OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

Audited Financial Statements

June 30, 2016

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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PART I

Audited Financial Statements

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Oklahoma Environmental Management Authority
El Reno, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Environmental Management Authority (the "Authority") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof 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 Schedule of Proportional Share of Net Pension Liability and the Schedule of Pension Plan contributions supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Authority has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Smith, Carney & Co. P.C.

Oklahoma City, Oklahoma
December 15, 2016

STATEMENTS OF NET POSITION

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 848,511	$ 871,864
Short-term investments	5,947	10,401
Accounts receivable, net	486,077	490,986
Accrued interest receivable	-	2,680
Total Current Assets	1,340,535	1,375,931
Capital Assets		
Land and improvements	1,365,717	1,365,717
Buildings	1,356,945	1,343,462
Computers	15,284	34,645
Office equipment and furniture	62,846	60,741
Software	40,757	40,757
Machinery and equipment	8,172,723	7,607,525
Automotive equipment	6,273,691	6,096,018
	17,287,963	16,548,865
Less: Accumulated depreciation	(12,134,377)	(11,142,868)
Capital Assets, Net	5,153,586	5,405,997
Other Assets		
Restricted cash	35,415	35,379
Restricted investments	2,273,283	2,230,230
Rental property	1,039,693	1,039,693
Less: Accumulated depreciation	(288,009)	(264,582)
	3,060,382	3,040,720
Total Assets	9,554,503	9,822,648
Deferred Outflows of Resources		
Pension related	354,331	164,137
	$ 9,908,834	$ 9,986,785

See notes to financial statements.

STATEMENTS OF NET POSITION--Continued

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

	June 30, 2016	June 30, 2015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 653,084	$ 177,799
Accrued interest payable	66,241	73,207
Accrued payroll expenses	207,802	203,960
Customer deposits	68,946	50,396
Current portion of long-term debt	550,906	455,924
Current portion of capital lease	65,059	59,626
Total Current Liabilities	1,612,038	1,020,912
Long-Term Liabilities		
Accrued closure and post-closure costs	2,063,821	2,038,055
Long-term debt, net of current portion	3,340,000	3,800,000
Net pension liability	195,754	96,518
Obligations under capital lease, net of current portion	220,961	282,512
Total Long-Term Liabilities	5,820,536	6,217,085
Total Liabilities	7,432,574	7,237,997
Deferred Inflows of Resources		
Pension related	272,169	354,513
Total Liabilities and Deferred Inflows	7,704,743	7,592,510
NET POSITION		
Investment in capital assets, net	1,728,344	1,583,046
Restricted for closure/postclosure costs	244,877	227,554
Unrestricted	230,870	583,675
Total Net Position	2,204,091	2,394,275
	$ 9,908,834	$ 9,986,785

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

	For The Year Ended June 30, 2016	2015
OPERATING REVENUE		
Disposal fees and hauling income	$ 5,328,453	$ 5,060,481
Recycling income	83,241	108,338
Grinder income	18,238	22,200
Total Operating Revenue	5,429,932	5,191,019
OPERATING EXPENSES		
Advertising, promotion and public awareness	78,209	37,645
Bad debts	-	40,302
Closure and post-closure costs	25,767	53,295
Contract services	239,432	171,495
Depreciation	1,037,052	1,066,430
Employee retirement	16,374	153,553
Engineering	17,264	22,708
Fuel and diesel	282,600	419,531
Inmate expenses	13,967	14,483
Insurance	464,530	429,596
Landfill host fees	15,730	15,393
Legal and accounting fees	39,314	44,190
Office expense	23,670	26,681
Operating safety supplies	118,311	101,990
Payroll taxes	133,017	122,791
Permits, licenses, and fees	8,873	11,851
Repairs and maintenance	1,307,880	1,039,917
Salaries and wages	1,740,980	1,601,818
Turnpike tolls and mileage	9,111	8,117
Utilities and telephone	80,266	75,217
Waste disposal tax	82,993	84,119
Environmental Officer expense	31,908	26,100
Miscellaneous	107,651	96,746
Total Operating Expenses	5,874,899	5,663,968
Operating Income (Loss)	(444,967)	(472,949)
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	(150,111)	(175,306)
Interest income	16,984	12,081
Insurance proceeds	951	11,600
Miscellaneous income	202,906	57,158
Rent income, net of related expense	184,093	190,837
Gain (loss) on disposal of assets	(40)	10,000
	254,783	106,370
Change in net position	(190,184)	(366,579)
NET POSITION AT BEGINNING OF YEAR (AS PREVIOUSLY REPORTED)	2,394,275	3,052,809
Prior period adjustment	-	(291,955)
NET POSITION AT BEGINNING OF YEAR (AS RESTATED)	2,394,275	2,760,854
NET POSITION AT END OF YEAR	$ 2,204,091	$ 2,394,275

