change in uncollectibles	<u>\$577,960</u>	<u>\$240,689</u>

MCA

Receivables of \$42,354 and \$16,654 at June 30, 2015 and 2014 respectively, include billings for aliquot share services provided by MCA to surrogates and designees of the Participants and non-operating revenues. These receivables are due in less than one year. Since there are no delinquencies associated with these accounts, no allowance for uncollectible amounts has been accrued at June 30, 2015 and 2014.

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, 2015 and 2014 the Consolidated Trust had prepaid items totaling \$557,507 and \$616,204, respectively.

	<u>2015</u>	<u>2014</u>
Memberships and dues	\$104,254	\$119,501
Software licenses and support	318,279	391,092
Other	<u>134,974</u>	<u>105,611</u>
	<u>\$557,507</u>	<u>\$616,204</u>

II. D. INTERGOVERNMENTAL RECEIVABLE

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

Every year MCA performs minimal maintenance tasks for the Bureau. Charges to the Bureau for these services are based on agreed upon rates. MCA had amounts receivable from the Bureau for services provided in 2015 and 2014 of \$31,821 and \$52,511, respectively.

Aliquot Share Receivable

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

OKLAHOMA CITY
WATER UTILITIES TRUST

II. E. CAPITAL ASSETS

Changes in Capital Assets

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

	2014							
	Capital Assets, not depreciated			Capital Assets, depreciated				Total Capital Assets, net
	Land and Water	Construction	Total	Improvements Other Than	Furniture, Machinery, &	Total		
	Storage Rights	In Progress		Buildings	Buildings			Equipment
CAPITAL ASSETS								
Balance, June 30, 2013	\$162,629,288	\$167,646,002	\$330,275,290	\$89,388,072	\$957,126,210	\$94,806,138	\$1,141,320,420	\$1,471,595,710
Increases	2,996,931	69,622,263	72,619,194	-	1,061,789	2,263,135	3,324,924	75,944,118
Decreases	-	-	-	-	(959,891)	-	(959,891)	(959,891)
Transfers	-	(116,981,970)	(116,981,970)	248,284	116,733,686	-	116,981,970	-
Balance, June 30, 2014	<u>165,626,219</u>	<u>120,286,295</u>	<u>285,912,514</u>	<u>89,636,356</u>	<u>1,073,961,794</u>	<u>97,069,273</u>	<u>1,260,667,423</u>	<u>1,546,579,937</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2013				43,342,921	305,577,125	67,845,573	416,765,619	416,765,619
Increases				1,573,804	23,979,924	9,041,307	34,595,035	34,595,035
Decreases				-	(120,845)	(25)	(120,870)	(120,870)
Balance, June 30, 2014				<u>44,916,725</u>	<u>329,436,204</u>	<u>76,886,855</u>	<u>451,239,784</u>	<u>451,239,784</u>
Capital Assets, net	<u>\$165,626,219</u>	<u>\$120,286,295</u>	<u>\$285,912,514</u>	<u>\$44,719,631</u>	<u>\$744,525,590</u>	<u>\$20,182,418</u>	<u>\$809,427,639</u>	<u>\$1,095,340,153</u>

Depreciation Expense

Depreciation expense of \$35,255,187 in fiscal year 2015 and \$34,595,035 in 2014 was charged to the Consolidated Trust's utilities function.

Capitalized Interest

OCWUT

<u>2015</u>		<u>2014</u>	
<u>Total Interest</u> <u>Costs Incurred</u>	<u>Capitalized</u> <u>Interest</u>	<u>Total Interest</u> <u>Costs Incurred</u>	<u>Capitalized</u> <u>Interest</u>
<u>\$19,172,294</u>	<u>\$4,218,323</u>	<u>\$18,860,761</u>	<u>\$5,119,247</u>

MCA

MCA had interest costs in 2015 and 2014 of \$2,595,750 and \$2,825,250, respectively. MCA has no investments restricted for construction and there was no capitalized interest.

