

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)

FINANCIAL REPORT
June 30, 2014 and 2013

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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Years Ended June 30, 2014 and 2013

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Independent Auditor's Report

Board of Trustees
Tulsa Metropolitan Utility Authority
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Tulsa Metropolitan Utility Authority (the Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Authority, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

We have previously audited the Authority's June 30, 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and each major fund in our report dated November 13, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report for the year ended June 30, 2014 dated November 6, 2014, respectively, 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 this 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 internal control over financial reporting 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 over financial reporting and compliance.



Kansas City, Missouri
November 6, 2014

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2014 and 2013

As management of the Tulsa Metropolitan Utility Authority (the "Authority"), a component unit of the City of Tulsa, Oklahoma (the "City"), 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, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the current year by \$921,709. Of this amount, \$102,716 is unrestricted and may be used to meet the Authority's ongoing obligations.
- The Authority's net position increased from \$884,778 at June 30, 2013 to \$921,709 at June 30, 2014. During 2014, the Authority generated an increase in net position of \$36,931 compared to \$31,011 during 2013.
- The Authority's cash and cash equivalents at June 30, 2014, were \$122,566, representing a decrease of \$9,095 from June 30, 2013.

Overview of the Financial Statements

The Authority, a legally separate public trust, is reported by the City as a discretely presented component unit in the City's Comprehensive Annual Financial Report. The primary function of the Authority is to provide for water delivery and wastewater utility systems.

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2014 and 2013

Required Financial Statements

The Authority uses fund accounting in its financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one fund type, proprietary, and reports two enterprise funds. Enterprise funds are used to report the functions presented as business-type activities.

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources 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. 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 did cash come from, what was cash used for, and what was the change in the cash balance during the period.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2014 and 2013

Net Position

The Authority's net position increased \$36,931 for the year ended June 30, 2014 and \$31,011 for the year ended June 30, 2013. The following table provides a summary of net position.

SUMMARY OF NET POSITION

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets, unrestricted	\$ 113,256	\$ 110,632	\$ 95,659
Restricted assets	96,280	106,505	95,912
Capital assets, net	1,159,756	1,110,443	1,076,383
Other assets	13,479	13,007	12,000
Total assets	<u>1,382,771</u>	<u>1,340,587</u>	<u>1,279,954</u>
Total deferred outflow of resources	<u>2,719</u>	<u>3,018</u>	<u>1,172</u>
Current liabilities	8,922	8,247	11,465
Liabilities payable from restricted assets	51,411	47,078	44,937
Noncurrent liabilities	400,029	399,254	370,957
Total liabilities	<u>460,362</u>	<u>454,579</u>	<u>427,359</u>
Total deferred inflow of resources	<u>3,419</u>	<u>4,248</u>	<u>-</u>
Net investment in capital assets	806,803	776,740	760,517
Restricted	12,190	9,466	11,296
Unrestricted	102,716	98,572	81,954
Total net position	<u>\$ 921,709</u>	<u>\$ 884,778</u>	<u>\$ 853,767</u>

In 2014 total assets increased \$42,184. The net increase in unrestricted current assets of \$2,624 is related to increases in cash of \$4,090, other receivables of \$106 and decreases in net utilities receivables of \$523, inventory of \$283 and property tax receivable of \$766 due to the decline on general obligation bond debt. The net decrease in restricted assets of \$10,225 is attributable to the usage of debt proceeds to fund capital expansion offset by the proceeds of debt issued in the current year. The increase in capital assets, net of \$49,313 is consistent with the improvement and expansion of both utility systems and is necessary to provide adequate services to our customers and to assure compliance with all applicable laws and regulations. Total deferred outflows of resources decreased \$299 due to the amortization of previous revenue bond refunding. Total liabilities increased \$5,783 the net result of promissory note increases and decreases in revenue bonds and general obligation debt. The decrease in total deferred inflows of resources of \$829 is related to decreases in debt refunding of \$62 and property taxes of \$767.

In 2013 total assets increased \$60,633. The increase in current assets of \$14,973 is related to increases in unrestricted cash of \$10,740 net utilities receivables of \$332, other receivables of \$3,925 and a decrease in inventory of \$24. The net increase in restricted assets of \$10,593 is attributable to the proceeds of debt issued in the current year offset by the usage of debt proceeds to fund capital expansion.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2014 and 2013

The increase in capital assets, net of \$34,060 is consistent with the improvement and expansion of both utility systems and is necessary to provide adequate services to our customers and to assure compliance with all applicable laws and regulations. Total deferred outflows of resources increased \$1,846 attributable to revenue bond refunding. Total liabilities increased \$27,220, the result of promissory notes issued in the current year and decreases in revenue bonds and general obligation debt. The increase in total deferred inflows of resources of \$4,248 is related to increases in debt refunding of \$284 and property taxes of \$3,964.

SUMMARY OF CHANGES IN NET POSITION

	2014	2013	2012
Operating revenue	\$ 182,464	\$ 178,406	\$ 170,152
Nonoperating revenue	4,092	3,372	3,965
Investment income	1,463	17	1,071
Total revenues	188,019	181,795	175,188
Depreciation expense	33,768	32,524	33,495
Other operating expense	101,462	104,203	105,418
Nonoperating expense	20,819	21,180	22,494
Total expenses	156,049	157,907	161,407
Income before contributions	31,970	23,888	13,781
Capital contributions	3,626	4,539	2,705
Capital contributions from City of Tulsa	1,335	2,584	4,757
Change in net position	36,931	31,011	21,243
Net position, beginning of year	884,778	853,767	832,524
Net position, end of year	\$ 921,709	\$ 884,778	\$ 853,767

In 2014 total revenues increased \$6,224 due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses decreased \$2,741, due to decreases in material and supplies of \$1,070, salaries and wages of \$214 and other services and charges of \$1,457. Nonoperating expenses decreased net \$361, due to a decrease in interest expense of \$702 and a \$341 increase in payments in lieu of taxes. Investment income increased \$1,446 as a result of an improvement in the investment return on slightly lower average investments. Capital contributions decreased \$2,162. As a result of these changes, net position increased \$36,931 during the year.

In 2013 total revenues increased \$6,607 due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses decreased net \$1,215, due primarily to an increase in material and supplies of \$1,085 and decreases in salaries and wages \$1,588 and other services and charges \$712. Nonoperating expenses decreased \$1,314, due to decreases in interest expense of \$914 and payments in lieu of taxes of \$400. Investment income decreased \$1,054 as a result of lower average investments and a decline in the return on investments. Capital contributions decreased \$339. As a result, net position increased \$31,011 during the year.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2014 and 2013

Capital Assets

The Authority's investment in capital assets as of June 30, 2014 and 2013 was \$1,159,756 and \$1,110,443, respectively, (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment and a water storage lease. The Authority paid \$73,961 and \$58,384 during 2014 and 2013, respectively, related to the acquisition and purchase of capital assets.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$ 34,793	\$ 32,283	\$ 31,864
Water storage lease	9,593	9,593	9,593
Buildings	48,214	48,040	47,755
Equipment	63,086	61,386	58,468
Land improvements, water and sewer lines	1,501,855	1,446,805	1,412,300
	<u>1,657,541</u>	<u>1,598,107</u>	<u>1,559,980</u>
Less accumulated depreciation	(605,699)	(574,388)	(545,408)
Construction-in-progress	<u>107,914</u>	<u>86,724</u>	<u>61,811</u>
Capital assets, net	<u>\$ 1,159,756</u>	<u>\$ 1,110,443</u>	<u>\$ 1,076,383</u>

Debt

At June 30, 2014 and 2013, the Authority had outstanding general obligation bonded debt of \$35,307 and \$40,817, respectively. These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the City. The City's Charter requires that not less than 50% of the annual principal and interest requirements on general obligation bonds issued for waterworks and wastewater be funded by water and wastewater revenues, respectively.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 35,307	\$ 40,817	\$ 46,085
Revenue bonds	134,225	143,935	153,530
Promissory notes	<u>233,978</u>	<u>214,175</u>	<u>172,376</u>
Total debt	<u>\$ 403,510</u>	<u>\$ 398,927</u>	<u>\$ 371,991</u>

During 2014, the Authority issued new debt to fund improvements to the wastewater system. The Authority's debt increased \$4,583 or 1.15% during 2014. As an issuer of bonds, the Authority is subject to numerous covenants contained within the bond indentures. The Authority is in full compliance with all of these covenants.

**TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2014 and 2013**

Funds

The Authority has two funds, the Water Fund and the Sewer Fund. At June 30, 2014, the Water Fund net position of \$481,995 reflected an increase of \$18,412 from the net position of \$463,583 at June 30, 2013. At June 30, 2014, the Sewer Fund net position of \$439,714 reflected an increase of \$18,519 from the net position of \$421,195 at June 30, 2013.

Economic factors and next year's budgets and rates

At the national level, unemployment declined to 6.1 percent at June 30, 2014. Unemployment in the City of Tulsa was 4.9 percent at the end of fiscal year 2014 compared to 5.4 percent at the end of fiscal year 2013. The Authority has not experienced a significant decline in collection rates for accounts receivable as the economy continues to recover from the economic downturn.

The Authority's appointed officials considered many factors when setting the fees that will be charged for water and sewer services in 2015. The Authority approved a 7 percent increase in water fees and a 9.75 percent increase in sewer fees beginning in October 2014. The fee increases are to fund operations, maintenance, debt service, and plant improvements.

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 Office of the Controller, 175 E. Second Street, Tulsa, Oklahoma 74103.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
Year Ended June 30, 2014 with Partial Financial Information for the Year Ended
June 30, 2013

(In thousands of dollars)

	2014			2013
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 50,391	\$ 34,734	\$ 85,125	\$ 81,035
Cash and cash equivalents, restricted	6,197	6,692	12,889	9,926
Accounts receivable:				
Utility services receivable, net	12,844	10,024	22,868	23,391
Other receivables	142	130	272	165
Property tax receivable	-	3,197	3,197	3,964
Inventories	1,567	227	1,794	2,077
Total current assets	<u>71,141</u>	<u>55,004</u>	<u>126,145</u>	<u>120,558</u>
Noncurrent assets:				
Cash and cash equivalents, restricted	11,740	12,812	24,552	40,700
Investments, restricted	18,369	40,157	58,526	54,849
Interest receivable, restricted	4	12	16	46
Advances to primary government, restricted	-	297	297	984
Equity interest in joint venture	-	13,479	13,479	13,007
Nondepreciable capital assets	72,850	79,450	152,300	128,600
Depreciable capital assets, net	<u>475,910</u>	<u>531,546</u>	<u>1,007,456</u>	<u>981,843</u>
Total noncurrent assets	<u>578,873</u>	<u>677,753</u>	<u>1,256,626</u>	<u>1,220,029</u>
Total assets	<u>\$ 650,014</u>	<u>\$ 732,757</u>	<u>\$ 1,382,771</u>	<u>\$ 1,340,587</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred charge on refunding	<u>2,719</u>	<u>-</u>	<u>2,719</u>	<u>3,018</u>
Total deferred outflows of resources	<u>\$ 2,719</u>	<u>\$ -</u>	<u>\$ 2,719</u>	<u>\$ 3,018</u>

(Continued)

The accompanying notes are an integral part of the financial statements

(In thousands of dollars)

	2014		2013	
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,966	\$ 2,447	\$ 5,413	\$ 4,624
Current portion of watermain extension contracts	442	-	442	524
Current portion of vested compensated absences	1,699	1,180	2,879	2,739
Current portion of net pension obligation	-	-	-	178
Current portion of water storage lease	188	-	188	182
Total current liabilities payable from unrestricted assets	5,295	3,627	8,922	8,247
Liabilities payable from restricted assets:				
Accounts payable and accrued liabilities	3,907	8,625	12,532	10,752
Deposits subject to refund	9,396	445	9,841	9,280
Current portion of general obligation debt	-	5,374	5,374	5,510
Current portion of promissory notes	141	13,558	13,699	11,826
Current portion of revenue bonds	9,965	-	9,965	9,710
Total current liabilities payable from restricted assets	23,409	28,002	51,411	47,078
Total current liabilities	28,704	31,629	60,333	55,325
Noncurrent liabilities:				
General obligation debt	-	29,933	29,933	35,307
Promissory notes	3,163	217,116	220,279	202,349
Revenue bonds	124,260	-	124,260	134,225
Unamortized bond premium	2,149	7,444	9,593	10,229
Unamortized bond discount	-	(104)	(104)	(63)
Watermain extension contracts	4,065	-	4,065	4,760
Vested compensated absences	672	467	1,139	1,728
Other post-employment benefits	3,043	2,556	5,599	5,624
Net pension obligation	700	583	1,283	925
Water storage lease	3,982	-	3,982	4,170
Total noncurrent liabilities	142,034	257,995	400,029	399,254
Total liabilities	170,738	289,624	460,362	454,579
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred gain on refunding	-	222	222	284
Property taxes	-	3,197	3,197	3,964
Total deferred inflows of resources	\$ -	\$ 3,419	\$ 3,419	\$ 4,248
<u>NET POSITION</u>				
Net investment in capital assets	426,327	380,476	806,803	776,740
Restricted for debt service	4,311	7,879	12,190	9,466
Unrestricted	51,357	51,359	102,716	98,572
Total net position	\$ 481,995	\$ 439,714	\$ 921,709	\$ 884,778

The accompanying notes are an integral part of the financial statements

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2014 with Partial Financial Information for the Year Ended
June 30, 2013

(In thousands of dollars)

	2014			2013
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
Operating revenues:				
Water and sewer services	\$ 100,515	\$ 81,949	\$ 182,464	\$ 178,406
Operating expenses:				
Personnel Services	25,506	20,809	46,315	46,529
Materials and supplies	8,672	4,390	13,062	14,132
Other services and charges	25,182	16,903	42,085	43,542
Depreciation	16,280	17,488	33,768	32,524
Total operating expenses	75,640	59,590	135,230	136,727
Operating income	24,875	22,359	47,234	41,679
Nonoperating revenues (expenses):				
Investment income	1,031	432	1,463	17
Interest and amortization expense	(3,298)	(6,109)	(9,407)	(10,109)
Ad valorem taxes	-	3,646	3,646	3,531
Payments to City of Tulsa	(6,270)	(5,142)	(11,412)	(11,071)
Other, net	287	159	446	(159)
Net nonoperating expenses	(8,250)	(7,014)	(15,264)	(17,791)
Income before contributions	16,625	15,345	31,970	23,888
Capital contributions	1,759	1,867	3,626	4,539
Capital contributions from City of Tulsa	28	1,307	1,335	2,584
	1,787	3,174	4,961	7,123
Change in net position	18,412	18,519	36,931	31,011
Net position, beginning of year	463,583	421,195	884,778	853,767
Net position, end of year	\$ 481,995	\$ 439,714	\$ 921,709	\$ 884,778

The accompanying notes are an integral part of the financial statements

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOW
Year Ended June 30, 2014 with Partial Financial Information for the Year Ended
June 30, 2013