See notes to financial statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

	For The Year Ended June 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 5,453,391	$ 5,354,779
Other receipts	404,934	271,676
Payments to employees for salaries and benefits	(1,737,138)	(1,588,064)
Interest Paid	(150,111)	(175,306)
Payments to suppliers and others	(2,773,404)	(3,042,638)
Net Cash Provided By Operating Activities	1,197,672	820,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(761,254)	(1,485,949)
Decrease in short-term investments	4,454	27,141
Net Cash Used By Investing Activities	(756,800)	(1,458,808)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase in restricted assets	(43,089)	(44,286)
Proceeds from debt	136,193	74,385
Principal paid on long-term debt	(557,329)	(622,103)
Net Cash Used By Financing Activities	(464,225)	(592,004)
Net Increase (Decrease) in cash	(23,353)	(1,230,365)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	871,864	2,102,229
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 848,511	$ 871,864
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net position	$ (190,184)	$ (366,579)
Adjustments to reconcile change in net position (loss) to net cash provided by operating activities		
Depreciation	1,037,052	1,066,430
Closure/post-closure costs	25,766	53,296
Bad debt expense	-	40,302
Gain/loss on disposal of assets	40	(10,000)
Pension expense	(173,302)	(5,061)
(Increase) decrease in accounts receivable and accrued receivables	7,589	103,970
Increase (decrease) in accounts payable and accrued expenses	490,711	(61,911)
Net Cash Provided By Operating Activities	$ 1,197,672	$ 820,447

See notes to financial statements.

NOTE A--ORGANIZATION

The Oklahoma Environmental Management Authority (the "Authority") was created March 15, 1971, under the name Canadian County Solid Waste Disposal Authority, for the use and benefit of the Beneficiary (Canadian County, Oklahoma) to furnish, construct, administer, and finance sanitary landfill services and facilities for public purposes under the Laws of the State of Oklahoma (generally, but not exclusively, pursuant to Title 60, Sections 176 to 180 inclusive, Oklahoma Statutes, 1951, as amended, and to the Oklahoma Trust Act). The name was changed to the Oklahoma Environmental Management Authority on August 15, 1999.

The Authority's primary sources of revenue are derived from trash collection and landfill services in Canadian County, Oklahoma and other nearby communities.

The Authority is the sole member of an inactive Limited Liability Company. Oklahoma Environmental Authority, LLC was formed by the Authority but has never been active. When this wholly-owned subsidiary becomes active, it will be consolidated into the financial statements of the Authority.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis: The Authority has adopted the accrual basis of accounting, and as a proprietary activity has elected to apply all Financial Accounting Standards Board (FASB) Statements issued after November 30, 1989, except those in conflict with Governmental Accounting Standards Board (GASB) Pronouncements.

The Authority has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 established a new financial reporting model for state and local governments that includes the addition of Management's Discussion and Analysis which management has elected to omit.

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, cash and cash equivalents include all highly-liquid investments with a maturity of three months or less when purchased. Except as described in Note B and Note J, cash and cash equivalents are insured up to federal limits by the FDIC or collateralized.

Capital Assets: Capital assets are recorded at cost. Maintenance and repairs are expensed in the year incurred. Gains or losses on retirement, sales, or trade-ins are recorded in the year incurred. Depreciation is provided by the straight-line method over the estimated useful lives of the assets (generally 25 years for buildings; 10 to 25 years for improvements; and 5 to 10 years for all other equipment).