II. F. DEFERRED OUTFLOW

Deferred Amount on Bond Refunding

Deferred charges on refunding of bonds results from a difference in the carrying value of refunded debt to its reacquisition price. The amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

<u>Original Bond Issue</u>	<u>Refunding Bond Issue</u>	<u>2015</u>	<u>2014</u>
OCWUT Series 1999 Bonds	OCWUT Series 2009A & B Bonds	\$17,631	\$35,262
OCWUT Series 2004 and 2008 Bonds	OCWUT Series 2013 Bonds	<u>8,506,298</u>	<u>8,832,417</u>
		<u>\$8,523,929</u>	<u>\$8,867,679</u>

III. LIABILITIES

III. A. COMMERCIAL PAPER

Commercial Paper

On January 17, 2006, OCWUT established a commercial paper program authorizing the issuance of up to \$75 million of tax-exempt commercial paper notes with letter of credit security. On March 4, 2008, OCWUT approved a resolution authorizing an increase in the commercial paper program to an amount not to exceed \$125 million in principal of tax-exempt commercial paper notes at any one time effective April 1, 2008. On November 2, 2010, OCWUT approved a second resolution authorizing an increase in the commercial paper program to an amount not to exceed \$150 million in principal of tax-exempt commercial paper. The commercial paper program provides interim financing for OCWUT's ongoing capital program. Maturity of commercial paper may range from 1 to 270 days, depending on market conditions at the time of issue.

During fiscal year 2015 new commercial paper issuances totaled \$36,500,000; and in February 2015, \$75,000,000 of the outstanding commercial paper was paid off with the issuance of the OCWUT Water and Sewer Revenue bonds, 2015 Series. In 2014, new commercial paper issuances totaled \$39,000,000. The total outstanding balance at June 30, 2015 and 2014 was \$16,000,000 and \$54,500,000, respectively, and the weighted average interest rate for the year was 0.09% and 0.11%, respectively.

Commercial Paper Changes in Short-Term Debt

	<u>2015</u>	<u>2014</u>
Beginning Balance July 1,	54,500,000	\$15,500,000
Issuances	36,500,000	39,000,000
Retirements	<u>(75,000,000)</u>	-
Balance June 30,	<u>\$16,000,000</u>	<u>\$54,500,000</u>

III. B. INTERGOVERNMENTAL PAYABLE

Payable to Federal and State Government

During fiscal year 2010, OCWUT entered into an agreement with the Oklahoma Water Resource Board (OWRB) to repay the Federal government for certain costs related to construction of Sardis Lake in Southeastern Oklahoma. The initial cost to OCWUT was \$27,814,629 for the settlement of the OWRB's debt to the Federal government. In addition, OCWUT agreed to pay for additional costs of \$39,605,319 for future costs due and payable to the Federal government. This amount incurs interest at a rate of 4.012% which is added to the payable. The amount payable to the Federal government at June 30, 2015 and 2014 was \$48,213,732 and \$46,354,009, respectively. Moreover, an additional amount of \$15 million is payable to reimburse the OWRB for certain costs which the state previously made payments and upon the event of the issuance of a water use permit by the OWRB in accordance with Oklahoma law.

Arbitrage Compliance

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. OCWUT and MCA invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The MCA liability for arbitrage is \$41,269 and \$26,181 reported with non-current liabilities at June 30, 2015 and 2014, respectively. OCWUT has no arbitrage liability at June 30, 2015 and 2014.

III. C. NOTES PAYABLE

Notes Payable Revolving Loans

On November 13, 2009, OCWUT finalized two revolving loans for a maximum of \$7,634,177 for water line improvements and \$9,469,450 in wastewater improvements. Each loan has a provision for a minimum 20% match, \$2,000,000 maximum from the American Recovery and Reinvestment Act of 2009. The match was in the form of principal forgiveness in each loan. The notes payable balance is \$4,851,799 for water line improvements and \$5,200,986 for wastewater improvements at June 30, 2015. The interest rates of the two loans are 3.57% and 2.86%, respectively, payable on March 15 and September 15 for the term of the loans. The 2009 construction loans have been finalized and principal payments commenced on September 15, 2011 and will continue semiannually for the term of the loans. The loans expire on March 15, 2031 and September 15, 2040, respectively.