(In thousands of dollars)	2014			2013
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
Cash flows from operating activities:				
Received from customers, including cash deposits	\$ 101,633	\$ 81,776	\$ 183,409	\$ 178,191
Payments to suppliers for goods and services	(32,775)	(20,945)	(53,720)	(59,137)
Payments to personnel for services	(25,743)	(20,867)	(46,610)	(48,276)
Net cash provided by operating activities	43,115	39,964	83,079	70,778
Cash flows from non-capital and related financing activities:				
Payments to City of Tulsa	(6,270)	(5,142)	(11,412)	(11,071)
Collection of advances to City of Tulsa	-	687	687	167
Net cash used by non-capital and related financing activities	(6,270)	(4,455)	(10,725)	(10,904)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(31,600)	(42,361)	(73,961)	(58,384)
Payments from City of Tulsa	28	1,307	1,335	1,627
Proceeds from sale of capital assets	335	203	538	441
Interest paid on long-term debt	(4,672)	(9,297)	(13,969)	(17,270)
Principal paid on long-term debt	(10,445)	(16,685)	(27,130)	(24,951)
Payment of bond issuance costs	-	(118)	(118)	(532)
Refunding Payments	-	-	-	(73,382)
Proceeds from long-term debt issuance	-	31,533	31,533	125,092
Premium received on debt issuance	-	37	37	7,240
Ad valorem taxes received	-	3,646	3,646	3,531
Payments on watermain extension contracts	(451)	-	(451)	(525)
Investment in joint venture	-	(725)	(725)	(1,280)
Net cash used by capital and related financing activities	\$ (46,805)	\$ (32,460)	\$ (79,265)	\$ (38,393)

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TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOW, Continued
Year Ended June 30, 2014 with Partial Financial Information for the Year Ended
June 30, 2013

(In thousands of dollars)	2014			2013
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
Cash flows from investing activities:				
Interest received on investments	\$ 908	\$ 247	\$ 1,155	\$ 271
Sale or maturity of investments	10,628	19,022	29,650	35,991
Purchases of investments	(9,998)	(22,991)	(32,989)	(45,401)
Net cash provided (used) by investing activities	1,538	(3,722)	(2,184)	(9,139)
Net (decrease) increase in cash and cash equivalents	(8,422)	(673)	(9,095)	12,342
Cash and cash equivalents, beginning of year	76,750	54,911	131,661	119,319
Cash and cash equivalents, end of year	\$ 68,328	\$ 54,238	\$ 122,566	\$ 131,661
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Current unrestricted cash and cash equivalents	\$ 50,391	\$ 34,734	\$ 85,125	\$ 81,035
Current restricted cash and cash equivalents	6,197	6,692	12,889	9,926
Noncurrent restricted cash and cash equivalents	11,740	12,812	24,552	40,700
	\$ 68,328	\$ 54,238	\$ 122,566	\$ 131,661
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 24,875	\$ 22,359	\$ 47,234	\$ 41,679
Adjustments:				
Depreciation	16,280	17,488	33,768	32,524
Decrease (increase) in accounts receivable	525	(109)	416	(291)
Decrease in inventories	249	34	283	24
Decrease in joint venture	-	253	253	273
(Decrease) increase in accounts payable and other accrued liabilities	578	(168)	410	(2,670)
(Decrease) increase in other post employment benefits	(70)	44	(26)	101
(Decrease) increase in net pension obligation	92	88	180	(916)
(Decrease) increase in deposits subject to refund	586	(25)	561	54
Net cash provided by operating activities	\$ 43,115	\$ 39,964	\$ 83,079	\$ 70,778
Noncash capital and related financing activities:				
Contributions from area developers	\$ 1,457	\$ 1,867	\$ 3,324	\$ 4,180
Additions included in accounts payable and retainage	\$ 2,528	\$ 6,254	\$ 8,782	\$ 7,273
Expiring watermain extension contracts	\$ 302	\$ -	\$ 302	\$ 628

The accompanying notes are an integral part of the financial statements

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2014 and 2013

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

NATURE OF BUSINESS AND REPORTING ENTITY - The Tulsa Metropolitan Utility Authority (the "Authority") was created under the provisions of the Oklahoma Public Trust Act. The Trustees of the Authority consist of the Mayor of the City of Tulsa (the "City") and six other members appointed by the Mayor and confirmed by the City Council. The beneficiary of the Trust is the City. The Authority is included in the City's Comprehensive Annual Financial Report as a discretely presented component unit.

Upon the issuance of its revenue bonds, the Authority leased from the City all existing and subsequently acquired water systems and the rights to the gross revenues generated for a term of 50 years or until all indebtedness collateralized and payable from system revenues is retired.

The City covenanted and agreed to collect the revenue of the system, operate and maintain the water system and make all necessary additions, extensions, replacements and improvements in order to keep the water system in proper working and revenue producing order on behalf of the Authority.

The Authority covenanted and agreed to utilize the gross revenue generated from the water system in accordance with the terms of the Bond Indenture, to reimburse the City for payment of operations and maintenance expenses, issue bonds for financing certain improvements to the water system and to prepare and adopt a schedule of approved uniform and nondiscriminatory rates, fees and charges for use of the water system.

Effective July 1, 1989, the Authority entered into a Wastewater System Lease Agreement and Operation and Maintenance Contract with the City. The terms of the agreement provide for the lease of the City's revenue producing sanitary sewer and wastewater treatment, collection, transportation, processing, and disposal systems and facilities, along with the transfer of related liabilities, for a term of 50 years or until such time as all bonds or indebtedness collateralized by, and payable from, revenues from the wastewater system are paid.

The fund accounts for water and sewer utility fees and other revenue dedicated to the Authority's water and sewer systems.

BASIS OF ACCOUNTING AND PRESENTATION – 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. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2014 and 2013

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

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to 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 more significant of these accounting policies are described below. All amounts, unless otherwise noted, are expressed in thousands.

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

CASH AND CASH EQUIVALENTS – For purposes of reporting cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased, along with cash held in the City's internal pool, to be cash equivalents.

INVESTMENTS – Investments consist of obligations of the U.S. Treasury and various federal agencies, and money market funds. These investments are held by bond trustees and invested in accordance with the requirements and terms of various bond indentures.

Investments are reported at fair value in the statement of net position. The Authority experienced an increase in the fair value of investments of approximately \$700 for the year ended June 30, 2014 and a decrease of \$977 for the year ended 2013. Realized gains and losses as well as changes in the fair market value of investments are reported as investment income in the statements of revenues, expenses and changes in net position.

INVENTORIES – Inventories are stated at cost (first-in, first-out).

RESTRICTED ASSETS – Certain assets of the Authority are restricted under the terms of its bond indentures or state statutes.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
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1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

UTILITY SERVICES RECEIVABLE – This balance consists of amounts due from customers within and around the Tulsa metropolitan area for utility service. Unbilled revenue is accrued and included in utility services receivable for services that were provided, but not billed at year end. The Authority recorded an allowance for uncollectible accounts of \$107 and \$228 as of June 30, 2014 and 2013, respectively.

CAPITAL ASSETS – Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Included in the capital assets is the interest capitalized during construction. Interest capitalized during fiscal years 2014 and 2013 was \$4,471 and \$3,479, respectively.

DEPRECIATION – Capital assets placed in service are depreciated on the straight-line basis over the following estimated useful lives:

Land improvements	30 years
Buildings	50 years
Water and sewer lines	33 - 100 years
Equipment	3 - 20 years

Capital assets sold or disposed have their cost and accumulated depreciation removed from the Authority's records. The related gain or loss is recorded in the period of sale or disposal.

CAPITAL CONTRIBUTIONS – Capital contributions include payments made by developers for the construction of water and sewer lines and grants. The Authority follows the provisions of GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," which establishes accounting and financial reporting standards to guide state and local governments' decisions about when and how to report the results of nonexchange transactions involving cash and other financial and capital resources.