Changes in Capital Assets/Rental Property: For the year ended June 30, 2016, capital asset/rental property balances changed as follows:

	Balance At July 1, 2015	Additions	Disposals	Balance At June 30, 2016
Capital Assets	$16,548,865	$ 761,254	$ (22,156)	$17,287,963
Rental Property	1,039,693	-	-	1,039,693
Less: Accumulated Depreciation	(11,407,450)	(1,037,052)	22,116	(12,422,386)
Net	$ 6,181,108	$ (275,798)	$ (40)	$ 5,905,270

NOTE B--SIGNIFICANT ACCOUNTING POLICIES--Continued

Restricted Investments: Investments are stated at fair market value. Restricted investments include certificates of deposit with original maturities that may exceed one year. These certificates of deposit are restricted as escrow deposits designated for closure and post-closure costs.

Income Tax: The Authority, as a Public Trust with Canadian County, Oklahoma as the Beneficiary, is exempt from income tax under Internal Revenue Code Section 115.

Allowance for Bad Debts: The Authority uses the allowance method of accounting for uncollectible accounts. The allowance for possible loss of accounts receivable as of June 30, 2016 and 2015 was $37,381 and $41,080, respectively.

Short-Term Investments: Unrestricted and undesignated certificates of deposit with original maturities of over 90 days and not over one year are classified as short-term investments. As of June 30, 2016 and 2015, the Authority had investments of $5,947 and $10,401, respectively, in collateralized mortgage obligations. Management considers these to be short-term investments.

Pension: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement Plan (OPER) and additions to/deductions from OPER's fiduciary net position have been determined on the same basis as they are reported by OPER. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Concentration of Risk: The Authority occasionally has bank deposits in excess of federally insured limits. The risk is mitigated by maintaining all deposits in high quality financial institutions and maintaining collateralization agreements. The Authority had $3,480,978 and $3,212,930 in deposits (collected bank balances) as of June 30, 2016 and 2015, respectively. These deposits are secured from risk by $1,301,659 and $1,677,381 of federal deposit insurance, and collateral agreements of $2,130,422 and $1,535,549 at June 30, 2016 and 2015. The authority had no cash balances in excess of FDIC insurance and collateral agreements as of June 30, 2016 and 2015, respectively. The Authority has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances.

Restricted Net Assets: Restricted assets are comprised of funds that have been designated by the Authority for landfill closure and post-closure costs. These restricted assets are comprised of restricted cash and investments.

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

Reclassification: Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Total net assets were not affected because of the reclassification.

NOTE C--FAIR VALUE MEASUREMENTS

FASB Codification 820-10, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FASB Codification 820-10 are described below:

Level 1--Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2--Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3--Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value as of June 30, 2016 and 2015.

Assets At Fair Value As Of June 30, 2016

	Level 1	Level 2	Level 3	Total
Short-Term Investments	$ -	$ 5,947	$ -	$ 5,947
Restricted Investments	-	2,273,283	-	2,273,283
Total Assets At Fair Value	$ -	$2,279,230	$ -	$2,279,230

Assets At Fair Value As Of June 30, 2015

	Level 1	Level 2	Level 3	Total
Short-Term Investments	$ -	$ 10,401	$ -	$ 10,401
Restricted Investments	-	2,230,230	-	2,230,230
Total Assets At Fair Value	$ -	$2,240,631	$ -	$2,240,631

NOTE D--LONG-TERM DEBT

Long-term debt at June 30 consists of the following:

	2016	2015
Note payable to CAT Financial, dated October 15, 2013, payable monthly, with interest at 0.00%. Secured by equipment. Matures June 3, 2017.	$ 90,906	$ 25,924
Revenue note payable to F&M Bank, dated June 25, 2013, payable semi-annually with interest at 3.45%. Secured by revenues of the authority. Matures July 1, 2023.	3,800,000	4,230,000
	3,890,906	4,255,924
Less: Current Maturities	(550,906)	(455,924)
	$3,340,000	$3,800,000

For the year ended June 30, 2016 the Authority's long-term debt changed as follows:

Type Of Debt	Balance At July 1, 2015	Additions	Deductions	Balance At June 30, 2016	Amounts Due Within One Year
Bank debt	$4,255,924	$ 136,193	$(501,211)	$3,890,906	$550,906

Debt service requirements of long-term debt are as follows:

	Principal	Interest
2017	$ 550,906	$127,133
2018	465,000	111,263
2019	490,000	95,048
2020	495,000	78,056
2021	520,000	60,806
Thereafter	1,370,000	71,846
	$3,890,906	$544,152

NOTE E--LEASE COMMITMENTS

The Authority leases automotive equipment and software with financing through F&M Bank and Desert Micro under capital leases. The economic substance of the leases is that the Authority is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the Authority's assets and liabilities.