On December 15, 2010, OCWUT finalized two revolving loans for a maximum of \$35 million for water line improvements and \$24,926,727 in wastewater improvements. As of June 30, 2015, \$28,011,546 for water line improvements and \$16,482,890 for wastewater improvements is outstanding. The effective interest rates of the two loans are 3.74% and 3.27% payable on March 15 and September 15 for the term of the loans. The 2010 construction loans have been finalized and principal payments commenced on September 15, 2013 and will continue semiannually for the term of the loans. The loans expire on March 15, 2032 and September 15, 2042, respectively.

On January 20, 2015 OCWUT approved two revolving loans for a maximum of \$800 thousand for wastewater improvements and \$36 million for water line improvements. As of June 30, there have been no draws on the loans leaving no outstanding balance. The effective interest rates of the two loans are 2.71% and 2.93% payable on March 15 and September 15 for the term of the loan. The loans expire on September 15, 2046.

Notes Payable Requirements to Maturity

	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2016	\$1,314,088	\$1,929,217
2017	1,365,306	1,877,998
2018	1,413,100	1,830,204
2019	1,462,583	1,780,721
2020	1,509,113	1,734,191
2021-2025	8,398,173	7,818,352
2026-2030	9,979,774	6,236,749
2031-2035	10,142,532	4,439,438
2036-2040	11,655,338	2,517,767
2041-2043	<u>7,307,214</u>	<u>463,885</u>
	<u>\$54,547,221</u>	<u>\$30,628,522</u>

III. D. COMPENSATED ABSENCES

MCA compensated absences balances changed from 2014 to 2015 by accruals of \$17,488 and usages of \$10,645 compared to changes in accruals of \$16,147 and usages of \$6,241 from 2013 to 2014.

III. E. REVENUE BONDS

Unamortized Bond Discount/Premium

	2015		2014	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Bonds payable	396,134,969	41,295,000	\$336,543,978	\$45,230,000
Unamortized bond premium (discount)	<u>36,812,890</u>	<u>(324,740)</u>	<u>26,680,032</u>	<u>(402,850)</u>
Bonds payable, net	<u>\$432,947,859</u>	<u>\$40,970,260</u>	<u>\$363,224,010</u>	<u>\$44,827,150</u>

Water Revenue Bond Indentures and Covenants

OCWUT

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

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

However, if the payments and deposits required by the general bond indenture are made on or before the 20th day of the month, then during the subsequent month, the gross revenues may be deposited as received directly into OCWUT's operating fund, which is not subject to the lien of the indenture. For the years ended June 30, 2015, and 2014, required accounts were maintained in accordance with the bond indenture.

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

The general bond indenture provides the OCWUT Trustees will fix, maintain, charge, and collect a schedule of rates for use of the facilities of the Trust estate that will provide in every year net revenues which provide at least 120% of the maximum amount required for debt service. For the years ended June 30, 2015 and 2014, the schedule of rates in effect provided revenues in excess of the minimum requirements.

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

MCA

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

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

The bond indenture and its supplement require the use of bond proceeds, project, revenue, and bond accounts. These accounts are held in trust by banks and managed pursuant to terms of the indenture agreement. The indenture provides that gross revenues from operations will be deposited in the revenue account and transfers will be made to the other accounts for current requirements on a monthly basis. However, if the payments and deposits required by the bond indenture are made on or before the 25th day of the month, then during the subsequent month, the gross revenues may be deposited as received directly into MCA's operating fund, which is not subject to the lien of the indenture. For the years ended June 30, 2015 and 2014, required accounts were maintained in accordance with the bond indenture.