VESTED COMPENSATED ABSENCES – Vacation and sick leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 14 to 26 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount which may be earned in one calendar year. Accumulated vacation leave vests and the Authority is obligated to make payment even if the employee terminates. Accumulated sick leave is not paid out to employees upon separation. The liability for compensated absences attributable to the Authority is charged to expense currently and a corresponding liability is established.

TULSA METROPOLITAN UTILITY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2014 and 2013

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

POST-EMPLOYMENT BENEFITS (PENSION AND OTHER) - Post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, whereas other benefits, including retirement and post-employment healthcare, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Authority accounts for annual pension and other post-employment benefit costs on an accrual basis, charging expenses in the period incurred, with a corresponding liability for benefits to be paid in future periods.

UNAMORTIZED DISCOUNTS AND PREMIUMS – Original issue discounts and premiums on the Authority's revenue bonds are amortized over the lives of the bonds using the effective interest method.

NET POSITION – Net position of the Authority represents the difference between assets and liabilities and deferred inflows/outflows. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Net investment in capital assets, excludes unspent bond proceeds of \$69,990 and \$84,281 as of June 30, 2014 and 2013, respectively. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Unrestricted net position is the difference between assets, liabilities and deferred inflow/outflows of resources that do not meet the definition of net investment in capital assets or restricted.

PROPERTY TAX REVENUE – Oklahoma statutes require that the City make a property tax levy for a sinking fund (Debt Service Fund) which shall, with cash and investments in the fund, be sufficient to pay all the bonded indebtedness, interest and one-third of all outstanding judgments coming due in the following fiscal year.

After review and approval by the City, the sinking fund estimates are submitted to the County Excise Board to determine the property tax levy. This submission is made by July 20th of each year. The County Assessor is required to file a tax roll report on or before October 1st each year with the County Treasurer indicating the net assessed valuation for all real and public service property.

The Oklahoma Tax Commission determines property assessed valuations. The assessment ratio in Tulsa County currently averages 11% of market value.

TULSA METROPOLITAN UTILITY AUTHORITY
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1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

Property tax is levied each October 1st on the assessed valuation of non-exempt real property located in the City as of the preceding January 1st, the lien date. Property taxes are due on November 1st following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1st, the second installment is not delinquent until April 1st). Property taxes are collected by the County Treasurers of Tulsa, Wagoner and Osage Counties, Oklahoma, and are remitted to the City. Property tax receivables are recorded on the lien date, although the related revenue is reported as a deferred inflow of resources and will not be recognized until the year for which it is levied.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

INCOME TAXES – With regards to federal income taxes, the Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code.

DEFERRED CHARGES/GAINS ON REFUNDING - Deferred charges/gains on refunding represents the difference in the reacquisition price and the net carrying amount of the old debt. These charges are presented as a deferred outflow/inflow of resources and recognized as a component of interest expense over the life of the old or new debt, whichever is shorter.

RECLASSIFICATIONS – Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on changes in net position.

2. CASH DEPOSITS AND INVESTMENTS

POOLED CASH AND INVESTMENTS – The Authority participates in the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities guaranteed by the United States Government or its agencies and are recorded at fair value. At June 30, 2014 and 2013, the pooled cash and investments, which are reflected in the Authority's Statements of Net Position within cash and cash equivalents, amounted to \$86,107 and \$78,856, respectively.

NON-POOLED CASH AND INVESTMENTS – Non-pooled cash and investments are included in restricted cash and cash equivalents and investments on the accompanying Statements of Net Position.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2014 and 2013

2. CASH DEPOSITS AND INVESTMENTS, continued

Investments are carried at fair value. The carrying amounts of the Authority's non-pooled cash equivalents and investments at June 30, 2014 and 2013, include:

		June 30, 2014	
		Maturities in years	
	Fair Value	Less than 1	1-5
U.S. Treasury Securities	\$ 58,526	\$ 39,006	\$ 19,520
Money Market Mutual Funds	36,459	36,459	-
	<u>\$ 94,985</u>	<u>\$ 75,465</u>	<u>\$ 19,520</u>

		June 30, 2013	
		Maturities in years	
	Fair Value	Less than 1	1-5
U.S. Treasury Securities	\$ 54,849	\$ 25,448	\$ 29,401
Money Market Mutual Funds	52,805	52,805	-
	<u>\$ 107,654</u>	<u>\$ 78,253</u>	<u>\$ 29,401</u>

Interest Rate Risk- For investments not restricted by bond requirements, the Authority utilizes the City's investment policy as a means of limiting its exposure to fair value losses arising from rising interest rates.

Pooled investments – In accordance with the City's investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City's pooled investment portfolio is 2.3 years.

Non-pooled investments – Bond requirements limit the type of restricted investments that can be acquired and unrestricted investments are in U.S. Treasury money market mutual funds. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately and are not subject to interest rate risk.

Credit Risk- Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority utilizes the City of Tulsa investment policy to limit its exposure to credit risks.

Pooled investments – The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2014 and 2013, the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ by Moody's Investor Service and Standard & Poor's, respectively.

Non-pooled investments – At June 30, 2014 and 2013 the Authority's investments in money market mutual funds were rated Aaa and AAA by Moody's Investor Service and Standard & Poor's, respectively.

TULSA METROPOLITAN UTILITY AUTHORITY
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2. CASH DEPOSITS AND INVESTMENTS, continued

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Pooled deposits and investments – The City’s investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City’s approval and release of the security. Certificates of deposit are, according to the City’s investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2014 and 2013, none of the deposits in the pooled portfolio was exposed to custodial credit risk. All safekeeping receipts for investment instruments are held in accounts in the City’s name and all securities are registered in the City’s name. Therefore, none of the Authority’s pooled investments as of June 30, 2014 and 2013 was exposed to custodial credit risk.

Non-pooled deposits and investments – The Authority’s deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured. The Authority’s investments in money market mutual funds are not subject to custodial credit risks because the investment is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – The Authority utilizes the City of Tulsa investment policy to determine the amount that may be invested in any one issuer.

Pooled investments – At June 30, 2014, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 19%, 18%, 19%, and 18%, respectively, of its total pooled investment portfolio. At June 30, 2013, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association constituted approximately 18%, 22%, 19%, and 22%, respectively, of its total pooled investment portfolio.

Non-pooled investments – At June 30, 2014 and 2013, the Authority had no investments in federal agencies.

TULSA METROPOLITAN UTILITY AUTHORITY
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2. CASH DEPOSITS AND INVESTMENTS, continued

RECONCILIATION TO STATEMENTS OF NET POSITION – A reconciliation of the pooled cash and investments, non-pooled deposits and non-pooled investments to the carrying amounts on the statements of net position as of June 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Pooled cash and investments	\$ 86,107	\$ 78,856
Non-pooled cash, cash equivalents and investments	<u>94,985</u>	<u>107,654</u>
	<u>\$ 181,092</u>	<u>\$ 186,510</u>
Current unrestricted cash and cash equivalents	\$ 85,125	\$ 81,035
Current restricted cash and cash equivalents	12,889	9,926
Noncurrent restricted cash and cash equivalents	24,552	40,700
Noncurrent restricted investments	<u>58,526</u>	<u>54,849</u>
	<u>\$ 181,092</u>	<u>\$ 186,510</u>

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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3. RESTRICTED ASSETS