The following is an analysis of the leased assets included in capital assets:

Automobiles	$384,700
Software	34,425
Less: Accumulated depreciation	(197,962)
	$221,163

NOTE E--LEASE COMMITMENTS--Continued

The following is a schedule by years of present value of the future minimum lease payments as of June 30, 2016:

2017	$ 65,059
2018	55,097
2019	57,800
2020	60,637
2021	47,427
	$286,020

The Authority entered into an operating lease in 2015 for copiers. The lease has a minimum payment of $447 per month for 58 months. The Authority also entered into an operating lease for office space in 2015. The lease has a minimum payment of $1,000 per month and is month-to-month.

The following schedule shows the total rent expense for all operating leases except those with terms of a month or less that were not renewed.

	For The Year Ended June 30,	
	2016	2015
Minimum rentals	$5,361	$1,757
Contingent rentals	-	-
	$5,361	$1,757

NOTE F--LEASING ACTIVITIES

The Authority is the lessor of agricultural and commercial real estate. Both leasing activities are classified as operating leases with non-cancellable lease terms of one year or less.

The cost and related accumulated depreciation of assets held for leasing are as follows at June 30:

	2016	2015
Agricultural real estate	$421,219	$421,219
Commercial real estate	618,474	618,474
Accumulated depreciation	(288,009)	(264,582)
Rental Property (Net)	$751,684	$775,111

NOTE G--PENSION PLAN

Plan description: Substantially all full-time employees are participants in the Oklahoma Public Employees Retirement Plan. This is a cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature.

Benefits provided: The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Title 74, Section 901 through 943, as amended, establishes the provisions of the plan. OPERS issues a publicly available financial report that includes financial statement and supplementary information.

Contributions: Authority employees are required to contribute 4% of earned compensation. The Authority contributes 16% of earned compensation. Contributions to the pension plan from the Authority were $189,677 and $158,614 for the years ended June 30, 2016 and 2015, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension: At June 30, 2016, the Authority reported a liability of $195,754 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on actual contributions made to the Plan during fiscal year 2015 and are representative of future contributions. At June 30, 2015 the Authority's proportion was .05442378%.

For the year ended June 30, 2016 and 2015, the Authority recognized pension expense of $16,374 and $153,553, respectively. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 21,766
Changes of assumptions	3,046	-
Net difference between projected and actual investment earnings on pension plan investments	161,608	250,403
Authority contributions subsequent to the measurement date	189,677	-
	$354,331	$272,169

NOTE G--PENSION PLAN--Continued

Deferred outflows of resources of $189,677 results from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows	Deferred Inflows
2017	$ 43,074	$(100,888)
2018	40,776	(87,597)
2019	40,402	(83,684)
2020	40,402	-
	$164,654	$(272,169)

Actuarial Assumptions: The total pension liability as of June 30, 2015 and 2014, was determined based on an actuarial valuation prepared as of July 1, 2015, using the following actuarial assumptions:

Assumed inflation rate - 3.0%
Salary increases - 4.5% to 8.4% per year including inflation
Investment rate of return - 7.5% compounded annually net of investment expense and including inflation

Mortality rates for active participants and nondisabled pensioners were based on the RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years).