Issuances

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

OKLAHOMA CITY
WATER UTILITIES TRUST

Bonded Debt Service to Maturity

Fiscal Year	Principal		Interest		Total	
	OCWUT	MCA	OCWUT	MCA	OCWUT	MCA
2016	\$8,165,107	\$4,170,000	\$26,324,029	\$2,477,700	\$34,489,136	\$6,647,700
2017	8,369,862	4,420,000	26,402,261	2,227,500	34,772,123	6,647,500
2018	13,680,000	4,690,000	16,804,050	1,962,300	30,484,050	6,652,300
2019	13,765,000	4,970,000	16,228,125	1,680,900	29,993,125	6,650,900
2020	13,385,000	5,265,000	15,622,524	1,382,700	29,007,524	6,647,700
2021-2025	73,620,000	17,780,000	68,904,309	2,175,000	142,524,309	19,955,000
2026-2030	70,925,000	-	51,361,838	-	122,286,838	-
2031-2035	85,190,000	-	34,106,430	-	119,296,430	-
2036-2040	75,270,000	-	16,904,070	-	92,174,070	-
2041-2045	29,570,000	-	4,063,153	-	33,633,153	-
2046	4,195,000	-	104,875	-	4,299,875	-
	<u>\$396,134,969</u>	<u>\$41,295,000</u>	<u>\$276,825,664</u>	<u>\$11,906,100</u>	<u>\$672,960,633</u>	<u>\$53,201,100</u>

Revenue Bonds Outstanding

Water and Sewer System Bonds	Original Amount Issued	Interest Rate	Issue Date	Final Maturity	Principal Balance	
					2015	2014
OCWUT Series 1986C	\$22,760,000	7.60% to 7.85%	8/1/1986	2016	\$2,134,969	\$3,358,978
OCWUT Series 2009A	70,290,000	3.00% to 5.625%	10/20/2009	2039	68,290,000	68,790,000
OCWUT Series 2009B	47,470,000	3.00% to 5.625%	10/20/2009	2039	25,500,000	30,500,000
OCWUT Series 2011	68,725,000	0.60% to 4.80%	2/9/2011	2040	64,800,000	66,135,000
OCWUT Series 2013	167,760,000	3.25% to 5.00%	3/14/2013	2040	167,760,000	167,760,000
OCWUT Series 2015	67,650,000	3.00% to 5.00%	2/4/2015	2046	67,650,000	-
MCA Series 1992	91,860,000	3.00% to 6.00%	12/1/1992	2023	41,295,000	45,230,000
					<u>\$437,429,969</u>	<u>\$381,773,978</u>

Bond Interest Payable

The OCWUT Series 1986C deferred interest bonds accumulated deferred interest until 2005 when the related bonds began to mature. The deferred interest balances reported as a non-current liability is \$8,414,597 and \$16,045,352 at June 30, 2015 and 2014, respectively. Interest on all other bonds is payable on the first day of January and July of each year through maturity.

Bond Defeasance

Prior Years Defeasance

In fiscal year 2013, OCWUT defeased Series 2004 and Series 2008 revenue bonds with face amounts of \$70,000,000 and \$49,605,000, respectively. Future interest requirements on the defeased bonds are \$42,829,713 and \$41,067,652, with interest rates of 5.00% and 4.89%, respectively. Deposits to escrow accounts consisted of \$11,223,098 from funds previously restricted for debt service and \$110,931,812 from 2013 bond proceeds. The aggregate difference in debt service requirements between the refunded debt and the refunding debt is \$19,681,935. OCWUT recognized an economic gain of \$8,458,837 on the defeasance.

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

Outstanding Defeased Bonds

	Original Amount Defeased	Outstanding Balance	
		<u>2015</u>	<u>2014</u>
OCWUT Series 1977F	\$6,480,000	\$1,135,000	\$1,475,000
OCWUT Series 1978G	1,865,000	370,000	465,000
OCWUT Series 2004 (1)	66,780,000	-	65,055,000
OCWUT Series 2008 (1)	47,020,000	-	46,100,000

(1) OCWUT Series 2004 and 2008 were called on July 1, 2014.

