

OKLAHOMA CITY ZOOLOGICAL TRUST

A Component Unit of the City of Oklahoma City, Oklahoma

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

WITH

INDEPENDENT AUDITOR'S REPORT



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FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Oklahoma City Zoological Trust
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Oklahoma City Zoological Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

Opinion

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

Other Matters

Prior Year Comparative Information

The financial statements of the Trust, as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated December 4, 2015, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed on the table of contents 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 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The combining statements of net position and revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016 on our consideration of the Trust'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 Trust's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 15, 2016
Wichita, KS

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2016 and 2015

Introduction

Within this section of the Oklahoma City Zoological Trust's (the Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the Trust's financial activities for the years ended June 30, 2016 and 2015. This should be read in conjunction with the accompanying financial statements of the Trust. The Trust is a blended component unit of the City of Oklahoma City, Oklahoma (the City).

Financial Highlights

Trust assets and deferred outflows of resources exceeded liabilities by \$84,965,039 (net position) for fiscal year 2016. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities by \$80,046,582.

Trust liabilities and deferred inflows of resources decreased by \$1,072,716 to \$11,239,984 for fiscal year 2016.

Total net position at June 30, 2016, is comprised of the following:

- Net investment in capital assets of \$64,935,595 includes capital assets, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
- Restricted for debt service includes investments in trust accounts of \$457,105.
- Restricted for health claims of \$7,650 includes the cash in trust accounts, net of the related liability for claims incurred but not yet reported.
- Unrestricted of \$19,564,689 represents the portion available to maintain the Trust's continuing obligations to citizens and creditors.

Overview of the Financial Statements

Management's discussion and analysis introduced the Trust's basic financial statements. The basic financial statements include the: 1) statements of net position; 2) statements of revenues, expenses and changes in net position; 3) statement of cash flows; and 4) notes to the financial statements. Additional information to supplement the basic financial statements is also included in this report.

Basic Financial Statements

These statements provide both long and short-term financial information about the overall status of the Trust. The Trust's financial reporting uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The statements of net position presents information that includes all of the Trust's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Trust as a whole is improving or deteriorating.

OKLAHOMA CITY ZOOLOGICAL TRUST
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The statement of revenues, expenses and changes in net position reports how the Trust's net position changed during the current fiscal year. 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 Trust's cash.

Financial Analysis

The Trust's net position at June 30, 2016, is \$84,965,039. This is an increase of \$4,918,457 from the June 30, 2015, net position of \$80,046,582. The overall financial position of the Trust improved during the 2016 and 2015 fiscal years. The following table provides a summary of net position:

Summary of Net Position

	2016	2015	2014	2016 versus 2015		2015 versus 2014		
				Amount Change	Percent Change	Amount Change	Percent Change	
Assets								
Current and other assets	\$ 29,408,299	\$ 25,237,520	\$ 21,497,275	\$ 4,170,779	16.5%	\$ 3,740,245	17.4%	
Capital assets	66,385,104	66,632,257	64,328,397	(247,153)	-0.4%	2,303,860	3.6%	
Total assets	95,793,403	91,869,777	85,825,672	3,923,626	4.3%	6,044,105	7.0%	
Deferred Outflows of Resources	411,620	489,505	169,725	(77,885)	-15.9%	319,780	188.4%	
Total assets and deferred outflows of resources	\$ 96,205,023	\$ 92,359,282	\$ 85,995,397	\$ 3,845,741	4.2%	\$ 6,363,885	7.4%	
Liabilities								
Current liabilities	\$ 2,343,094	\$ 2,665,303	\$ 2,886,952	\$ (322,209)	-12.1%	\$ (221,649)	-7.7%	
Noncurrent liabilities	8,083,159	7,691,078	7,241,908	392,081	5.1%	449,170	6.2%	
Total liabilities	10,426,253	10,356,381	10,128,860	69,872	0.7%	227,521	2.2%	
Deferred Inflows of Resources	813,731	1,956,319	-	(1,142,588)	-58.4%	1,956,319	100.0%	
Total liabilities and deferred inflows of resources	\$ 11,239,984	\$ 12,312,700	\$ 10,128,860	\$ (1,072,716)	-8.7%	\$ 2,183,840	21.6%	
Net Position								
Net investment in capital assets	\$ 64,935,595	\$ 64,437,920	\$ 60,742,996	\$ 497,675	0.8%	\$ 3,694,924	6.1%	
Restricted for debt service	457,105	492,948	296,241	(35,843)	-7.3%	196,707	66.4%	
Restricted for health claims	7,650	81,410	255,940	(73,760)	-90.6%	(174,530)	-68.2%	
Unrestricted	19,564,689	15,034,304	14,571,360	4,530,385	30.1%	462,944	3.2%	
Total net position	\$ 84,965,039	\$ 80,046,582	\$ 75,866,537	\$ 4,918,457	6.1%	\$ 4,180,045	5.5%	

The increase in current and other assets is primarily due to the buildup of funds related to the anticipated capital needs of the Trust in future years. The decrease in capital assets during 2016 was very minimal after the offset by depreciation of approximately \$2.9 million. The increase in capital assets during 2015 was due to construction of the veterinary hospital of approximately \$3.1 million, other construction projects of \$0.2 million and other miscellaneous additions of approximately \$1.7 million, offset by depreciation of approximately \$2.6 million. During 2015, deferred outflows of resources increased by \$0.3 million is due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. There was a minor decrease in the balance during 2016.

The decrease in current liabilities at year-end is due to a decrease in accounts payable from construction invoices.

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The increase in long-term liabilities at year-end is primarily due to an increase in the Trust's other post-retirement benefits (OPEB) obligation offset by the scheduled principal payments on the bonds.

Summary of Changes in Net Position

	2016	2015	2014	2016 versus 2015		2015 versus 2014	
				Amount Change	Percent Change	Amount Change	Percent Change
Operating Revenues	\$ 11,546,615	\$ 10,999,343	\$ 10,431,625	\$ 547,272	5.0%	\$ 567,718	5.4%
Nonoperating Revenues							
Sales tax payments from the City	13,314,463	13,648,546	13,399,445	(334,083)	-2.4%	249,101	1.9%
Investment income	67,097	62,206	60,625	4,891	7.9%	1,581	2.6%
Donations	1,349,901	831,865	992,000	518,036	62.3%	(160,135)	-16.1%
Total revenue	<u>26,278,076</u>	<u>25,541,960</u>	<u>24,883,695</u>	<u>736,116</u>	2.9%	<u>658,265</u>	2.6%
Operating Expenses	21,229,683	21,741,501	21,343,933	(511,818)	-2.4%	397,568	1.9%
Nonoperating Expenses							
Interest expense	129,936	158,172	185,546	(28,236)	-17.9%	(27,374)	-14.8%
Total expenses	<u>21,359,619</u>	<u>21,899,673</u>	<u>21,529,479</u>	<u>(540,054)</u>	-2.5%	<u>370,194</u>	1.7%
Change in Net Position	4,918,457	3,642,287	3,354,216	1,276,170	35.0%	288,071	8.6%
Net Position, Beginning of Year	<u>80,046,582</u>	<u>75,866,537</u>	<u>72,512,321</u>	<u>4,180,045</u>	5.5%	<u>3,354,216</u>	4.6%
Change in Accounting Principle	-	537,758	-	(537,758)	-100.0%	537,758	100.0%
Net Position, End of Year	<u>\$ 84,965,039</u>	<u>\$ 80,046,582</u>	<u>\$ 75,866,537</u>	<u>\$ 4,918,457</u>	6.1%	<u>\$ 4,180,045</u>	5.5%

During 2016, operating revenues increased 5% even though there was a 1% decrease in attendance. Operating expenses decreased 2.4% from tightening of spending due to anticipated decrease in sales tax revenues. Sales tax payments from the City decreased 2.4% due to adverse economic conditions. Investment income increased 7.9% due to an increased cash balance during the year.

