

**REGIONAL METROPOLITAN
UTILITY AUTHORITY**

FINANCIAL REPORT
June 30, 2023 and 2022

REGIONAL METROPOLITAN UTILITY AUTHORITY
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June 30, 2023 and 2022

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Regional Metropolitan Utility Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Regional Metropolitan Utility Authority (the Authority), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023 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 solely 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 effectiveness of the Authority's 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.

RSM US LLP

Kansas City, Missouri
November 7, 2023

REGIONAL METROPOLITAN UTILITY AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

Years Ended June 30, 2023 and 2022

As management of the Regional Metropolitan Utility Authority (the “Authority”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements. All amounts in Management’s Discussion and Analysis, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent year by \$76,316. Of this amount, \$3,524 is unrestricted and may be used to meet the Authority’s ongoing obligations.
- The Authority’s net position decreased from \$76,625 at June 30, 2022 to \$76,316 at June 30, 2023. During 2023, the Authority had a decrease in net position of \$309 compared to a \$1,341 increase in net position during 2022.
- The Authority’s cash and cash equivalents increased to \$3,046 at June 30, 2023, from \$3,023 at June 30, 2022.
- Accounts receivable decreased to \$564 at June 30, 2023, from \$703 at June 30, 2022.

Overview of the Financial Statements

The Authority is a joint venture among the Cities of Tulsa (Tulsa Metropolitan Utility Authority, a component unit of the City of Tulsa), Broken Arrow, Jenks, Bixby, and Owasso. The purpose of the Authority is to provide, operate, and maintain water supply, wastewater, and pollution control facilities for the benefit of various governmental entities. Currently, the Authority is operating a wastewater treatment facility (Haikey Creek Wastewater Treatment Plant).

This discussion and analysis is intended to serve as an introduction to the Authority’s financial statements. This audit report consists of two parts: 1) management’s discussion and analysis and 2) basic financial statements. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

REGIONAL METROPOLITAN UTILITY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2023 and 2022

Financial Statements

The basic financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Authority’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the financial success of the Authority’s operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The third required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority’s cash receipts and cash payments during the reporting period. This statement allows financial statement users to assess whether the Authority’s current cash flows are sufficient to pay its obligations. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the period.

Net Position

The Authority’s net position increased to \$76,316 at June 30, 2023, from \$76,625 at June 30, 2022, and \$75,284 at June 30, 2021. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 3,615	\$ 3,730	\$ 6,260
Capital assets, net	<u>72,956</u>	<u>74,492</u>	<u>72,233</u>
Total assets	<u>76,571</u>	<u>78,222</u>	<u>78,493</u>
Current liabilities	<u>255</u>	<u>1,597</u>	<u>3,209</u>
Net investment in capital assets	72,792	72,897	69,028
Unrestricted	<u>3,524</u>	<u>3,728</u>	<u>6,256</u>
Total net position	<u>\$ 76,316</u>	<u>\$ 76,625</u>	<u>\$ 75,284</u>

In 2023, current assets decreased \$115. The decrease was primarily due to a decrease in receivables of \$140 due for capital contributions on construction expenditures offset by an increase in cash of \$23. Capital assets additions of \$893 were offset by the \$2,429 annual provision for depreciation. The decrease in net investment in capital assets of \$105 is due to an increase in depreciation expense related to assets placed in service in 2022. Unrestricted net position decreased \$204 due primarily to a decrease in current assets.

REGIONAL METROPOLITAN UTILITY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2023 and 2022

Net Position, continued

In 2022, current assets decreased \$2,530. The decrease was the result of a decrease in receivables of \$1,797 due for capital contributions on construction expenditures and a net decrease in cash of \$737, offset by an increase in interest receivable of \$4. Capital assets additions of \$4,369 were offset by the \$2,110 annual provision for depreciation. The net increase in net investment in capital assets of \$3,869 is due to increase in capital improvements offset by related liabilities. Unrestricted net position decreased \$2,528 due primarily to a decrease in current assets.