Bond Coverage

	<u>2015</u>		<u>2014</u>	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Gross revenue, including non-operating revenues and transfers in	\$216,521,113	\$8,055,552	\$199,223,769	\$7,960,215
Direct operating expenses and transfers, excluding depreciation and amortization	<u>114,771,323</u>	<u>917,424</u>	<u>123,480,131</u>	<u>672,726</u>
Net revenue available for debt service	<u>\$101,749,790</u>	<u>\$7,138,128</u>	<u>\$75,743,638</u>	<u>\$7,287,489</u>
Principal amounts	\$18,910,000	\$3,935,000	\$14,909,863	\$3,715,000
Interest amounts	<u>26,402,261</u>	<u>2,713,800</u>	<u>23,188,561</u>	<u>2,936,700</u>
Total debt service requirements	<u>\$45,312,261</u>	<u>\$6,648,800</u>	<u>\$38,098,424</u>	<u>\$6,651,700</u>
Revenue bond coverage	<u>2.24</u>	<u>1.07</u>	<u>1.98</u>	<u>1.09</u>

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

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

III. F. CHANGES IN LONG-TERM LIABILITIES

	2015					
	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015	Due Within One Year	Due After One Year
Intergovernmental payable (1)	\$61,380,190	\$1,874,811	\$ -	\$63,255,001	\$ -	\$63,255,001
Compensated absences	50,518	17,488	10,645	57,361	11,786	45,575
Notes payable	55,821,956	-	1,274,735	54,547,221	1,314,088	53,233,133
Bond interest payable (2)	16,045,352	-	7,630,755	8,414,597	-	8,414,597
OCWUT revenue bonds	336,543,978	67,650,000	8,059,009	396,134,969	8,165,107	387,969,862
MCA revenue bonds	<u>45,230,000</u>	<u>-</u>	<u>3,935,000</u>	<u>41,295,000</u>	<u>4,170,000</u>	<u>37,125,000</u>
	<u>\$515,071,994</u>	<u>\$69,542,299</u>	<u>\$20,910,144</u>	<u>\$563,704,149</u>	<u>\$13,660,981</u>	<u>\$550,043,168</u>

(continued)

III. F. CHANGES IN LONG-TERM LIABILITIES (continued)

	2014					
	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014	Due Within One Year	Due After One Year
Intergovernmental payable (1)	\$59,575,031	\$1,805,159	\$ -	\$61,380,190	\$ -	\$61,380,190
Compensated absences	40,612	16,147	6,241	50,518	6,908	43,610
Notes payable	56,560,661	816,043	1,554,748	55,821,956	1,274,735	54,547,221
Bond interest payable (2)	22,922,358	-	6,877,006	16,045,352	-	16,045,352
OCWUT revenue bonds	344,407,792	-	7,863,814	336,543,978	8,059,009	328,484,969
MCA revenue bonds	48,945,000	-	3,715,000	45,230,000	3,935,000	41,295,000
	<u>\$532,451,454</u>	<u>\$2,637,349</u>	<u>\$20,016,809</u>	<u>\$515,071,994</u>	<u>\$13,275,652</u>	<u>\$501,796,342</u>

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

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

III. G. SEGMENT INFORMATION AND PLEDGED REVENUES

OCWUT and MCA issued revenue bonds to support their water and wastewater activities. The financial statements report revenue-supported debt. OCWUT recognized \$123,041,080 and \$112,633,219 in water charges and \$86,831,456 and \$82,161,811 in wastewater charges in 2015 and 2014, respectively. MCA recognized \$2,476,367 and \$1,914,251 in aliquot share revenues and \$4,982,400 and \$5,426,125 in transfers from OCWUT in 2015 and 2014, respectively.