Certain debt proceeds, as well as certain sources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants and they are maintained in separate bank accounts. A summary of the purpose for which these assets are restricted as of June 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
General Obligation Bonds:		
Sinking funds	\$ 3,544	\$ 2,968
Advances to primary government	<u>297</u>	<u>984</u>
	<u>3,841</u>	<u>3,952</u>
Deposits subject to refund:		
Escrow deposits	<u>9,841</u>	<u>9,280</u>
Sewer Promissory Notes:		
Reserve fund	12,415	12,094
Debt fund	6,692	5,806
Construction fund	36,565	39,864
Earnings fund	-	1
Rebate fund	<u>-</u>	<u>1</u>
	<u>55,672</u>	<u>57,766</u>
Water Revenue Bonds:		
Construction account	6,580	16,658
Reserve account	14,133	14,681
Principal account	<u>6,197</u>	<u>4,122</u>
	<u>26,910</u>	<u>35,461</u>
Interest receivable	<u>16</u>	<u>46</u>
Total restricted assets	<u>\$ 96,280</u>	<u>\$ 106,505</u>

TULSA METROPOLITAN UTILITY AUTHORITY
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4. CAPITAL ASSETS

The changes in capital assets are summarized as follows:

June 30, 2014	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable assets:				
Land	\$ 32,283	\$ 1,458	\$ 1,052	\$ 34,793
Water rights	9,593	-	-	9,593
Construction-in-progress	86,724	63,628	(42,438)	107,914
Total nondepreciable capital assets	128,600	65,086	(41,386)	152,300
Depreciable assets:				
Buildings	48,040	-	174	48,214
Equipment	61,386	4,249	(2,549)	63,086
Land improvements, water and sewer lines	1,446,805	13,848	41,202	1,501,855
Total depreciable capital assets	1,556,231	18,097	38,827	1,613,155
Accumulated depreciation:				
Buildings	(30,028)	(985)	-	(31,013)
Equipment	(36,869)	(3,841)	2,450	(38,260)
Land improvements, water and sewer lines	(507,491)	(28,942)	7	(536,426)
	(574,388)	(33,768)	2,457	(605,699)
Depreciable capital assets, net	981,843	(15,671)	41,284	1,007,456
Capital assets, net	\$ 1,110,443	\$ 49,415	\$ (102)	\$ 1,159,756
June 30, 2013	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable assets:				
Land	\$ 31,864	\$ -	\$ 419	\$ 32,283
Water rights	9,593	-	-	9,593
Construction-in-progress	61,811	57,118	(32,205)	86,724
Total nondepreciable capital assets	103,268	57,118	(31,786)	128,600
Depreciable assets:				
Buildings	47,755	-	285	48,040
Equipment	58,468	4,908	(1,990)	61,386
Land improvements, water and sewer lines	1,412,300	7,220	27,285	1,446,805
Total depreciable capital assets	1,518,523	12,128	25,580	1,556,231
Accumulated depreciation:				
Buildings	(29,001)	(1,027)	-	(30,028)
Equipment	(35,114)	(3,606)	1,851	(36,869)
Land improvements, water and sewer lines	(481,293)	(27,891)	1,693	(507,491)
	(545,408)	(32,524)	3,544	(574,388)
Depreciable capital assets, net	973,115	(20,396)	29,124	981,843
Capital assets, net	\$ 1,076,383	\$ 36,722	\$ (2,662)	\$ 1,110,443

TULSA METROPOLITAN UTILITY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
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5. JOINT VENTURE

The Regional Metropolitan Utility Authority ("RMUA") was created to operate a sewage treatment facility. The Authority contributes approximately one-half of RMUA's operating and capital budget, operates a facility for RMUA, and leases the facility site to RMUA. The City appoints two of the ten trustees with the remaining trustees appointed two each by the four other participating cities. Services are provided approximately 50% each to the City and the City of Broken Arrow, Oklahoma. In accordance with the Trust Agreement, the Authority is entitled, on both an interim and final basis, to its pro-rata interest based on its contributions to RMUA.

The Authority's net investment was \$13,479 and \$13,007 as of June 30, 2014 and 2013, respectively. The Authority's other services and charges have been increased to reflect the change in the net investment by \$253 and \$273 for the years ended June 30, 2014 and 2013, respectively. The Authority contributed \$725 and \$1,280 to RMUA for capital improvements during the year ended June 30, 2014 and 2013, respectively.

Request for an audited financial report or additional information concerning RMUA should be addressed to the Office of the Controller, 175 E. Second Street, Tulsa, Oklahoma 74103.

6. WATERMAIN EXTENSION CONTRACTS

The Authority contracts with developers for the construction of watermain extensions to provide water service for areas under development. Such watermain extensions are an extension of the City's existing water distribution system. Under such contracts, the contractor pays for all construction costs. The non-interest bearing repayments to contractors are payable over a ten year period and are generally limited to 40% of the collected revenues generated by the respective watermain extension, not to exceed the total cost as defined in the contract. The Authority has no liability after the ten year period if the contractor's portion of the respective revenues generated is insufficient to cover the contractor's costs.

Amounts due under the contracts were \$4,507 and \$5,284 at June 30, 2014 and 2013, respectively. The Authority estimates the current portion of the contractual liability based upon payments made during the year. The Authority made payments of \$451 and \$525 in accordance with these contracts for the years ended June 30, 2014 and 2013, respectively.

7. MUNICIPAL EMPLOYEES' PENSION PLAN

The Authority contributes to the Municipal Employees Pension System (the "Plan"), a cost sharing multiple-employer defined benefit pension plan administered by the City. The pension plan was established by the City in accordance with the City Charter and State Statutes, and is reported in the City's Comprehensive Annual Financial Report. All full-time employees, along with other employees of the City and certain related agencies, are eligible to participate in the Plan on the first day of the month coinciding with or next following their first day of employment, except employees elected or covered under the pension programs established for police officer and firefighters. Employees become 100% vested after five years of employment.

TULSA METROPOLITAN UTILITY AUTHORITY
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7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

Pension provisions include death benefits for the surviving spouse. The Plan does not provide a monthly income for disabled participants; however, under certain conditions, employees who become disabled may be eligible to receive their full retirement at age 65 even though they were unable to work up to the retirement age.

The ability to establish and amend requirements of plan members and the Authority is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute a percentage of their annual covered salary; the percentage was 6.0%, 6.0% and 5.0% for the years ended 2014, 2013 and 2012, respectively. The Authority is required to contribute at an actuarially determined rate. The Authority's pension cost information is presented below:

Annual Pension Cost Trend Information				
Year	Actuarially Required Contributions	Actual Contributions	Percent Contributed	Net Pension Obligation
2014	\$ 3,371	\$ 3,234	96%	\$ 1,283
2013	3,396	4,151	122%	1,103
2012	3,715	3,616	97%	2,020

The Plan is reported as a Pension Trust Fund in the City's 2014 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City provides post-employment healthcare benefits for retired employees and their dependents through the City of Tulsa Postretirement Medical Plan (the "Plan"), a multiple-employer defined benefit health care plan. The benefits, coverage levels, employee contributions and employer contributions are governed by the City through its personnel and union contracts.

All healthcare benefits are provided through the City's fully insured health plan. The benefit levels are the same as those offered to active employees. Benefits include general inpatient and outpatient medical services and prescriptions. General employees are eligible for membership in the plan if they retire from the City on or after age 55 with 5 years of service or with age and service totaling 80 points. Coverage ceases upon eligibility of the member (retiree or dependent) for Medicare. Coverage for dependents can continue upon the death of the retiree. Spouses of employees eligible for benefits and who die in active service can receive coverage.