SUMMARY OF CHANGES IN NET POSITION

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 3,552	\$ 3,204	\$ 3,080
Nonoperating revenues	<u>-</u>	<u>6</u>	<u>-</u>
Total revenues	<u>3,552</u>	<u>3,210</u>	<u>3,080</u>
Depreciation expense	2,429	2,110	1,742
Other operating expense	3,400	3,005	2,679
Nonoperating expense	<u>131</u>	<u>-</u>	<u>19</u>
Total expenses	<u>5,960</u>	<u>5,115</u>	<u>4,440</u>
Loss before contributions	(2,408)	(1,905)	(1,360)
Capital contributions	<u>2,099</u>	<u>3,246</u>	<u>11,008</u>
Change in net position	(309)	1,341	9,648
Net position, beginning of year	<u>76,625</u>	<u>75,284</u>	<u>65,636</u>
Net position, end of year	<u>\$ 76,316</u>	<u>\$ 76,625</u>	<u>\$ 75,284</u>

In 2023, the Authority’s operating revenues increased \$348 and other operating expense increased \$395 due to an increase in personnel costs, field support services and equipment maintenance for plant. The operating and maintenance contract allow for billing operator expenses plus 5%. Nonoperating revenues decreased \$6 related to a decrease in investment income while nonoperating expense increased \$131 related to an increase in investment loss. The Authority recognized \$2,099 in capital contributions from the Cities of Tulsa and Broken Arrow to fund improvements to the Haikey Creek Wastewater Treatment Plant.

In 2022, the Authority’s operating revenues increased \$124 and other operating expense increased \$326. The operating and maintenance contract allow for billing operator expenses plus 15% from July 1, 2021 to August 31, 2021 and 5% thereafter. Nonoperating revenues increased \$6 related to an increase in investment income. The Authority recognized \$3,246 in capital contributions from the Cities of Tulsa and Broken Arrow to fund improvements to the Haikey Creek Wastewater Treatment Plant.

**REGIONAL METROPOLITAN UTILITY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2023 and 2022**

Capital Assets

The Authority’s investment in capital assets as of June 30, 2023 and 2022 was \$72,956 and \$74,492, respectively (net of accumulated depreciation). This investment in capital assets includes infrastructure, buildings, and construction-in-progress.

During 2023, the Authority spent \$683 due to the Haikey Creek O&M capital equipment replacement projects. The Authority also spent \$106 for the activated sludge management rehabilitation for new aeration basins project , and \$41 for improvements on flow equalization basins project, both placed in service during the year.

During 2022, the Authority spent \$1,962 for the activated sludge management rehabilitation for new aeration basins, \$963 for improvements on flow equalization basins, \$515 for electrical improvements, \$298 for the maintenance building addition, \$163 for biosolid design and \$144 for grit facility rehabilitation. Infrastructure increased during 2022 while construction-in progress decreased due to the following projects placed in service during the year; \$20,392 activated sludge management rehabilitation for new aeration basins, \$1,660 sludge management improvements, \$1,189 improvements on flow equalization basins, \$884 maintenance building addition, and \$656 electric improvements.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Infrastructure	\$ 100,743	\$ 99,913	\$ 75,630
Building	2,216	2,216	1,316
Construction-in-progress	<u>361</u>	<u>298</u>	<u>21,112</u>
	103,320	102,427	98,058
Less accumulated depreciation	<u>(30,364)</u>	<u>(27,935)</u>	<u>(25,825)</u>
Capital assets, net	<u>\$ 72,956</u>	<u>\$ 74,492</u>	<u>\$ 72,233</u>

Economic factors and next year’s budget and rates

In setting its 2024 operating budget, the Authority considered many factors which impact the Authority’s operations and delivery of services. The 2024 budgeted outlays are expected to increase approximately 24.3 percent, and revenues are expected to increase 24.3 percent.

Requests for Information

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tulsa, Office of the Controller, 175 E. Second Street, Suite 1570, Tulsa, Oklahoma 74103.