IV. NET POSITION

Net Investment in Capital Assets

	2015		2014	
	OCWUT	MCA	OCWUT	MCA
Capital assets, net	\$1,066,560,247	\$74,679,104	\$1,020,236,862	\$75,103,291
Retainages and accounts payable	(10,938,092)	(73,345)	(12,987,888)	(16,355)
Intergovernmental payable	(63,213,732)	-	(61,354,009)	-
Notes payable	(54,547,221)	-	(55,821,956)	-
Commercial paper	(16,000,000)	-	(54,500,000)	-
Commercial paper construction account funded with proceeds	56,636	-	162,089	-
Bonds payable, net	(432,947,859)	(40,970,260)	(363,224,010)	(44,827,150)
Bond accounts funded with bond proceeds	30,281,723	1,152,500	25,876,025	1,152,500
Bond issuance costs paid with bond proceeds	6,371,544	897,078	5,782,900	897,078
	<u>\$525,623,246</u>	<u>\$35,685,077</u>	<u>\$504,170,013</u>	<u>\$32,309,364</u>

Restricted for Capital Projects

	2015		2014	
	OCWUT	MCA	OCWUT	MCA
Commercial paper reserve for construction projects	\$56,636	\$ -	\$162,089	\$ -
Commercial paper construction account funded with proceeds	(56,636)	-	(162,089)	-
Interest receivable on construction accounts	-	-	2	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$2</u>	<u>\$ -</u>

Restricted for Debt Service

	2015		2014	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Bond principal and interest accounts	\$25,581,250	\$3,522,022	\$25,458,167	\$3,731,173
Bond reserve	37,291,846	6,871,368	32,626,337	6,871,362
Bond reserve funded with bond proceeds	(30,281,723)	(1,152,500)	(25,876,025)	(1,152,500)
Interest receivable on bond investments	20,956	256,615	342	6,880
Current bond interest payable and commercial paper	<u>(18,198,635)</u>	<u>(1,238,850)</u>	<u>(16,956,225)</u>	<u>(1,356,900)</u>
	<u>\$14,413,694</u>	<u>\$8,258,655</u>	<u>\$15,252,596</u>	<u>\$8,100,015</u>

Unrestricted

	2015		2014	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Unrestricted	<u>\$169,574,825</u>	<u>(\$832,483)</u>	<u>\$136,642,687</u>	<u>(\$1,013,467)</u>

V. REVENUES AND EXPENSES

Special Assessments

Special assessments are levied against a water or sewer group of homes to pay for construction or extension of service by OCWUT. OCWUT charges each homeowner for their individual share of the construction cost, amortized over a 10-year period. Amounts receivable are reported with accounts receivable. In fiscal year 2015 and 2014, OCWUT collected \$10,170 and \$12,737, respectively.

VI. INTERFUND TRANSACTIONS

VI. A. INTERFUND BALANCES

Advances Within the Consolidated Trust

Advance to MCA

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

OKLAHOMA CITY
WATER UTILITIES TRUST

OCWUT has transferred funds in excess of its aliquot share to MCA under the OCWUT Agreement. The amount of funds advanced to MCA was \$50,873,272 and \$48,917,070 as of June 2015 and 2014, respectively.

Receivable from the Primary Government

	<u>Purpose</u>	<u>2015</u>	<u>2014</u>
City General Fund	Deposits held by City	\$46,172	\$56,665
City Grant Management Fund	Grant reimbursement	92,597	43,649
City Water and Wastewater Fund	Utility billing	411,420	355,477
		<u>\$550,189</u>	<u>\$455,791</u>

Payable to the Primary Government

	<u>Purpose</u>	<u>2015</u>	<u>2014</u>
City General Fund	Payment in lieu of franchise fees (PILOT) and utility lease	\$1,211,146	\$1,276,293
City Grants Management Fund	Federal grant match	11,575	-
City Medical Services Fund	Utility billing	-	119
Oklahoma City Public Property Authority Fund	Gas utility chargeback	-	3,096
City Stormwater Drainage Fund	Utility billing	1,504	712
City Water and Wastewater Fund	Cost reimbursement	3,445,891	6,296,145
Oklahoma City Environmental Assistance Trust	Utility billing	88	85
		<u>\$4,670,204</u>	<u>\$7,576,450</u>