In fiscal year 1991, voters passed a permanent 1/8 cent sales tax increase dedicated to the Trust. In accordance with State Statutes, the state collects the monies and remits them to the City. Monies are paid by the City to the Trust on a monthly basis.

During 2016 and 2015, the donations from Oklahoma Zoological Society, Inc. increased by 62.3% and decreased by 16.1%, respectively, due to an increase in 2016 membership and donations for the veterinary hospital that were not present in 2015.

Capital Assets and Debt Administration

The 2010 Master Plan envisions spending approximately \$69,000,000 over a 10-year period. Individual elements of the plan and their estimated costs are approximately: the Veterinary Hospital - \$9,000,000; World Plaza - \$2,500,000; northwest zoo improvements - \$2,500,000; Africa Phase - \$21,000,000; zip line, ropes course, safari boat - \$800,000; northeast zoo improvements - \$27,000,000; signage - \$2,500,000; and parking lot improvements - \$3,000,000. To date the Trust has spent approximately \$11,800,000 on these projects.

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Capital Assets, Net of Accumulated Depreciation

Capital Assets

The Trust's investment in capital assets, net of accumulated depreciation, as of June 30, 2016, was \$66,385,104. The decrease \$247,153 or 0.4% from June 30, 2015, is primarily because the amount of depreciation (\$2,853,059) is more than the amount of new capital less disposed assets.

The Trust's investment in capital assets, net of accumulated depreciation, as of June 30, 2015, was \$66,632,257. The increase of \$2,303,860 or 3.6% from June 30, 2014, is due primarily to the constructions on the veterinary hospital.

	2016	2015	2014	2016 versus 2015		2015 versus 2014	
				Amount Change	Percent Change	Amount Change	Percent Change
Nondepreciable Assets							
Construction in progress	\$ 1,805,933	\$ 8,886,084	\$ 5,611,588	\$ (7,080,151)	-79.7%	\$ 3,274,496	58.4%
Depreciable Assets							
Buildings and grounds	57,558,261	50,944,587	52,625,769	6,613,674	13.0%	(1,681,182)	-3.2%
Improvements	5,085,416	5,186,816	4,518,585	(101,400)	-2.0%	668,231	14.8%
Equipment and other	1,935,494	1,614,770	1,572,455	320,724	19.9%	42,315	2.7%
Total	<u>\$ 66,385,104</u>	<u>\$ 66,632,257</u>	<u>\$ 64,328,397</u>	<u>\$ (247,153)</u>	-0.4%	<u>\$ 2,303,860</u>	3.6%

Long-Term Debt

At the end of fiscal years 2016 and 2015, the Trust had total bonded debt outstanding of \$1,979,197 and \$2,590,595, respectively. This debt is collateralized by the sales tax revenues received from the City. See Note 4 to the accompanying financial statements for more information regarding bonded debt.

Bond Rating

The Trust's bond is rated Aa3 by Moody's. This rating is disclosed on the face of the final official statement for the bond.

Outstanding Bonds

	2016	2015	2014	2016 versus 2015		2015 versus 2014	
				Amount Change	Percent Change	Amount Change	Percent Change
Revenue bond	<u>\$ 1,979,197</u>	<u>\$ 2,590,595</u>	<u>\$ 3,171,994</u>	<u>\$ (611,398)</u>	-23.6%	<u>\$ (581,399)</u>	-18.3%

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Economic Factors

Economic factors significantly affecting the City's economic strength is its central locations at the intersections of interstate highways I-35 and I-40; a regional transportation hub in Will Rogers World Airport; ample water supplies; and numerous performing arts, entertainment and recreational facilities.

The source for economic data is the Oklahoma State University Center for Applied Economic Research.

Contacting the Trust's Financial Management

This financial report is designed to provide a general overview of the Trust's finances, comply with finance-related laws and regulations and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, please contact the Trust's Finance Department, 2101 NE 50th St., Oklahoma City, Oklahoma 73111.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2016	2015
Current Assets		
Cash	\$ 23,176,143	\$ 17,721,810
Accounts receivable, net of allowance	245,587	415,019
Inventories	902,703	1,010,931
Sales tax receivable from the City	1,736,507	1,862,716
Prepaid expenses	32,906	42,701
Cash, restricted	142,673	196,591
Total current assets	26,236,519	21,249,768
 Noncurrent Assets		
Investments, restricted	1,213,112	1,340,873
Net pension asset	1,958,668	2,646,879
Capital assets		
Construction in progress	1,805,933	8,886,084
Other capital assets, net of accumulated depreciation	64,579,171	57,746,173
Total noncurrent assets	69,556,884	70,620,009
Total assets	95,793,403	91,869,777
 Deferred Outflows of Resources		
Loss on refunding, net	101,835	135,780
Employer contributions	309,785	353,725
Total deferred outflows of resources	411,620	489,505
	\$ 96,205,023	\$ 92,359,282

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2016</u>	<u>2015</u>
Current Liabilities		
Accounts payable	\$ 689,056	\$ 1,099,648
Wages and benefits payable	308,554	293,694
Compensated absences	206,915	235,029
Bonds payable, current	630,000	605,000
Bond interest payable	6,361	8,251
Current portion of unearned lease revenue	47,023	47,023
Other accrued liabilities	<u>455,185</u>	<u>376,658</u>
 Total current liabilities	 <u>2,343,094</u>	 <u>2,665,303</u>
Noncurrent Liabilities		
Bonds payable, net	1,349,197	1,985,595
Unearned lease revenue	2,208,765	2,246,959
Net OPEB obligation	<u>4,525,197</u>	<u>3,458,524</u>
 Total noncurrent liabilities	 <u>8,083,159</u>	 <u>7,691,078</u>
 Total liabilities	 <u>10,426,253</u>	 <u>10,356,381</u>
Deferred Inflows of Resources	<u>813,731</u>	<u>1,956,319</u>
Net Position		
Net investment in capital assets	64,935,595	64,437,920
Restricted for debt service	457,105	492,948
Restricted for health claims	7,650	81,410
Unrestricted	<u>19,564,689</u>	<u>15,034,304</u>
 Total net position	 <u>84,965,039</u>	 <u>80,046,582</u>
	<u>\$ 96,205,023</u>	<u>\$ 92,359,282</u>

The accompanying notes are an integral part of these financial statements.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Zoo admissions	\$ 3,022,590	\$ 2,947,487
Concessions	3,025,454	3,058,038
Zoo activities	4,085,193	3,612,667
Rent	1,413,378	1,381,151
 Total operating revenues	 11,546,615	 10,999,343
Operating Expenses		
Personnel services	11,474,605	10,838,337
Maintenance, operations and contractual services	3,719,914	4,164,519
Materials and supplies	3,267,029	3,794,195
Depreciation	2,853,060	2,635,072
Other	(84,925)	309,378
 Total operating expenses	 21,229,683	 21,741,501
 Operating loss	 (9,683,068)	 (10,742,158)
Nonoperating Revenues (Expenses)		
Donations	1,349,901	831,865
Investment income	67,097	62,206
Interest expense	(129,936)	(158,172)
Sales tax payments from the City	13,314,463	13,648,546
 Total nonoperating revenues	 14,601,525	 14,384,445
 Change in net position	 4,918,457	 3,642,287
 Net Position, Beginning of Year	 80,046,582	 76,404,295
 Net Position, End of Year	 \$ 84,965,039	 \$ 80,046,582