REGIONAL METROPOLITAN UTILITY AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,045,982	\$ 3,022,562
Accounts receivable - related parties	563,749	703,323
Interest receivable	5,529	4,279
	<u>3,615,260</u>	<u>3,730,164</u>
Noncurrent assets:		
Nondepreciable capital assets	361,010	297,699
Depreciable capital assets, net	72,594,697	74,194,650
	<u>72,955,707</u>	<u>74,492,349</u>
Total noncurrent assets	<u>72,955,707</u>	<u>74,492,349</u>
Total assets	<u>76,570,967</u>	<u>78,222,513</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	232,279	291,865
Retainage payable	22,667	1,305,033
	<u>254,946</u>	<u>1,596,898</u>
Total liabilities	<u>254,946</u>	<u>1,596,898</u>
<u>NET POSITION</u>		
Net investment in capital assets	72,791,569	72,896,951
Unrestricted	3,524,452	3,728,664
	<u>3,524,452</u>	<u>3,728,664</u>
Total net position	<u>\$ 76,316,021</u>	<u>\$ 76,625,615</u>

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

REGIONAL METROPOLITAN UTILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Wastewater services	\$ 3,551,901	\$ 3,204,426
Operating expenses:		
Plant operations	3,400,413	3,004,695
Depreciation	2,428,712	2,109,925
Total operating expenses	<u>5,829,125</u>	<u>5,114,620</u>
Operating loss	<u>(2,277,224)</u>	<u>(1,910,194)</u>
Nonoperating revenues (expenses):		
Investment (loss) income	<u>(131,822)</u>	<u>5,576</u>
Loss before capital contributions	(2,409,046)	(1,904,618)
Capital contributions:		
Capital contributions - City of Broken Arrow	1,049,726	1,623,191
Capital contributions - City of Tulsa	<u>1,049,726</u>	<u>1,623,191</u>
Total capital contributions	<u>2,099,452</u>	<u>3,246,382</u>
Change in net position	(309,594)	1,341,764
Net position, beginning of year	<u>76,625,615</u>	<u>75,283,851</u>
Net position, end of year	<u>\$ 76,316,021</u>	<u>\$ 76,625,615</u>

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

REGIONAL METROPOLITAN UTILITY AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers	\$ 3,444,995	\$ 3,147,187
Payments to suppliers of goods and services	<u>(3,311,105)</u>	<u>(3,003,195)</u>
Net cash provided by operating activities	<u>133,890</u>	<u>143,992</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,323,330)	(5,983,229)
Capital contributions - City of Broken Arrow	1,332,311	3,187,917
Capital contributions - City of Tulsa	<u>1,013,621</u>	<u>1,913,181</u>
Net cash provided (used) by capital and related financing activities	<u>22,602</u>	<u>(882,131)</u>
Cash flows from investing activities:		
Investment (loss) income	<u>(133,072)</u>	<u>1,297</u>
Net increase (decrease) in cash and cash equivalents	23,420	(736,842)
Cash and cash equivalents, beginning of year	<u>3,022,562</u>	<u>3,759,404</u>
Cash and cash equivalents, end of year	<u>\$ 3,045,982</u>	<u>\$ 3,022,562</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (2,277,224)	\$ (1,910,194)
Adjustments:		
Depreciation	2,428,712	2,109,925
Change in accounts receivable	(106,906)	(57,239)
Change in accounts payable	<u>89,308</u>	<u>1,500</u>
Net cash provided by operating activities	<u>\$ 133,890</u>	<u>\$ 143,992</u>
Noncash capital and investing activities:		
Capital asset additions included in accounts payable and retainage payable	<u>\$ 164,137</u>	<u>\$ 1,595,398</u>
Capital contributions included in accounts receivable	<u>\$ 197,115</u>	<u>\$ 443,595</u>

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

REGIONAL METROPOLITAN UTILITY AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS – The purpose of the Regional Metropolitan Utility Authority (the “Authority”), as set out in the declaration of trust, is to provide, operate and maintain water supply, wastewater, and pollution control facilities for the benefit of various governmental entities. Currently, the Authority owns a sewage treatment facility (Haikey Creek Wastewater Treatment Plant).