Cost Reimbursement Payable From City Water and Wastewater Fund

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

	<u>2015</u>	<u>2014</u>
Beginning balance	\$6,296,145	\$3,238,175
Personal services	42,500,432	46,708,696
Other services	22,705,802	23,434,155
Material and supplies	10,579,882	14,108,425
Interest income	(64,624)	(41,031)
Other non operating revenue	(11,537)	(10,744)
Reimbursement to the City	<u>(78,560,209)</u>	<u>(81,141,531)</u>
Advance from City Water and Wastewater Fund	<u>\$3,445,891</u>	<u>\$6,296,145</u>

VI. B. INTERFUND TRANSFERS

Transfers Within the Consolidated Trust

Transfers from OCWUT to MCA during fiscal year 2015 and 2014 were \$4.982 million and \$5.426 million, respectively for OCWUT's aliquot share requirements.

Payments To and From the City

PAYMENTS TO THE CITY		<u>2015</u>	<u>2014</u>
<u>OPERATING</u>			
City General Fund	Payment in lieu of franchise fees (PILOT)	\$3,681,462	\$3,612,595
City General Fund	Utility lease agreement	1,840,731	1,806,297
City General Fund	Grant reimbursement	11,575	-
City Grant Management Fund	Grant reimbursement	-	1,526
City Water and Wastewater Fund	OCWUT administration	<u>75,709,954</u>	<u>84,238,748</u>
		<u>\$81,243,722</u>	<u>\$89,659,166</u>

PAYMENTS FROM THE CITY

<u>NON-OPERATING</u>			
Oklahoma City Environmental Assistance Trust	Billing services	\$1,755,996	\$1,672,000
Oklahoma City Environmental Assistance Trust	Administration	668,000	-
Oklahoma City Stormwater Drainage Fund	Billing services	822,000	784,000
Oklahoma City Grant Management Fund	Grant reimbursement	190,560	-
Oklahoma City Medical Services Fund	Billing services	195,004	185,000
Oklahoma City Capital Improvement Fund	Capital improvements	<u>-</u>	<u>107,738</u>
		<u>\$3,631,560</u>	<u>\$2,748,738</u>

PILOT

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

Utility Lease Agreement

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

OCWUT Administration

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

Billing Services

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

VII. DEFINED CONTRIBUTION PENSION

MCA employees participate in a deferred compensation, defined contribution plan (Plan) administered by Nationwide Retirement Systems and established through the U.S. Conference of Mayors and approved by MCA. Participants of the Plan are comprised of all eligible employees of MCA. All full-time employees are eligible. At June 30, 2015 and 2014 all eligible employees were participating in the Plan.

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

<u>Fiscal Year</u>	<u>Contributions</u>	
	<u>Employer</u>	<u>Employee</u>
2015	\$11,969	\$8,977
2014	10,621	7,966
2013 (1)	9,310	25,583
2012	11,448	8,586

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

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

VIII. COMMITMENTS

OCWUT

	<u>2015</u>	<u>2014</u>
Construction projects - system improvements	\$71,056,386	\$7,643,827
Contracted wastewater treatment services	<u>17,917,006</u>	<u>27,375,210</u>
	<u>\$88,973,392</u>	<u>\$35,019,037</u>

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

IX. CONTINGENCIES

Litigation

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

X. RELATED PARTY TRANSACTIONS

LARA - Jointly Governed Organizations

LARA was formed under the provisions of an interlocal agreement. The agreement provides that OCWUT will reimburse LARA for the budgeted or actual expenditures. The Trust reimbursed LARA for expenditures in fiscal year 2015 and 2014 in the amount of \$218,763 and \$212,159, respectively.

XI. SUBSEQUENT EVENTS

Bond Rating Upgrade

As of November 23, 2015, Moody's Rating Services upgraded the rating of the Trust's debt from 'Aa1' to 'AAA'.

**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 Water Utilities 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 basic financial statements of the business-type activities and each major fund of the Oklahoma City Water Utilities Trust (the Trust), a discrete component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of net position as of June 30, 2015, 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 4, 2015.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Oklahoma City Water Utilities Trust

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 4, 2015.

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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 4, 2015