The accompanying notes are an integral part of these financial statements.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Cash received from customers	\$ 11,716,047	\$ 11,059,412
Cash payments to suppliers for goods and services	(7,366,445)	(7,940,397)
Cash payments to employees for services	<u>(10,831,623)</u>	<u>(10,134,458)</u>
Net cash flow from operating activities	<u>(6,482,021)</u>	<u>(7,015,443)</u>
Noncapital Financing Activities		
Sales tax payments from the City	13,440,672	13,661,232
Donations received	<u>572,046</u>	<u>527,204</u>
Net cash flow from noncapital financing activities	<u>14,012,718</u>	<u>14,188,436</u>
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,425,716)	(5,834,627)
Proceeds from sale of capital assets	32,000	--
Principal paid on bonds	(605,000)	(545,000)
Donations received	777,855	304,661
Interest paid on bonds	<u>(104,279)</u>	<u>(163,022)</u>
Net cash flow from capital and related financing activities	<u>(2,325,140)</u>	<u>(6,237,988)</u>
Investing Activities		
Purchase of investments	14,546,998	(13,886,879)
Proceeds from sale of investments	(14,419,237)	13,631,549
Investment income	<u>67,097</u>	<u>62,206</u>
Net cash flow from investing activities	<u>194,858</u>	<u>(193,124)</u>
Change in cash	5,400,415	741,881
Cash, Beginning of Year	<u>17,918,401</u>	<u>17,176,520</u>
Cash, End of Year	<u>\$ 23,318,816</u>	<u>\$ 17,918,401</u>
Reconciliation to Cash		
Unrestricted	\$ 23,176,143	\$ 17,721,810
Restricted	<u>142,673</u>	<u>196,591</u>
Total cash	<u>\$ 23,318,816</u>	<u>\$ 17,918,401</u>

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Loss to Net Cash		
Flow From Operating Activities		
Operating loss	\$ (9,683,068)	\$ (10,742,158)
Adjustments to reconcile operating loss to net cash flow from operating activities		
Depreciation	2,853,060	2,635,072
Loss on disposal of capital assets	(2,605)	83,344
Net pension asset	(454,377)	(152,802)
Changes in operating assets and liabilities		
Accounts receivable	169,432	14,258
Inventories	108,228	(121,072)
Prepaid expenses	9,795	(2,027)
Accounts payable	(620,178)	367,450
Wages and benefits payable	14,860	47,417
Compensated absences	(28,114)	54,511
Other accrued liabilities	78,527	93,720
Deferred lease revenue	(38,194)	(47,909)
Deferred employer contributions	43,940	(353,725)
Net OPEB obligation	<u>1,066,673</u>	<u>1,108,478</u>
Net cash used in operating activities	<u>\$ (6,482,021)</u>	<u>\$ (7,015,443)</u>
Noncash Capital and Financing Activities		
Capital asset addition included in accounts payable	<u>\$ 209,586</u>	<u>\$ 252,127</u>
Amortization of bond premium and deferred refunding	<u>\$ 27,547</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The Oklahoma City Zoological Trust (the Trust) was created by the City of Oklahoma City, Oklahoma (the City) on January 7, 1975, under the laws of the State of Oklahoma (the State) for the purpose of developing, maintaining, operating and managing the Oklahoma City Zoo (the Zoo). Trustees include the Mayor, the City Manager, one member of the City Council and six other persons who are recommended by the Oklahoma Zoological Society, Inc. (the Society), selected by the Mayor and approved by the City Council. The City Council also approves the Trust's sales tax budget. If the Trust terminates, the Trust agreement provides that the assets shall revert to the City. While the Trust is a legally separate entity whose beneficiary is the City, it is a component unit of the City reported as a proprietary fund, and the accompanying financial statements are blended in the City's comprehensive annual financial report, a copy of which may be obtained from the City's Accounting Services Division.

Organization and Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The Society is an Oklahoma not-for-profit organization that was created in 1954 to support and promote the Zoo. The Society does this through membership drives, annual fundraising, capital campaigns, marketing special events and public relations. The economic resources received and held by the Society for the benefit of the Trust are not significant to the Trust's overall financial position. The Society is not included in the accompanying financial statements of the Trust as it does not meet the definition of a component unit.

Measurement Focus and Basis of Accounting

As a proprietary fund, the Trust is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the related liability is incurred.

The Trust is organized into accounts in order to achieve sound and efficient financial administration and reporting. Each account is considered a separate accounting entity, while all accounts are combined in the basic financial statements. The accounts include the following:

- The **operating account** is used to account for the Trust's operations and all financial resources except those accounted for in other accounts.
- The **designated animal account** receives funds from the sale of zoo animals and was established by the Lease and Operating Agreement between the City and the Trust dated June 11, 1985. These funds may be expended for approved animal purchases or for approved minor zoo improvements.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The **designated account**, established by the Board of Trustees, is used to account for the resources received in the settlement of the estate of a donor. The donor places no restrictions on the use of the funds.
- The **sales tax account** is used to account for that portion of the City's sales tax, which is earmarked specifically for use by the Trust. This account also includes bond funds, which are used for construction.

When both restricted and unrestricted resources are available for use, it is the Trust's policy to use restricted resources first and then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets that are current in nature are reported with current assets and liabilities in the accompanying financial statements.

Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Cash and Investments

The Board of Trustees formally adopted the City's deposit and investment policy for unrestricted accounts in addition to policies specified in the Zoo's bond indenture applicable to the Trust's sales tax fund as restricted by the indenture.

Cash includes only cash deposits in order to appropriately report investment activity. Investments are reported at fair value, and are comprised of funds deposited into trustee banks in accordance with the investment policy specified in the bond indenture for restricted deposits and investments.

Fair Value of Financial Instruments

Effective June 30, 2016, the Trust implemented GASB 72, *Fair Value Measurement and Application*, which establishes a framework for measuring fair value that requires or permits fair

OKLAHOMA CITY ZOOLOGICAL TRUST
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

The following describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying value of the Trust's investments in money market funds are valued using quoted market prices, and therefore are classified as Level 1.

Accounts Receivable

The Trust records accounts receivable for services provided to citizens, schools or corporate customers. For the years ended June 30, 2016 and 2015, management has estimated reserves for uncollectable receivables of \$8,962 and \$4,082, respectively.

Inventories

Inventories consist of gift shop merchandise, concession food, animal food and certain operating supplies and are valued at the lower of cost or market on the first-in, first-out (FIFO) method.