TULSA METROPOLITAN UTILITY AUTHORITY
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8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

The actuarial valuation of liabilities under the Plan is calculated using the entry age normal cost method as of the July 1, 2014, 2013 and 2012 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability which was approximately \$14,216, \$28,539 and \$27,437 for the City as of June 30, 2014, 2013 and 2012, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable. The Authority's OPEB information is presented below:

Annual OPEB Cost Information - City				
Year	Actuarially Required Contributions	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2014	\$ 1,376	\$ 1,332	97%	\$ 5,599
2013	2,880	1,685	59%	5,624
2012	2,769	1,208	44%	5,523

The amount allocated is the Authority's proportionate share of the plans liability. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

9. RISK MANAGEMENT

The City's risk-management activities are recorded in the Employee Insurance Fund. The purpose of the fund is to administer the workers' compensation, health and dental insurance programs of the City. The Authority participates in the City's insurance programs through payment for services and assumes no liability. The City retains all risk of loss for workers' compensation while all other major insurance programs are covered by commercial insurance. There have been no significant reductions in insurance coverage for insured programs. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

10. NONCURRENT LIABILITIES

REVENUE BONDS - Revenue bonds outstanding consist of debt issued by the Authority. The debt does not constitute debt of the City and is payable solely from resources of the Authority. Revenue bonds are collateralized primarily by the trust estates and revenues derived there from.

Various bond indentures, loan agreements, and pledge and security agreements contain significant limitations and restrictions of annual debt requirements and flow of monies through various restricted accounts. The Authority has pledged future water revenues, net of operating expenses to repay \$134,225 of outstanding Utility Revenue Bonds. The bonds are to be paid solely from water net revenues and are payable through 2031. Annual principal and interest payments on the bonds have required an average 35 - 41 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$170,479. Principal and interest paid for the current year and water net revenues for the current year were \$15,117 and \$42,186, respectively.

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10. NONCURRENT LIABILITIES, continued

Revenue bond activity during 2014 was as follows:

June 30, 2014

Bonds, Series and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utility Revenue Bonds, Series 2007, 2027	\$ 27,815	4.00-4.50%	\$ 15,815	\$ -	\$ (2,400)	\$ 13,415	\$ 2,500
Utility Revenue Bonds, Series 2009, 2029	21,500	3.00-4.75%	18,790	-	(745)	18,045	775
Utility Revenue Bonds, Series 2010, 2030	14,510	2.25-4.00%	13,960	-	(560)	13,400	575
Utility Revenue Bonds, Series 2011, 2031	24,100	2.00-4.375%	22,370	-	(840)	21,530	855
Utility Revenue Bonds, Series 2012, 2025	12,685	2.00-2.65%	11,720	-	(965)	10,755	960
Utility Revenue Bonds, Series 2013, 2025	61,280	2.00-3.00%	61,280	-	(4,200)	57,080	4,300
			<u>\$ 143,935</u>	<u>\$ -</u>	<u>\$ (9,710)</u>	<u>\$ 134,225</u>	<u>\$ 9,965</u>

June 30, 2014	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other long-term liabilities					
Water storage lease	\$ 4,352	\$ -	\$ (182)	\$ 4,170	\$ 188
Watermain extension contracts	5,284	-	(777)	4,507	442
Other postemployment benefits	5,624	-	(25)	5,599	-
Vested compensated absences	4,467	2,911	(3,360)	4,018	2,879
Net pension obligation	1,103	180	-	\$ 1,283	-
Total other long-term liabilities	<u>\$ 20,830</u>	<u>\$ 3,091</u>	<u>\$ (4,344)</u>	<u>\$ 19,577</u>	<u>\$ 3,509</u>

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10. NONCURRENT LIABILITIES, continued

Revenue bond activity during 2013 was as follows:

June 30, 2013

Bonds, Series and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utility Revenue Bonds, Series 2003, 2018	\$ 8,890	3.75-4.45%	\$ 4,660	\$ -	\$ (4,660)	\$ -	\$ -
Utility Revenue Bonds, Series 2005, 2025	78,720	4.00-4.50%	60,955	-	(60,955)	-	-
Utility Revenue Bonds, Series 2007, 2027	27,815	4.00-4.50%	18,015	-	(2,200)	15,815	2,400
Utility Revenue Bonds, Series 2009, 2029	21,500	3.00-4.75%	19,505	-	(715)	18,790	745
Utility Revenue Bonds, Series 2010, 2030	14,510	2.00-4.00%	14,510	-	(550)	13,960	560
Utility Revenue Bonds, Series 2011, 2031	24,100	2.00-4.375%	23,200	-	(830)	22,370	840
Utility Revenue Bonds, Series 2012, 2025	12,685	2.00-2.65%	12,685	-	(965)	11,720	965
Utility Revenue Bonds, Series 2013, 2025	61,280	2.00-3.00%	-	61,280	-	61,280	4,200
			<u>\$ 153,530</u>	<u>\$ 61,280</u>	<u>\$(70,875)</u>	<u>\$ 143,935</u>	<u>\$ 9,710</u>

June 30, 2013

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other long-term liabilities					
Water storage lease	\$ 4,529	\$ -	\$ (177)	\$ 4,352	\$ 182
Watermain extension contracts	6,402	-	(1,118)	5,284	524
Other postemployment benefits	5,523	101	-	5,624	-
Vested compensated absences	5,399	2,880	(3,812)	4,467	2,739
Net pension obligation	2,020	159	(1,076)	1,103	178
Total other long-term liabilities	<u>\$ 23,873</u>	<u>\$ 3,140</u>	<u>\$ (6,183)</u>	<u>\$ 20,830</u>	<u>\$ 3,623</u>

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10. NONCURRENT LIABILITIES, continued

PROMISSORY NOTES - The Authority's outstanding promissory notes with the Oklahoma Water Resources Board are collateralized by a first lien and security interest in the Authority's wastewater treatment system and the revenues derived from the entire system and generally require semi-annual principal and interest payments.

The Authority has pledged future sewer and water revenue, net of operating expenses to repay \$230,674 and \$3,304 of promissory notes respectively. The promissory notes are to be paid from sewer and water net revenues and are payable through 2034. Annual principal and interest payments on the promissory notes have required on average 52 - 68 percent of net revenues. The total principal and interest remaining to be paid on the promissory notes is \$310,400. Principal and interest paid for the current year and sewer and water net revenues for the current year were \$19,616 and \$78,501, respectively.

The promissory notes contain certain covenants. The covenants require that net revenues of the wastewater system, as defined by the debt agreement, provide for minimums of 100% of the maximum debt service on all notes and 125% of the maximum debt service on senior notes.

During the year ended June 30, 2014, the Authority issued the Series 2014A promissory note for \$2,910. There was no outstanding balance on the promissory note at June 30, 2014.

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10. NONCURRENT LIABILITIES, continued

Loan activity during 2014 was as follows:

Promissory Notes and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer:							
Series 1997A - 2016	\$ 4,035	0.50%	\$ 721	\$ -	\$ (206)	\$ 515	\$ 206
Series 1998B - 2017	4,392	0.50%	1,032	-	(229)	803	229
Series 2001B - 2020	4,996	0.50%	1,841	-	(263)	1,578	263
Series 2002D - 2021	6,813	0.50%	2,970	-	(350)	2,620	349
Series 2004B - 2023	1,560	0.50%	840	-	(80)	760	80
Series 2005B - 2027	7,900	0.50-2.746%	5,918	-	(328)	5,590	338
Series 2005C - 2025	1,203	0.50%	752	-	(60)	692	60
Series 2006A - 2027	3,130	0.50-2.746%	2,285	-	(127)	2,158	131
Series 2006B - 2016	835	1.56%	276	-	(96)	180	101
Series 2006C - 2029	17,825	0.50-2.788%	14,530	140	(793)	13,877	707
Series 2006 - 2025	52,585	4.145-5.145%	40,230	-	(2,355)	37,875	2,445
Series 2007A - 2026	5,131	0.50%	3,552	-	(263)	3,289	263
Series 2007B - 2026	8,365	3.845-4.645%	6,609	-	(358)	6,251	371
Series 2009A - 2032	11,320	3.22%	8,816	611	(566)	8,861	566
Series 2009B - 2032	7,350	2.91%	5,054	-	(202)	4,852	208
Series 2010A - 2032	27,757	2.89%	19,883	2,774	(1,388)	21,269	1,388
Series 2010B - 2030	29,380	3.145-5.145%	27,265	-	(1,095)	26,170	1,125
Series 2011A - 2033	23,480	3.11%	9,205	9,451	(587)	18,069	1,174
Series 2011B - 2031	14,275	2.645-5.145%	13,775	-	(505)	13,270	520
Series 2011C - 2034	16,700	2.55%	3,569	7,371	-	10,940	835
Series 2012A - 2034	4,347	2.43%	4	1,006	-	1,010	109
Series 2012B - 2032	11,355	2.145-3.395%	11,135	-	(435)	10,700	440
Series 2012C - 2017	2,450	2.145-4.145%	2,450	-	(480)	1,970	480
Series 2013A - 2035	9,850	2.24%	-	-	-	-	-
Series 2013B - 2033	27,605	2.145-5.145%	27,605	-	(410)	27,195	945
Series 2014A - 2035	2,910	2.58%	-	-	-	-	-
Series 2014B - 2033	10,180	1.45-4.06%	-	10,180	-	10,180	225
			<u>210,317</u>	<u>31,533</u>	<u>(11,176)</u>	<u>230,674</u>	<u>13,558</u>
Water:							
Series 2008A - 2013	1,250	2.03%	416	-	(416)	-	-
Series 2009C - 2031	5,225	3.32%	3,442	-	(138)	3,304	141
			<u>\$ 214,175</u>	<u>\$ 31,533</u>	<u>\$ (11,730)</u>	<u>\$ 233,978</u>	<u>\$ 13,699</u>

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10. NONCURRENT LIABILITIES, continued

Loan activity during 2013 was as follows:

Promissory Notes and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer:							
Series 1992A - 2012	\$ 4,299	0.50%	\$ 107	\$ -	\$ (107)	\$ -	\$ -
Series 1997A - 2016	4,035	0.50%	927	-	(206)	721	206
Series 1998B - 2017	4,392	0.50%	1,261	-	(229)	1,032	229
Series 1998C - 2017	8,500	5.145%	3,490	-	(3,490)	-	-
Series 2001B - 2020	4,996	0.50%	2,103	-	(262)	1,841	263
Series 2002D - 2021	6,813	0.50%	3,320	-	(350)	2,970	349
Series 2003 - 2012	4,310	3.745%	520	-	(520)	-	-
Series 2004B - 2023	1,560	0.50%	920	-	(80)	840	80
Series 2005B - 2027	7,900	3.10%	6,319	1	(402)	5,918	328
Series 2005C - 2025	1,203	0.50%	812	-	(60)	752	60
Series 2006A - 2027	3,130	3.10%	2,354	72	(141)	2,285	127
Series 2006B - 2016	835	1.51%	367	-	(91)	276	96
Series 2006C - 2029	17,825	3.10%	15,139	282	(891)	14,530	891
Series 2006 - 2025	52,585	4.145-5.145%	42,495	-	(2,265)	40,230	2,355
Series 2007A - 2026	5,131	0.50%	3,815	-	(263)	3,552	263
Series 2007B - 2026	8,365	3.795-4.645%	6,953	-	(344)	6,609	358
Series 2009A - 2032	11,320	3.22%	7,767	1,615	(566)	8,816	566
Series 2009B - 2032	7,350	2.91%	4,809	539	(294)	5,054	202
Series 2010A - 2032	27,757	2.89%	10,716	9,861	(694)	19,883	1,388
Series 2010B - 2030	29,380	3.145-5.145%	28,325	-	(1,060)	27,265	1,095
Series 2011A - 2033	23,480	3.11%	-	9,205	-	9,205	587
Series 2011B - 2031	14,275	2.645-5.145%	14,275	-	(500)	13,775	505
Series 2011C - 2034	16,700	2.55%	-	3,569	-	3,569	-
Series 2012A - 2034	4,347	2.43%	-	4	-	4	-
Series 2012B - 2032	11,355	.545-3.395%	11,355	-	(220)	11,135	435
Series 2012C - 2017	2,450	.395-4.145%	-	2,450	-	2,450	480
Series 2013A - 2035	9,850	2.24%	-	-	-	-	-
Series 2013B - 2033	27,605	2.145-5.145%	-	27,605	-	27,605	410
			<u>168,149</u>	<u>55,203</u>	<u>(13,035)</u>	<u>210,317</u>	<u>11,273</u>
Water:							
Series 2008A - 2013	1,250	2.03%	653	75	(312)	416	416
Series 2009C - 2031	5,225	2.82%	3,574	-	(132)	3,442	137
			<u>\$ 172,376</u>	<u>\$ 55,278</u>	<u>\$ (13,479)</u>	<u>\$ 214,175</u>	<u>\$ 11,826</u>

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10. NONCURRENT LIABILITIES, continued

GENERAL LONG-TERM DEBT – General long-term debt of the Authority consists of general obligation bonds approved by the voters and issued by the City for water and wastewater capital assets. These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the City. The City's Charter requires not less than 50% of the annual principal and interest requirements on general obligation bonds issued for waterworks and wastewater be funded by water and wastewater revenues, respectively. General obligation bond activity during 2014 and 2013 was as follows:

2014

Bonds and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2004A- 2016	\$ 949	5.00%	\$ 242	\$ -	\$ (79)	\$ 163	\$ 79
Series 2004B- 2015	1,038	4.00-5.00%	232	-	(115)	117	117
Series 2006- 2026	817	4.00-4.50%	558	-	(43)	515	43
Series 2007- 2027	6,757	4.00-4.25%	5,254	-	(376)	4,878	376
Series 2008- 2028	8,659	4.00-4.75%	6,830	-	(457)	6,373	457
Series 2009- 2029	3,347	3.00-4.25%	2,813	-	(178)	2,635	178
Series 2009A- 2019	5,532	3.00-4.00%	3,577	-	(623)	2,954	610
Series 2009B- 2021	6,340	3.00-5.00%	4,482	-	(594)	3,888	582
Series 2012A- 2017	10,575	4.00%	8,295	-	(2,195)	6,100	2,110
Series 2013A- 2025	8,534	2.50%	8,534	-	(850)	7,684	822
			<u>\$40,817</u>	<u>\$ -</u>	<u>\$ (5,510)</u>	<u>\$35,307</u>	<u>\$ 5,374</u>

2013

Bonds and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2004A- 2016	\$ 949	5.00%	\$ 320	\$ -	\$ (78)	\$ 242	\$ 79
Series 2004B- 2015	1,038	4.00-5.00%	347	-	(115)	232	115
Series 2005- 2025	13,219	5.00%	9,031	-	(9,031)	-	-
Series 2006- 2026	817	4.00-4.50%	601	-	(43)	558	43
Series 2007- 2027	6,757	4.00-4.25%	5,630	-	(376)	5,254	376
Series 2008- 2028	8,659	4.00-4.75%	7,288	-	(458)	6,830	457
Series 2009- 2029	3,347	3.00-4.25%	2,991	-	(178)	2,813	178
Series 2009A- 2019	5,532	3.00-4.00%	4,213	-	(636)	3,577	623
Series 2009B- 2021	6,340	3.00-5.00%	5,089	-	(607)	4,482	594
Series 2012A- 2017	10,575	4.00%	10,575	-	(2,280)	8,295	2,195
Series 2013A- 2025	8,534	2.50%	-	8,534	-	8,534	850
			<u>\$46,085</u>	<u>\$ 8,534</u>	<u>\$ (13,802)</u>	<u>\$40,817</u>	<u>\$ 5,510</u>

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10. NONCURRENT LIABILITIES, continued

LINE OF CREDIT – In July, 2013 the Authority entered into an open line of credit agreement with a banking institution. The agreement was for an initial two year term and renewable in two year increments thereafter. The applicable interest rate is the 30 day LIBOR plus 1.75%. There have been no draws under the agreement.