REPORTING ENTITY – The Authority is a public trust created under the provisions of the Oklahoma Trust Act. Ownership of the Authority’s assets is retained by the Authority for the beneficiaries of the trust. Upon termination of the trust, the net position will be distributed to the beneficiaries based upon their pro rata interest. The current beneficiaries are the cities of Tulsa, Broken Arrow, Jenks, Bixby, and Owasso; however, only the cities of Tulsa (through Tulsa Metropolitan Utility Authority, a discretely presented component unit of the City of Tulsa) and Broken Arrow currently hold equity interests in the Authority. The City of Tulsa provides staffing to and maintains the accounting records of the Authority, in addition to acting as a fiscal agent for the Authority’s cash and investment transactions.

BASIS OF ACCOUNTING – The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to business-type activities of governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Capital contributions receivable from related parties and revenue is recognized as construction costs are incurred by the Authority. Operating revenues and expenses include exchange transactions. Investment income (loss) is reported as nonoperating revenues (expenses).

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

CASH AND CASH EQUIVALENTS – Cash and cash equivalent balances are held within the City of Tulsa, Oklahoma (the “City”) pooled portfolio. The Authority’s cash and cash equivalents are recorded at the net asset value of their position in the City’s pooled portfolio.

The Authority is allocated interest monthly based on their average daily position in the City’s pooled portfolio. Changes in fair value of the City’s pooled portfolio are allocated annually based on the Authority’s position as of June 30.

For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased, and amounts held by the City’s portfolio pool, to be cash equivalents.

The amounts held in the City’s pooled portfolio are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

ACCOUNTS RECEIVABLE – Accounts receivable consists of operating and capital costs that have been incurred by the Authority. These costs have not been reimbursed by the cities of Tulsa and Broken Arrow as of year-end. Management has determined that these receivables are fully collectible and therefore have not recorded an allowance for doubtful accounts.

CAPITAL ASSETS – Capital assets, with an initial cost of \$5,000 or more and a useful life of greater than one year are stated at cost. Capital assets placed in service are depreciated on a straight-line basis over the following estimated useful lives.

Infrastructure	10 – 99 years
Buildings	40 years

Cost and related accumulated depreciation are removed from the records when capital assets are sold or abandoned. The related gain or loss is recorded in the period of sale or disposal.

NET POSITION – Net position of the Authority represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by construction related payables. Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Authority first applies restricted resources. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of investment in capital assets or restricted.

INCOME TAXES – The Authority, as a political subdivision, is excluded from taxation under Section 115(1) of the Internal Revenue Code.

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. CASH DEPOSITS AND CASH EQUIVALENTS

Cash deposits of the Authority are held within the City's pooled portfolio. The City's pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2023 and 2022, the Authority maintained balances of \$3,045,982 and \$3,022,562 respectively, in the City's pooled portfolio which represented 0.24% and 0.25%, respectively of the City's pooled portfolio.

The City's pooled portfolio is collateralized by securities held by the City or its agent in the City's name as of June 30, 2023 and 2022.

Please refer to the City's Annual Comprehensive Financial Report for additional information on the City's pooled portfolio, including required disclosures of risks and fair value measurement techniques. A copy of the City's separately-issued report can be obtained at www.cityoftulsa.org.

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

3. CAPITAL ASSETS

Capital asset activity for the years ended is as follows:

2023:	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Construction-in-progress	\$ 297,699	\$ 210,246	\$ (146,935)	\$ 361,010
Depreciable capital assets:				
Infrastructure	99,913,402	681,824	146,935	100,742,161
Buildings	2,216,526	-	-	2,216,526
	<u>102,129,928</u>	<u>681,824</u>	<u>146,935</u>	<u>102,958,687</u>
Less accumulated depreciation for:				
Infrastructure	(27,655,594)	(2,376,081)	-	(30,031,675)
Buildings	(279,684)	(52,631)	-	(332,315)
Total accumulated depreciation	<u>(27,935,278)</u>	<u>(2,428,712)</u>	<u>-</u>	<u>(30,363,990)</u>
Total depreciable capital assets, net	<u>74,194,650</u>	<u>(1,746,888)</u>	<u>146,935</u>	<u>72,594,697</u>
Total capital assets, net	<u>\$ 74,492,349</u>	<u>\$ (1,536,642)</u>	<u>\$ -</u>	<u>\$ 72,955,707</u>
2022:	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Construction-in-progress	\$ 21,112,265	\$ 4,109,824	\$ (24,924,390)	\$ 297,699
Depreciable capital assets:				
Infrastructure	75,629,941	258,979	24,024,482	99,913,402
Buildings	1,316,618	-	899,908	2,216,526
	<u>76,946,559</u>	<u>258,979</u>	<u>24,924,390</u>	<u>102,129,928</u>
Less accumulated depreciation for:				
Infrastructure	(25,589,262)	(2,066,332)	-	(27,655,594)
Buildings	(236,091)	(43,593)	-	(279,684)
Total accumulated depreciation	<u>(25,825,353)</u>	<u>(2,109,925)</u>	<u>-</u>	<u>(27,935,278)</u>
Total depreciable capital assets, net	<u>51,121,206</u>	<u>(1,850,946)</u>	<u>24,924,390</u>	<u>74,194,650</u>
Total capital assets, net	<u>\$ 72,233,471</u>	<u>\$ 2,258,878</u>	<u>\$ -</u>	<u>\$ 74,492,349</u>

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

4. JOINT VENTURE EQUITY INTERESTS

The equity owners' interests at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
City of Tulsa	\$ 38,224,940	\$ 38,380,008
City of Broken Arrow	<u>38,091,081</u>	<u>38,245,607</u>
	<u>\$ 76,316,021</u>	<u>\$ 76,625,615</u>

The Authority recognized capital contributions from the City of Broken Arrow and the City of Tulsa to purchase capital improvements for the Haikey Creek Wastewater Treatment Plant of \$2,099,452 and \$3,246,382 for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, accounts receivable included \$197,115 and \$443,595, respectively, in connection with these capital contributions.

5. OPERATING AGREEMENTS

The equity owners entered into an operations and maintenance contract in 2010 with the City of Tulsa. The contract went into effect July 1, 2010 and automatically renewed for a one-year term on June 30th of each year unless 90 days' notice is given by either party to cancel. A new agreement was executed on September 8, 2021 effective for five years. Both agreements provide for capital costs to be billed to the equity owners. In the new agreement, operating costs are shared between the City of Broken Arrow and the City of Tulsa in relation to their measured flow of wastewater into the facility with a 5% markup replacing the 15% in the previous contract.

The Authority and the City of Tulsa entered into a 50-year lease agreement in 1973 for the Haikey Creek land. The Authority agreed to use the land for a lift station, forced main and treatment plant. The lease was renewed in June 2023, effective October 30, 2023, for an additional 50 years under the original terms and conditions. There is no financial obligation to the City under the terms of the lease.

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

6. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2023 and 2022, the Authority conducted the following transactions with the City of Tulsa and the City of Broken Arrow:

	<u>2023</u>	<u>2022</u>
Plant operator fees paid under operating agreement - City of Tulsa	\$ 3,277,454	\$ 2,989,692
Accounts receivable - City of Tulsa	\$ 119,366	\$ 30,022
Accounts receivable - City of Broken Arrow	\$ 444,383	\$ 673,301
Revenue from the user fees charged to the City of Broken Arrow	\$ 1,530,077	\$ 1,291,425
Revenue from the user fees charged to the City of Tulsa	\$ 2,021,824	\$ 1,913,001

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. As of June 30, 2023, and 2022, no amounts require loss recognition for these risks. The City purchases commercial insurance for general liability and property damage. The Authority is included in the City's insurance policies and would be responsible for deductibles relating to specific claims pertaining to the Authority. There have been no significant reductions in insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years.

8. COMMITMENTS

As of June 30, 2023, the Authority had open commitments for construction projects of approximately \$3,955,120 all of which will be reimbursed by the equity owners.



RSM US LLP

**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***

Independent Auditor's Report

Board of Trustees
Regional Metropolitan Utility 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 (*Government Auditing Standards*), the financial statements of the Regional Metropolitan Utility Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 7, 2023.

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) as a basis for designing 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 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 Authority'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 or significant deficiencies 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 financial statements. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Kansas City, Missouri
November 7, 2023