Sales Tax Receivable from the City

During fiscal year 1991, voters passed a sales tax increase earmarked specifically for the purpose of funding certain zoo activities. In accordance with State Statutes, the State collects the monies and remits them to the City, who accounts for the receipt of the sales taxes and interest earned on related deposits in a separate limited-purpose fund. The Trust records such amounts as a receivable from the City at the time the City earns the taxes. In accordance with the city ordinance authorizing the tax, the Trust records such activity in the sales tax account. Monies are paid by the State to the City on a monthly basis. The funds are invested in the City's investment pool and are reported in the City's comprehensive annual financial report. Funds are transferred from the City upon request from the Trust.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets are stated at actual or estimated historical cost, net of accumulated depreciation. Donated capital assets are stated at acquisition value at the date of donation. Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. Capital assets consist of only those items acquired since the formation of the Trust whose cost is greater than or equal to \$7,500. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings and grounds	5 - 50 years
Improvements	2 - 20 years
Equipment and other	3 - 10 years

Individual animals are expensed when purchased.

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

Interest Capitalization

Interest costs related to revenue bonds are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time to get them ready for their intended purpose. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There was no interest capitalized for the years ended June 30, 2016 and 2015.

Compensated Absences

Employees are granted paid time off (PTO) benefits in varying amounts depending on tenure with the Trust. These benefits accumulate pro rata by two-week periods and must be taken within the calendar year. Employees can elect to carry over a maximum of 60 hours into the next calendar year. PTO benefits are accrued as earned.

Sick leave benefits accrue to employees at the rate of five hours per two-week pay period to a maximum accrual of 520 hours. Employees are not entitled to payment of their sick leave balance at termination; therefore, no liability related to sick leave is recorded in the accompanying basic financial statements.

Unearned Lease Revenue

Unearned lease revenue from the Remington Park Race Track facility owned by Global Gaming RP, LLC is being amortized over the initial lease term and the five renewal option periods for a term of 75 years (see Note 7).

OKLAHOMA CITY ZOOLOGICAL TRUST
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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources/Deferred Inflows of Resources

The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Trust's net loss on refunding and employer contributions related to pensions are the only items that qualify for reporting in this category.

The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Trust has deferred inflows for pension activity that qualifies for reporting in this category.

See also Note 5 for more information on the pension deferred resources.

Net Position

Net position of the Trust is classified in three components. The net investment in capital assets consists of capital assets reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted expendable net position is non-capital assets, the use of which is limited by external constraints imposed by creditors (such as through debt covenants), grantor or donors, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable net position.

Revenue Recognition

Operating revenues are recorded when goods and services are provided.

Bond Discounts and Premiums

Bond discounts and premiums are capitalized and amortized over the term of the bonds using a method which approximates the effective interest method.

Defined Benefit Pension Plan

The Trust's full-time employees are eligible to participate in the City's Employee Retirement System (ERS). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. 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.

Income Tax

The Trust is exempt from federal income tax under Section 115 of the Internal Revenue Code.

OKLAHOMA CITY ZOOLOGICAL TRUST
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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. The reclassifications had no effect on the changes in net position.

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The City/Trust policy requires deposits to be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. 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- 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 an evaluation committee and/or the City Treasurer. At June 30, 2016 and 2015, all of the Trust's deposits held by a counterparty were fully insured or collateralized.

Investments

The general bond indenture for the Oklahoma City Zoological Trust Sales Tax and Revenue Bonds (Bond Indenture) requires the use of trust accounts. The bond account is used to segregate resources accumulated for debt service payments over the next 12 months. The bond reserve account is used for proceeds of revenue bond issuances set aside to make up potential future deficiencies in the bond account or to make the last bond principal and interest payments.

As of June 30 2016 and 2015, the Trust had the following investments and maturities:

<u>Types of Investments</u>	<u>Fair Value / Carrying Amount</u>	<u>Cost</u>	<u>Ratings (1)</u>	<u>Weighted- Average Days to Maturity (2)</u>
Money market funds				
2016	\$ 1,213,112	\$ 1,213,112	AAAm/Aaa-mf	53
2015	\$ 1,340,873	\$ 1,340,873	AAAm/Aaa	54

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

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

OKLAHOMA CITY ZOOLOGICAL TRUST
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NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes and the City Charter. City/Trust funds may be invested in: 1) direct obligations of the United States government, its agencies or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged or obligations to the payment of which the full faith and credit of the State of Oklahoma 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 evidence of deposits at banks, savings 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 direct obligations or obligations of the United States government, its agencies and instrumentalities; 5) money market funds regulated by the Securities and Exchange Commission and which investments consist of the authorized investments (domestic securities) with restrictions as specified in state law; 6) State and Local Government Series (SLGS); and 7) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment. Under the policy, the City/Trust may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset value and/or has no call options to the desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items 1 and 2.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from overconcentration 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 matching more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment 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 total portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities, SLGS and city judgments are excluded from these restrictions.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Maturity Limitations		Investment-Type Limitations	
Percentage of Total Principal		Percentage of Total Invested Principal	
Maximum % (1)		Maximum % (3)	
0 - 1 year	100%	Repurchase agreements	100%
1 - 3 years	90%	U.S. Treasury securities (2)	100%
3 - 5 years	90%	Certificates of deposit	50%
		Money market funds	100%
		Savings account	100%
		U.S. noncancellable agencies securities	100%
		U.S. callable agencies securities	20%
		Prime commercial paper	7.5%
		Judgments	5%

Except in instances of specifically matched cash flows, the portfolio is structured as follows:

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

The City/Trust 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 10 years.

Custodial credit risk is the risk that in the event of the failure of the counterparty the Trust will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City/Trust policy provides that investment collateral is held by a third-party custodian with whom the City has a current custodial agreement in the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma. City policy is more restrictive than the requirements of Oklahoma law found in Title 62 of the Oklahoma Statutes as follows: Statutes allow investment in any agencies or instrumentalities of the U.S. government; negotiable certificates of deposit are permitted investments without collateralization restrictions (limited to 10% of investable funds and not more than half of the 10% may be invested in any one financial institution); prime banker's acceptances are acceptable investment instruments (limited to 270 days maturity or less and may comprise no more than 10% of investable funds with no more than half of the 10% in any one commercial bank); prime commercial paper is also permitted (restricted to 180 days maturity or less and may not comprise more than 10% of the outstanding paper of an issuing corporation with no more than 7.5% of investable funds permitted to be in commercial paper); purchase of municipal direct debt is not limited to Oklahoma City direct debt and may include Oklahoma counties and school districts.

The Bond Indenture prescribes authorized investments for accounts restricted under the indenture as follows:

1. Direct obligations unconditionally guaranteed by the United States of America

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

2. Bonds or debentures payable in cash issued by the following federal agencies:

- Export Import Bank of the United States
- Federal Financing Bank
- Farmers Home Administration
- Federal Housing Administration
- Maritime Administration
- Public Housing Authorities
- Government National Mortgage Association

3. Investments fully insured by the FDIC, including;

- Certificates of deposit
- Savings accounts
- Deposit accounts
- Depository receipts

4. Certificates of deposit in excess of FDIC insurance properly secured by collateral security consisting of obligations described in 1) and 2) above

5. Commercial paper

6. Money market funds

7. Investment agreements

The Bond Indenture provides that investments mature in no more than 6 to 60 months, depending on the purpose of the funds and the requirements of the account in which funds are deposited (bond, operating and maintenance, construction, etc.).

The Trust's investment policy is more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the *Uniform Prudent Management of Institutional Funds Act of 1972*. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 of the Oklahoma Statutes to consider the purposes, terms, distribution requirements and other circumstances of the Trust and to exercise reasonable care, skill and caution. Investment decisions must be evaluated not in isolation, but in the context of the Trust's portfolio as a whole and as a part of the overall investment strategy having risk and return objective reasonably suited to the Trust.