ECONOMIC GAIN/LOSS ON REFUNDING - On March 27, 2013, the Authority issued \$61,280 in Series 2013 Refunding Utility Revenue Bonds to advance refund the Series 2003 and Series 2005 Utility Revenue Bonds. The refunding proceeds and other funds were deposited into an irrevocable escrow account to provide full payment of the refunded bonds on September 3, 2013. As a result, the Series 2003 and Series 2005 bonds are considered defeased and the liability for those bonds has been removed from TMUA's statement of net position. This transaction will reduce debt service payments by \$8,861 over the next 13 years and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$7,930. The refunding resulted in a deferred charge of \$2,679 which will be amortized over the remaining life of the old bonds. The amortization and related deferred charge are reported in the financial statements.

On March 1, 2013 the City issued \$32,280 in Series 2013A Refunding General Obligation Bonds. The proceeds of this issue were used to currently refund the City's Series 2005 General Obligation Bonds of which the Authority's portion was \$9,031. This transaction will reduce debt service payments by \$1,670 over the next 13 years and result in an economic gain (difference between the present values of the debt service payments on the old and the new debt) of \$1,434. The refunding resulted in a deferred accounting gain of \$171 which will be amortized over the life of the new bonds. The amortization and related deferred gain are reported in the financial statements.

PRINCIPAL AND INTEREST PAYMENTS IN SUBSEQUENT YEARS – Principal and interest payments in subsequent years are as follows:

	Revenue Bonds		Promissory Notes		General Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 9,965	\$ 4,256	\$ 13,699	\$ 8,335	\$ 5,374	\$ 1,329
2016	9,245	3,986	14,216	7,920	5,137	1,132
2017	8,555	3,726	14,308	7,500	4,923	945
2018	8,725	3,491	14,386	7,062	2,920	762
2019	8,880	3,244	14,063	6,588	2,903	656
2020-2024	47,370	12,173	72,810	25,295	9,627	1,924
2025-2029	34,310	4,923	64,652	11,404	4,423	431
2030-2034	7,175	455	25,844	2,318	-	-
	<u>\$ 134,225</u>	<u>\$ 36,254</u>	<u>\$ 233,978</u>	<u>\$ 76,422</u>	<u>\$ 35,307</u>	<u>\$ 7,179</u>

Variable Rate Terms – At June 30, 2014 the variable rate included in the above requirements is 1.51%, which includes program costs of 1.26% and an interest rate of 0.25%.

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11. RESERVE FOR BOND AND LOAN RETIREMENT

The City levies the ad valorem taxes for the retirement of 50% of general obligation bonds issued for the wastewater disposal system. Such levies are computed by dividing the original principal amount of bonds by the number of years the bonds will be outstanding. A reserve for bond retirement is established at the City, which as of June 30, 2014 and 2013, is computed as follows:

	<u>2014</u>	<u>2013</u>
Levies for principal to June 30	\$ 19,790	\$ 18,367
Bond maturities to June 30	<u>17,240</u>	<u>16,615</u>
Bond reserve	2,550	1,752
Interest reserve	903	1,147
Final interest reserve	<u>91</u>	<u>69</u>
Total general obligation bonds reserve	<u>\$ 3,544</u>	<u>\$ 2,968</u>

The Authority established reserves for the retirement of revenue bond debt, the assets of which are held by the trustee and totaled \$20,330 and \$18,803 at June 30, 2014 and 2013, respectively. Further, the Authority established reserves for the retirement of the Promissory Notes, the assets of which are held by the trustee and totaled \$19,107 and \$17,900 at June 30, 2014 and 2013, respectively.

12. NONCANCELABLE CAPITAL LEASE

On December 2, 1984, the Authority entered a contract with the United States of America to utilize storage of the Oologah Lake as a source of a municipal and industrial water supply. Interest rates for the contract were determined by the Secretary of the Treasury. For the initial development stage, the interest rate is 2.5 percent, and for the ultimate development stage, it is 3.225 percent. There is an outlet works and four storage spaces referenced in the contract. Payment terms are annual. The outlet work and storage space one matured in 2012 and had an interest rate of 2.5 percent. The maturity date and interest rate for the remaining three storage spaces are 2031 and 3.225 percent, respectively. There are also annual operation and maintenance expenses included.

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12. NONCANCELABLE CAPITAL LEASE, continued

The Authority leases water storage space at Lake Oologah and the lease payments are subject to a consumer price index adjustment. The minimum lease payments under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Operating Expense</u>	<u>Total</u>
2015	\$ 188	\$ 135	\$ 169	\$ 492
2016	194	128	169	491
2017	200	122	169	491
2018	207	116	169	492
2019	214	109	169	492
2020-2024	1,175	437	844	2,456
2025-2029	1,377	235	844	2,456
2030-2031	615	30	337	982
	<u>\$ 4,170</u>	<u>\$ 1,312</u>	<u>\$ 2,870</u>	<u>\$ 8,352</u>

13. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2014 and 2013, the Authority conducted the following transactions with related entities:

	<u>2014</u>	<u>2013</u>
Indirect cost reimbursement paid to the City of Tulsa	<u>\$ 5,715</u>	<u>\$ 5,608</u>
Payment in lieu of taxes to the City of Tulsa	<u>\$ 11,412</u>	<u>\$ 11,071</u>
Payments from the City of Tulsa	<u>\$ 1,335</u>	<u>\$ 2,584</u>
Charges for utility services paid by the City of Tulsa	<u>\$ 1,658</u>	<u>\$ 2,239</u>
Charges for maintenance of equipment paid to the City of Tulsa	<u>\$ 3,956</u>	<u>\$ 4,148</u>
Ad valorem taxes from the City of Tulsa	<u>\$ 3,646</u>	<u>\$ 3,531</u>

The Authority has outstanding advances of unspent bonds proceeds in the amount of \$297 and \$984 as of June 30, 2014 and 2013, respectively, held by the City. As a result, there is a noncurrent asset – advances to primary government, restricted, recorded in the statements of net position equal to these amounts.

14. GENERAL LITIGATION

The Authority is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the net position, changes in net position and cash flows of the Authority.

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15. COMMITMENTS

As of June 30, 2014, the Authority had open commitments for construction projects of approximately \$30,512.

16. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Authority beginning with its year ending June 30, 2015. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that met certain criteria.

This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension costs. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. While the impact of GASB Statement No. 68 in the year of adoption has not been determined, it has the potential to have a significant impact on the Authority's financial statements.

GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, issued November 2013, will be effective for the Authority for its year ending June 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

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17. SUBSEQUENT EVENTS

Promissory Note - On August 27, 2014 the Authority authorized the Series 2014C promissory note in the amount of \$21,000. Proceeds will be used to fund improvements to the wastewater utility system.

General Obligation Bond Refunding - On September 2, 2014, the City issued \$16,305 in Series 2014A General Obligation Refunding Bonds. Proceeds of the issue along with \$3,571 of other City resources were used to currently refund the City's Series 2006 General Obligation Bonds. The Authority's portion of the refunding bonds issued is \$430.

Utility Revenue Bond - On October 2, 2014 the Authority issued the Series 2014 Utility Revenue Bonds in the amount of \$17,825. Proceeds will be used to fund improvements to the water utility system.