The actuarial assumptions used in the July 1, 2015 and 2014 valuation are based on the results of the most recent actuarial experience study, which covers the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2015 and 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38%	5.3%
U.S. Small Cap Equity	6%	5.6%
U.S. Fixed Income	25%	0.7%
International Stock	18%	5.6%
Emerging Market Stock	6%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100%	

NOTE G--PENSION PLAN--Continued

Discount rate: The discount rate used to measure the total pension liability was 7.50% for 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the employer calculated using the discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	June 30, 2015		
	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$729,428	$195,754	$(257,954)

	June 30, 2014		
	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$621,969	$96,518	$(343,929)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

NOTE H--LANDFILL CLOSURE AND POST-CLOSURE COSTS

Landfill closure and post-closure costs and the related liabilities have been estimated and recorded in the financial statements according to standards established by the Governmental Accounting Standards Board. The estimated cost could change due to changes in technology, laws, and regulations that apply to the landfill closure and post-closure process, or inflation. The amount is also calculated in accordance with the Oklahoma Department of Environmental Quality and adjusted for the cumulative amount of capacity used to the total estimated capacity of the landfill.

The cumulative capacity used is approximately 88% of the total estimated capacity. The estimated remaining landfill life is 9.77 years. The Authority accrued $25,767 and $53,295 for closure and post-closure costs for the years ended June 30, 2016 and 2015, respectively. The Authority has estimated total costs of landfill closure and post-closure of $2,325,960 of which $2,063,821 has been recognized and $262,139 has yet to be recognized. The Authority is accumulating assets to provide financial assurance to the Oklahoma Department of Environmental Quality for these closure and post-closure costs.

NOTE H--LANDFILL CLOSURE AND POST-CLOSURE COSTS--Continued

According to Title 252 of the Oklahoma Administrative Code ("OAC"), Chapter 510, Section 23-51(1)(B), financial reassurance can be provided by several options, including an escrow option. Under the escrow option, the estimated costs must be paid into an escrow account annually over the shorter of 15 years or the remaining life of the landfill. In accordance with OAC 252:515-27-8(b)2, an economic life of the site of one year was used to determine escrow payments for financial assurance.

The Authority has restricted cash of $35,415 and $35,379 and restricted investments of $2,273,283 and $2,230,230 at June 30, 2016 and 2015, respectively. Annual deposits were made to these escrow accounts of $28,602 in 2016 and $32,205 in 2015. Restricted cash and restricted investments represent the amount designated by the Authority for closure and post-closure costs.

NOTE I--CONTINGENCIES

The Authority purchases commercial insurance to protect fixed assets from risk of loss and to help protect the Authority from loss due to liability.

The Authority is subject to laws and regulations relating to the protection of the environment. The Authority's policy is to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated.

Although it is not possible to quantify with any degree of certainty the potential financial impact of the Authority's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Authority.

During the fiscal year ending June 30, 2003, the Authority received a proposed penalty from the Internal Revenue Service alleging that the Authority violated IRS Code Section 6715 regarding the use of dyed fuel. The amount of the penalty is estimated at $16,280. The Authority has requested an informal conference and appeals review. There has been no correspondence from the Internal Revenue Service regarding this penalty since 2003. The Authority plans to request that the Internal Revenue Service waive this penalty. The amount has not been accrued in the financial statements as of June 30, 2016 and 2015.

NOTE J--INVESTMENTS

State Statutes authorize the Authority to invest in certificates of deposit, passbooks, banker's acceptances, and other available bank investments provided the deposits and investments are secured by Federal Depository Insurance or secured by qualified securities owned by the bank pledged as collateral. The Authority is also authorized to invest in certain government obligations. Deposits of the Authority were insured or collateralized as follows:

NOTE J--INVESTMENTS

Federal Deposit Insurance	$1,301,659
Deposits with qualified bank securities pledged as collateral	2,179,319
Uninsured and uncollateralized	-
Total	$3,480,978

NOTE K--SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2016, the date which financial statements were available for issue.

PART II

Required Supplemental Information

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

June 30, 2016

Required Supplemental Schedules

Schedule of Proportionate Share of Net
Pension Liability (Unaudited) 17
Schedule of Pension Plan Contributions (Unaudited) 18

PART III

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

REPORT ON COMPLIANCE AND INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2016

SMITH, CARNEY & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Oklahoma Environmental Management Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Environmental Management Authority (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Smith, Carney & Co. P.C.

Oklahoma City, Oklahoma
December 15, 2016

FINDINGS AND RESPONSES

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

June 30, 2016

No current year findings reported.