Trust investments were restricted for the following purposes at June 30, 2016 and 2015:

	2016	2015
Restricted cash - health claims	\$ 142,673	\$ 196,591
Refunding series bond issue		
Bond reserve account	637,439	637,364
Bond principal account	575,673	703,509
	\$ 1,355,785	\$ 1,537,464

OKLAHOMA CITY ZOOLOGICAL TRUST
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2. DEPOSITS AND INVESTMENTS (CONTINUED)

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the accompanying statements of net position as follows:

	2016	2015
Carrying value		
Deposits	\$ 23,318,816	\$ 17,918,401
Investments	1,213,112	1,340,873
	\$ 24,531,928	\$ 19,259,274
	2016	2015
Included in the following balances sheet captions		
Cash	\$ 23,176,143	\$ 17,721,810
Cash, restricted	142,673	196,591
Noncurrent restricted investments	1,213,112	1,340,873
	\$ 24,531,928	\$ 19,259,274

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital assets consist of the following:

	<u>Balance, July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance, June 30, 2016</u>
Depreciable capital assets					
Buildings and grounds	\$ 77,223,870	\$ 72,204	\$ --	\$ 8,386,150	\$ 85,682,224
Improvements	11,557,716	451,406	--	--	12,009,122
Equipment and other	<u>5,687,216</u>	<u>470,552</u>	<u>(530,042)</u>	<u>335,141</u>	<u>5,962,867</u>
Total depreciable capital assets	<u>94,468,802</u>	<u>994,162</u>	<u>(530,042)</u>	<u>8,721,291</u>	<u>103,654,213</u>
Less accumulated depreciation					
Buildings and grounds	26,279,283	1,844,680	--	--	28,123,963
Improvements	6,370,900	552,806	--	--	6,923,706
Equipment and other	<u>4,072,446</u>	<u>455,574</u>	<u>(500,647)</u>	<u>--</u>	<u>4,027,373</u>
Total accumulated depreciation	<u>36,722,629</u>	<u>2,853,060</u>	<u>(500,647)</u>	<u>--</u>	<u>39,075,042</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$ 57,746,173</u>	<u>\$ (1,858,898)</u>	<u>\$ (29,395)</u>	<u>\$ 8,721,291</u>	<u>\$ 64,579,171</u>
Nondepreciable capital assets					
Construction in progress	<u>\$ 8,886,084</u>	<u>\$ 1,641,140</u>	<u>\$ --</u>	<u>\$ (8,721,291)</u>	<u>\$ 1,805,933</u>

	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance, June 30, 2015</u>
Depreciable capital assets					
Buildings and grounds	\$ 77,245,628	\$ --	\$ (21,758)	\$ --	\$ 77,223,870
Improvements	10,584,476	1,243,083	(269,843)	--	11,557,716
Equipment and other	<u>5,948,962</u>	<u>504,717</u>	<u>(766,463)</u>	<u>--</u>	<u>5,687,216</u>
Total depreciable capital assets	<u>93,779,066</u>	<u>1,747,800</u>	<u>(1,058,064)</u>	<u>--</u>	<u>94,468,802</u>
Less accumulated depreciation					
Buildings and grounds	24,619,859	1,681,182	(21,758)	--	26,279,283
Improvements	6,065,891	554,823	(249,814)	--	6,370,900
Equipment and other	<u>4,376,507</u>	<u>399,067</u>	<u>(703,128)</u>	<u>--</u>	<u>4,072,446</u>
Total accumulated depreciation	<u>35,062,257</u>	<u>2,635,072</u>	<u>(974,700)</u>	<u>--</u>	<u>36,722,629</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$ 58,716,809</u>	<u>\$ (887,272)</u>	<u>\$ (83,364)</u>	<u>\$ --</u>	<u>\$ 57,746,173</u>
Nondepreciable capital assets					
Construction in progress	<u>\$ 5,611,588</u>	<u>\$ 3,274,496</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8,886,084</u>

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

4. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the years ended June 30, 2016 and 2015:

Description and Purpose	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2016					
Revenue bonds	\$ 2,565,000	\$ --	\$ 605,000	\$ 1,960,000	\$ 630,000
Unearned lease revenue	2,293,982	8,829	47,023	2,255,788	47,023
Net OPEB obligation	<u>3,458,524</u>	<u>1,066,673</u>	<u>--</u>	<u>4,525,197</u>	<u>--</u>
	<u>\$ 8,317,506</u>	<u>\$ 1,075,502</u>	<u>\$ 652,023</u>	<u>\$ 8,740,985</u>	<u>\$ 677,023</u>
2015					
Revenue bonds	\$ 3,140,000	\$ --	\$ 575,000	\$ 2,565,000	\$ 605,000
Unearned lease revenue	2,341,891	--	47,909	2,293,982	47,023
Net OPEB obligation	<u>2,350,046</u>	<u>1,108,478</u>	<u>--</u>	<u>3,458,524</u>	<u>--</u>
	<u>\$ 7,831,937</u>	<u>\$ 1,108,478</u>	<u>\$ 622,909</u>	<u>\$ 8,317,506</u>	<u>\$ 652,023</u>

Revenue Bonds Payable

On June 30, 1999, the Trust issued \$8,500,000 of revenue bonds, which mature through 2019 (Series 1999 Bonds), for the purpose of financing the construction of certain facilities and the improvement of existing facilities. The bonds are collateralized by the sales tax revenues received from the City pursuant to the Bond Indenture.

During 2005, a portion of the Series 1999 Bonds were refunded by issuing \$5,660,000 in revenue bonds. As a result of this refunding, the Trust recognized a deferred amount on refunding which is being amortized over 14 years, the remaining life of the refunded debt. Revenue bonds payable are reflected net of unamortized premiums of \$19,197 and \$25,596 at June 30, 2016 and 2015.

The Bond Indenture requires the use of project account, an interest account, a principal account and a bond fund reserve account. These accounts are held by a trustee bank and managed pursuant to the terms of the Indenture. The Bond Indenture provides that sales tax revenue will be deposited into a revenue fund, and transfers will be made to the respective accounts for current requirements on a monthly basis.

Proceeds from tax-exempt bonds issued after September 1, 1996, are subject to the 1996 *Tax Reform Act*. The Trust complies with Internal Revenue Service regulations in order to maintain tax-exempt status on the bonds. The Trust had no arbitrage rebate liability at June 30, 2016 or 2015.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

4. LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity for revenue bonds are as follows:

Fiscal Year	Interest Rate Percentage	Outstanding Principal	Interest	Total
2017	3.80%	\$ 630,000	\$ 76,328	\$ 706,328
2018	3.88%	650,000	52,388	702,388
2019	4.00%	<u>680,000</u>	<u>27,200</u>	<u>707,200</u>
		<u>\$ 1,960,000</u>	<u>\$ 155,916</u>	<u>\$ 2,115,916</u>

5. EMPLOYEE RETIREMENT PLAN

Plan Description

All full-time employees of the Trust are eligible to participate in the City's Employee Retirement System (ERS), a single-employer defined benefit public retirement system. The executive director and division directors can elect to participate in a 401(a) plan instead of the City's ERS. The ERS issues a separate stand-alone report that includes the financial statements and required supplementary information. The report can be obtained from the City's Accounting Services Division at 100 N. Walker, Oklahoma City, Oklahoma 73102.

The Trust's covered payroll approximated \$5,939,000 and \$4,449,000 for the years ended June 30, 2016 and 2015, respectively. The total payroll for all trust employees approximated \$8,041,000 and \$7,551,000 for the years ended June 30, 2016 and 2015, respectively.

Eligibility, Contribution Methods and Benefit Provisions

Year established and governing authority	1958; City Council ordinance
Determination of contribution requirements	Actuarially determined
Employer contributions	5.88% of covered payroll
Plan member contributions	6.00% of covered payroll
Eligible to participate	Full-time trust employees
Funding of administrative costs	Investment earnings
Period required vesting	Five years
Eligibility for distribution	30 years credited service regardless of age or age 60 with 20 years (pre-March 1967 hires); or 25 years credited service regardless of age or age 65 with five years (post-March 1967 hires); or age 55 with five years on a reduced basis or five years of service, with benefits to begin at age 65 (60 with 10 years if pre-March 1967 hire)

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Postretirement benefit increases	Cost of living adjustments, compounded annually, increases must be approved by the ERS Board
Provisions for disability benefits	Yes
Provisions for death benefits	Yes

Employer contribution rates are determined by the City Council based on an actuarially determined rate recommended by an independent actuary. Contributions to the ERS from the Trust were \$327,691 and \$333,696 for the years ended June 30, 2016 and 2015.

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

Net pension assets are reported when the Plan's fiduciary net position exceeds the employer's total pension liability, or the employer's proportionate share of the Plan's fiduciary net position exceeds the employer's proportionate share of the total liability for cost-sharing, multiple employer plans. Net pension asset activity for the years ended June 30, 2016 and 2015 was as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Net pension asset	\$1,958,668	\$2,649,879
Measurement date	June 30, 2015	June 30, 2014
Valuation date	December 31, 2014	December 31, 2013
Proportion	4.18%	4.31%

The net pension asset is measured by the ERS each June 30, and the total pension liability used to calculate the net pension asset is determined by an actuarial valuation as of each December 31. Update procedures are used to roll forward the total pension liability to each June 30. The Trust's proportion of the collective ERS net pension asset is based on the ratio of the Trust's contributions to ERS relative to the total employer contributions from all entities participating in the ERS.

For the years ended June 30, 2016 and 2015, the Trust recognized pension expense of \$(410,436) and \$(152,802), respectively. At June 30, 2016 and 2015, the Trust reported deferred outflows or resources and deferred inflows of resources related to pension from the following sources:

	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ --	\$ 302,526	\$ --	\$ 165,263
Changes of assumptions	--	--	--	--
Net difference between projected and actual earnings on pension plan investments	--	511,205	--	1,791,056
Trust's contributions made subsequent to the measurement date	<u>309,785</u>	<u>--</u>	<u>353,725</u>	<u>--</u>
Total	<u>\$ 309,785</u>	<u>\$ 813,731</u>	<u>\$ 353,725</u>	<u>\$ 1,956,319</u>

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE RETIREMENT PLAN (CONTINUED)

At June 30, 2016, the Trust reported \$309,785 as deferred outflows of resources related to pensions resulting from trust contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at June 30, 2017. Other amounts reported as deferred inflows of resources at June 30, 2016, related to pensions will be recognized in pension expense as follows:

2016	\$ (292,445)
2017	(292,445)
2018	(292,445)
2019	141,814
2020	(53,249)
Thereafter	(24,961)
	<u>\$ (813,731)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%
Projected salary increases	3.75% - 7.25%, including inflation
Postretirement benefit increases (maximum)	2.00%
Inflation	3.00%
Mortality	RP-2000 Healthy Life mortality table, adjusted for mortality improvements to 2010

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period covering January 1, 2008 through December 31, 2012. A report dated December 4, 2013 presented the results of the experience study.

Long-Term Expected Rate of Return

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

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE RETIREMENT PLAN (CONTINUED)

	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Core bonds	2.80%	5.00%
Core plus	3.07%	7.50%
Global bonds	2.63%	7.50%
Absolute return	4.37%	5.00%
U.S. large cap equity	7.80%	20.00%
U.S. small cap equity	9.09%	10.00%
International developed equity	8.79%	10.00%
Emerging market equity	10.14%	5.00%
Long / short equity	7.64%	10.00%
Private equity	10.43%	5.00%
Core real estate	5.51%	6.00%
Opportunistic real estate	8.80%	4.00%
Commodities	3.91%	5.00%
		<u>100.00%</u>

Discount Rate

A single discount rate of 7.5% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected 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.

Sensitivity of the Trust's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate

The net pension asset of the Trust has been calculated using a discount rate of 7.50%. The following presents the net pension asset (liability) using a discount rate 1% higher and 1% lower than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Trust's net pension asset, June 30, 2016	\$ (1,267,924)	\$ 1,958,668	\$ 4,678,335
Trust's net pension asset, June 30, 2015	\$ (560,695)	\$ 2,646,879	\$ 5,348,948

Pension Plan Fiduciary Net Position

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

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City provides postemployment health care benefits for retired employees and their dependents through the City of Oklahoma City Post-Retirement Medical Plan (OPEBT), a single-employer defined benefit health care plan. The benefits, coverage levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. OPEBT issues a separate report that can be obtained from the City's Human Resource Department at 420 W. Main, Suite 110, Oklahoma City, Oklahoma 73102.

Benefits Provided

The City provides postretirement health care benefits to its retirees. OPEBT covers all current retirees who elected postretirement medical coverage and future retired general employees.

The City provides subsidized medical benefits either through a fully-insured health plan or through a self-insured Group Indemnity Plan. Benefits include general inpatient and outpatient medical services and prescription drug coverage. General employees are eligible for membership in OPEBT if they retire from the City on or after age 55 with five years of service or at any age with 25 years of service. Coverage for dependents can continue upon the death of the retiree. Spouses of employees who die in active service while eligible for benefits can receive coverage.

Funding Policy

The City contributes 56% of the premium as a subsidy toward medical coverage of retirees and their dependents effective January 1, 2016 (previous calendar year was 58%). The retirees and their dependents are responsible for paying the remaining 44% of the premium, effective January 1, 2016 (previous calendar year was 42%). The City also intends to make additional contributions to the irrevocable trust that has been established for the funding of OPEBT's postretirement benefit obligation.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual Required Contributions - Actuarial Assumptions

Valuation date	July 1, 2014
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Actuarial asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	4.91%
Blended discount rate method	The discount rate is based on the expected long-term return on the investments that are used to finance the benefit programs
Inflation	3%
Projected salary increases	3%
Initial health care trend rates	8.0% (8.5% for Medicare age)
Ultimate health care trend rates	4.5% (4.5% for Medicare age)
Mortality table	RP 2000 combined mortality table projected to 2010 using scale AA

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost, the percentage of annual OPEB cost contributions to the Plan and net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligation
June 30, 2016	\$ 33,933,187	\$ 17,811,341	52%	\$ 155,733,767
June 30, 2015	\$ 36,411,598	\$ 18,815,545	52%	\$ 139,611,921
June 30, 2014	\$ 34,407,410	\$ 19,619,034	57%	\$ 122,015,868

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The net OPEB obligation as of June 30, 2016 and 2015, was calculated as follows:

	2016		2015	
	OPEBT	Trust	OPEBT	Trust
Annual required contribution	\$ 33,371,059	\$ 1,048,987	\$ 35,920,317	\$ 1,093,522
Interest on net OPEB Obligation	6,854,945	215,686	5,990,979	182,383
Adjustment to annual required contribution	<u>(6,292,817)</u>	<u>(198,000)</u>	<u>(5,499,698)</u>	<u>(167,427)</u>
Annual OPEB cost	33,933,187	1,066,673	36,411,598	1,108,478
Contributions made	<u>(17,811,341)</u>	<u>--</u>	<u>(18,815,545)</u>	<u>--</u>
Increase in net OPEB obligation	16,121,846	1,066,673	17,596,053	1,108,478
Net OPEB obligation, beginning of year	<u>139,611,921</u>	<u>3,458,524</u>	<u>122,015,868</u>	<u>2,350,046</u>
Net OPEB obligation, end of year	<u>\$ 155,733,767</u>	<u>\$ 4,525,197</u>	<u>\$ 139,611,921</u>	<u>\$ 3,458,524</u>

Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2015, was as follows:

Actuarial accrued liability (AAL)	\$440,232,138
Actuarial value of plan assets (AVA)	\$39,337,727
Unfunded actuarial accrued liability (UAAL)	\$400,894,911
Funded ratio (AVA / AAL)	8.9%
Covered payroll (active plan members)	\$219,484,135
UAAL as a percentage of covered payroll	182.7%

Actuarial valuations of the ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

The OPEBT issues a publicly available Comprehensive Annual Financial Report (CAFR) which may be obtained from the City's Accounting Services Division at 100 N. Walker, Oklahoma City, Oklahoma 73102. The CAFR includes the financial statements and required supplementary information of the OPEBT.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

7. LEASES

The Trust has various agreements whereby land is leased by the Trust from the City, the Society and the City of Nichols Hills. The Nichols Hills lease is a 25-year renewable operating lease at an expense of \$21,480 per year. This leased property is subleased under an operating lease to Global Gaming RP, LLC through December 31, 2023, with four renewal options for 10 years each through calendar year 2063. The trust received an advance rental of \$4,000,000 and incurred initial costs of \$557,249. The net amount less income earned to date is recorded as unearned lease revenue and is being amortized to income over the term of the lease period, including the renewal options.

In addition, the Trust is entitled to receive one-half of 1% of Global Gaming RP, LLC's total annual handle, as defined in the agreement, that exceeds \$187 million and 1% of the gross gaming revenues in excess of \$60 million each year. Contingent rental revenue earned during the years ended June 30, 2016 and 2015, approximated \$347,000 and \$377,000, respectively.

The Trust entered into an amended and restated lease and operating agreement dated as of June 19, 1990, whereby the City leased to the Trust its presently existing and hereafter acquired zoo facilities until December 31, 2063, or to such later date as all bonds or any indebtedness of the Trust, secured by revenues of the Zoo, is paid or provisions for payment made.

On February 5, 2013, the Trust entered into a sublease agreement with 3Horse Productions, LLC (3Horse) in which 3Horse will lease and operate the Zoo Amphitheater through November 27, 2017, with a five-year optional extension. The contract stipulated that 3Horse invest \$100,000 in improvements to the Zoo Amphitheater before April 1, 2013. In addition, 3Horse will pay \$258,000 a year in rent, adjusted by the greater of \$3,000 or the Consumer Price Index rate annually, and \$1 per ticket sold for concerts held at the amphitheater. On January 15, 2015, the sublease agreement was amended to reduce the amount due under the original sublease agreement by \$120,000 for 2015 only to allow 3Horse to invest in additional capital improvements to the Zoo Amphitheater. These improvements were required to be completed by May 1, 2015.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

7. LEASES (CONTINUED)

The future minimum lease receipts and payments at June 30, 2016 were:

	Lease Receipts	Lease Payments	Net Lease Receipts
2017	\$ 1,105,660	\$ 96,301	\$ 1,009,359
2018	971,080	96,301	874,779
2019	835,000	96,301	738,699
2020	835,000	96,301	738,699
2021	835,000	96,301	738,699
2022 - 2026	4,174,965	481,505	3,693,460
2027 - 2031	4,174,965	481,505	3,693,460
2032 - 2036	4,174,965	481,505	3,693,460
2037 - 2041	4,174,965	481,505	3,693,460
2042 - 2046	4,174,965	481,505	3,693,460
2047 - 2051	4,174,965	481,505	3,693,460
2052 - 2056	4,174,965	481,505	3,693,460
2057 - 2061	4,174,965	481,505	3,693,460
2062 - 2064	2,504,979	288,903	2,216,076
	<u>\$ 40,486,439</u>	<u>\$ 4,622,448</u>	<u>\$ 35,863,991</u>

Net rental income for all operating leases consisted of:

	2016	2015
Minimum rental expense	\$ (96,301)	\$ (96,301)
Contingent rental expense	(36,990)	(37,541)
Sublease rental income	1,130,976	1,086,951
Sublease contingent rental income	370,728	377,115
Other rental income	44,965	50,927
	<u>\$ 1,413,378</u>	<u>\$ 1,381,151</u>

8. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2016 and 2015, the Trust recorded payments from the City derived from sales tax receipts of \$13,314,463 and \$13,648,546, respectively.

The City leases to the Trust real and personal property of the Zoo at no cost to the Trust. This agreement gives the Trust the right to operate and realize the revenues of the Zoo. The City also leases to the Trust the main portion of the Remington Park Race Track site at no cost to the Trust.

The City provides certain services to the Trust. Charges for those services for the years ended June 30 2016 and 2015, approximated \$878,000 and \$947,000, respectively, and include administrative, insurance, printing, postage, and workers' compensation expenses.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

8. RELATED-PARTY TRANSACTIONS (CONTINUED)

The Society leases a small portion of the Remington Park Race Track site to the Trust for \$74,821 per year expiring in 2064. Also, for fiscal years 2016 and 2015, the Society provided zoo support and donated approximately \$1,853,000 and \$1,480,000, respectively, in Society membership dues, purchase of admission tickets, catering and other payments used to support zoo operations and activities. Of the amounts provided, the Trust recognized approximately \$1,246,000 and \$744,000 for fiscal years 2016 and 2015, respectively, as donations in the Trust's financial statements. As of June 30, 2016 and 2015, the Trust had a receivable from the Society of approximately \$153,000 and \$252,000, respectively.

9. RISK MANAGEMENT

The Zoo is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Zoo pays an insurance premium to the City for property loss and workers' compensation insurance coverage. Significant losses are covered by commercial insurance policies for all other programs except employee health, dental and life insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Substantially all of the Zoo's employees and their dependents are eligible to participate in the Zoo's employee health insurance plan, which includes dental and life insurance. The Zoo is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$1,137,519. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Zoo's estimate will change by a material amount in the near term.

Activity in the Zoo's accrued employee health claims liability, included in accounts payable on the accompanying statements of net position, during 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 115,181	\$ 76,452
Current year claims incurred and changes in estimates for claims incurred in prior years	1,141,652	757,355
Claims and expenses paid	<u>(1,121,810)</u>	<u>(718,626)</u>
Balance, end of year	<u>\$ 135,023</u>	<u>\$ 115,181</u>

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS

10. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for financial statements for the Trust's fiscal year ending June 30, 2018.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The provisions of this statement are effective for financial statements for the Trust's fiscal year ending June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
Defined Benefit Pension Plan

I. Schedule of Proportionate Share Information	2016	2015
Trust's proportion of the net pension asset	4.18%	4.31%
Trust's proportionate share of the net pension asset	\$ 1,958,668	\$ 2,646,879
Trust's covered-employee payroll	\$ 4,449,222	\$ 4,888,000
Trust's proportionate share of the net pension asset as a percentage of its covered-employee payroll	227%	185%
Plan fiduciary net position as a percentage of the total pension asset	107.52%	110.29%

*The amounts presented for each fiscal year were determined as of the measurement date.

II. Schedule of Employer Contributions	2016	2015
Contractually required contribution	\$ 327,691	\$ 337,384
Contributions in relation to the contractually required contribution	<u>327,691</u>	<u>337,384</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Trust's covered-employee payroll	\$ 5,938,606	\$ 4,449,222
Contributions as a percentage of covered-employee payroll	5.52%	7.58%

Notes to Schedules

Only the 2016 and 2015 fiscal year information is presented because the 10-year data is not yet available.

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
Other Post-Employment Benefit Plan

I. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2015	\$ 39,337,000	\$ 440,232,000	\$ 400,895,000	9%	\$ 219,484,000	183%
7/1/2014	34,028,000	474,681,000	440,653,000	7%	213,091,000	207%
7/1/2013	26,316,000	451,029,000	424,713,000	6%	203,860,000	208%

II. Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percentage Contributed
2016	\$ 17,811,000	\$ 33,371,000	52%
2015	18,816,000	35,920,000	52%
2014	19,619,000	33,976,000	58%

Notes to Required Supplementary Information

See Note 6 for actuarial assumptions and other information used to determine the annual required contributions.

SUPPLEMENTARY INFORMATION

OKLAHOMA CITY ZOOLOGICAL TRUST
A Component Unit of the City of Oklahoma City, Oklahoma
COMBINING STATEMENT OF NET POSITION
June 30, 2016

	Operating Account	Designated Animal Account	Designated Account	Sales Tax Account	Total
Current Assets					
Cash	\$ 1,879,129	\$ 2,947	\$ 13,159	\$ 21,280,908	\$ 23,176,143
Accounts receivable, net of allowance	245,587	--	--	--	245,587
Inventories	902,703	--	--	--	902,703
Sales tax receivable from the City	--	--	--	1,736,507	1,736,507
Prepaid expenses	24,640	--	--	8,266	32,906
Cash, restricted	142,673	--	--	--	142,673
Total current assets	3,194,732	2,947	13,159	23,025,681	26,236,519
Noncurrent Assets					
Investments, restricted	--	--	--	1,213,112	1,213,112
Net pension asset	1,958,668	--	--	--	1,958,668
Capital assets					
Construction in progress	--	--	--	1,805,933	1,805,933
Other capital assets, net of accumulated depreciation	6,141,561	--	--	58,437,610	64,579,171
Total noncurrent assets	8,100,229	--	--	61,456,655	69,556,884
Total assets	11,294,961	2,947	13,159	84,482,336	95,793,403
Deferred Outflows of Resources					
Loss on refunding, net	--	--	--	101,835	101,835
Employer contributions	309,785	--	--	--	309,785
Total deferred outflows of resources	309,785	--	--	101,835	411,620
	\$ 11,604,746	\$ 2,947	\$ 13,159	\$ 84,584,171	\$ 96,205,023

	Operating Account	Designated Animal Account	Designated Account	Sales Tax Account	Total
Current Liabilities					
Accounts payable	\$ 478,904	\$ --	\$ --	\$ 210,152	\$ 689,056
Wages and benefits payable	308,554	--	--	--	308,554
Compensated absences	206,915	--	--	--	206,915
Bonds payable, current	--	--	--	630,000	630,000
Bond interest payable	--	--	--	6,361	6,361
Current portion of unearned lease revenue	47,023	--	--	--	47,023
Other accrued liabilities	455,185	--	--	--	455,185
	<u>1,496,581</u>	<u>--</u>	<u>--</u>	<u>846,513</u>	<u>2,343,094</u>
Noncurrent Liabilities					
Bonds payable, net	--	--	--	1,349,197	1,349,197
Unearned lease revenue	2,208,765	--	--	--	2,208,765
Net OPEB obligation	4,525,197	--	--	--	4,525,197
	<u>6,733,962</u>	<u>--</u>	<u>--</u>	<u>1,349,197</u>	<u>8,083,159</u>
Total noncurrent liabilities	<u>6,733,962</u>	<u>--</u>	<u>--</u>	<u>1,349,197</u>	<u>8,083,159</u>
Total liabilities	<u>8,230,543</u>	<u>--</u>	<u>--</u>	<u>2,195,710</u>	<u>10,426,253</u>
Deferred Inflows of Resources	<u>813,731</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>813,731</u>
Net Position					
Net investment in capital assets	6,141,561	--	--	58,794,034	64,935,595
Restricted for debt service	--	--	--	457,105	457,105
Restricted for health claims	7,650	--	--	--	7,650
Unrestricted	(3,588,739)	2,947	13,159	23,137,322	19,564,689
	<u>2,560,472</u>	<u>2,947</u>	<u>13,159</u>	<u>82,388,461</u>	<u>84,965,039</u>
Total net position	<u>2,560,472</u>	<u>2,947</u>	<u>13,159</u>	<u>82,388,461</u>	<u>84,965,039</u>
	<u>\$ 11,604,746</u>	<u>\$ 2,947</u>	<u>\$ 13,159</u>	<u>\$ 84,584,171</u>	<u>\$ 96,205,023</u>

OKLAHOMA CITY ZOOLOGICAL TRUST

A Component Unit of the City of Oklahoma City, Oklahoma

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2016

	Operating Account	Designated Animal Account	Designated Account	Sales Tax Account	Total
Operating Revenues					
Zoo admissions	\$ 3,022,590	\$ --	\$ --	\$ --	\$ 3,022,590
Concessions	3,025,454	--	--	--	3,025,454
Zoo activities	4,085,193	--	--	--	4,085,193
Rent	1,413,378	--	--	--	1,413,378
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	11,546,615	--	--	--	11,546,615
Operating Expenses					
Personnel services	11,474,605	--	--	--	11,474,605
Maintenance, operations and contractual services	3,719,914	--	--	--	3,719,914
Materials and supplies	3,095,479	--	--	171,550	3,267,029
Depreciation	479,054	--	--	2,374,006	2,853,060
Other	38,581	--	--	(123,506)	(84,925)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	18,807,633	--	--	2,422,050	21,229,683
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating loss	(7,261,018)	--	--	(2,422,050)	(9,683,068)
Nonoperating Revenues (Expenses)					
Donations	1,349,901	--	--	--	1,349,901
Investment income	66,724	--	184	189	67,097
Interest expense	--	--	--	(129,936)	(129,936)
Sales tax payments from the City	--	--	--	13,314,463	13,314,463
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	1,416,625	--	184	13,184,716	14,601,525
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in net position before transfers	(5,844,393)	--	184	10,762,666	4,918,457
Transfers Between Accounts					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in net position	241,605	--	184	4,676,668	4,918,457
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Position, Beginning of Year	2,318,867	2,947	12,975	77,711,793	80,046,582
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Position, End of Year	\$ 2,560,472	\$ 2,947	\$ 13,159	\$ 82,388,461	\$ 84,965,039

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*

Board of Trustees
Oklahoma City Zoological Trust
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Oklahoma City Zoological Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of net position as of June 30 2016, 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 November 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 would not necessarily 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

As part of obtaining reasonable assurance about whether the Trust'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 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.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 15, 2016
Wichita, KS