

**TULSA METROPOLITAN  
UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**ACCOUNTANTS' REPORTS AND FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**





**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**INDEX**  
**June 30, 2009 and 2008**

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	<u>Page</u>
Independent Accountants' Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Statements of Net Assets	6
Statements of Revenues, Expenses and Changes in Net Assets	8
Statements of Cash Flows	9
Notes to Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	26
Schedule of Findings and Responses	28

## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees  
Tulsa Metropolitan Utility Authority  
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of the Tulsa Metropolitan Utility Authority (the Authority), a component unit of the City of Tulsa, as of and for the years ended June 30, 2009 and 2008, as listed in the index. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the index is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD LLP

December 18, 2009

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Years Ended June 30, 2009 and 2008**

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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, 2009 and 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 6. 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 \$788,595. Of this amount, \$55,801 is unrestricted and may be used to meet the Authority's ongoing obligations.
- The Authority's net assets increased from \$776,864 at June 30, 2008, to \$788,595 at June 30, 2009. During 2009, the Authority generated an increase in net assets of \$11,731 compared to \$17,450 during 2008.
- The Authority's cash and cash equivalents at June 30, 2009, were \$78,646 representing a decrease of \$16,655 from June 30, 2008.

**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.

**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 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 Assets 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 Assets. 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 of its costs through its user fees and other charges, profitability and creditworthiness. 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, 2009 and 2008**

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**Net Assets**

The Authority's net assets increased \$11,731 for the year ended June 30, 2009 and \$17,450 for the year ended June 30, 2008. The following table provides a summary of net assets.

**SUMMARY OF NET ASSETS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 71,722	\$ 91,587	\$ 90,716
Restricted assets	84,723	79,568	91,761
Capital assets, net	970,828	922,638	875,755
Other assets	<u>10,616</u>	<u>10,241</u>	<u>10,120</u>
Total assets	<u>1,137,889</u>	<u>1,104,034</u>	<u>1,068,352</u>
Current liabilities	10,363	8,942	4,489
Liabilities payable from restricted assets	35,631	37,692	26,788
Noncurrent liabilities	<u>303,300</u>	<u>280,536</u>	<u>277,661</u>
Total liabilities	<u>349,294</u>	<u>327,170</u>	<u>308,938</u>
Invested in capital assets, net of related debt	723,455	700,459	665,154
Restricted	9,339	8,479	8,935
Unrestricted	<u>55,801</u>	<u>67,926</u>	<u>85,325</u>
Total net assets	<u>\$ 788,595</u>	<u>\$ 776,864</u>	<u>\$ 759,414</u>

In 2009, total assets increased \$33,855. The decrease in current assets of \$19,865 is related to decreases in unrestricted cash of \$21,387, other receivable of \$527 and inventory of \$172 with an increase in accounts receivable of \$2,221. The increase in restricted assets of \$5,155 is attributable to the proceeds of debt issued in the current year to fund capital expansion. The increase in capital assets of \$48,190 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 liabilities increased \$22,124 primarily due to debt issued in the current year.

In 2008, total assets increased \$35,682. The increase in current assets of \$871 is related to an increase in accounts receivable of \$990, an increase in net cash of \$19, an increase in inventory of \$11 and a decrease in other receivable of \$149. The decrease in restricted assets of \$12,193 is attributable to the unspent proceeds of debt issued in the current year to fund capital expansion. The increase in capital assets of \$46,883 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 liabilities increased \$18,232 primarily due to the timing for payments of accounts payable in the current year.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**Years Ended June 30, 2009 and 2008**

**SUMMARY OF CHANGES IN NET ASSETS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 132,786	\$ 127,030	\$ 124,333
Nonoperating revenues	9,103	5,231	26,699
Investment income	<u>4,020</u>	<u>6,301</u>	<u>7,286</u>
Total revenues	<u>145,909</u>	<u>138,562</u>	<u>158,318</u>
Depreciation expense	24,274	26,995	23,847
Other operating expenses	109,078	99,048	91,729
Nonoperating expenses	<u>4,971</u>	<u>1,576</u>	<u>5,500</u>
Total expenses	<u>138,323</u>	<u>127,619</u>	<u>121,076</u>
Income before contributions	7,586	10,943	37,242
Capital contributions	<u>4,145</u>	<u>6,507</u>	<u>3,549</u>
Special item – settlement proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	11,731	17,450	40,791
Net assets, beginning of year	<u>776,864</u>	<u>759,414</u>	<u>718,623</u>
Net assets, end of year	<u>\$ 788,595</u>	<u>\$ 776,864</u>	<u>\$ 759,414</u>

In 2009, total revenues increased \$7,347 due primarily to increased operating revenue. Other operating expenses increased \$10,030 due primarily to increases in salaries and wages \$2,541, material and supplies \$1,560, line cleanings \$2,226 and utilities \$1,845. Nonoperating expenses increased \$3,395 primarily due to increases in interest expense \$3,395 and a \$433 payment to the City of Tulsa for office rent. Investment income decreased \$2,281 as a result of lower average investments and a decline in the return on investments. Capital contributions decreased \$2,362. As a result, net assets increased \$11,731 during the year.

In 2008, total revenues decreased \$19,756 due primarily to decreased payments from sales tax funds used to liquidate debt in prior year. Other operating expenses increased \$7,320 primarily due to an increase in salaries and wages and an increase in utility costs. Nonoperating expenses decreased \$3,924 due primarily to the reduction in interest expense. Investment income decreased \$985 due to funds being used for elimination of debt. Capital contributions increased \$2,958. As a result, net assets increased \$17,450 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, 2009 and 2008**

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**Capital Assets**

The investment in capital assets (net of accumulated depreciation) as of June 30, 2009 and 2008, amounts to \$970,828 and \$922,638, respectively. This investment in capital assets includes land and improvements, buildings and equipment. The Authority paid \$63,885 and \$45,228 during 2009 and 2008, respectively, related to the acquisition and purchase of capital assets.

**CAPITAL ASSETS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Buildings	\$ 232,991	\$ 231,519	\$ 230,185
Equipment	929,201	915,280	895,833
Land improvements and water and sewer lines	<u>142,374</u>	<u>111,789</u>	<u>87,698</u>
	1,304,566	1,258,588	1,213,716
Less accumulated depreciation	(471,326)	(449,120)	(423,177)
Construction in progress	<u>137,588</u>	<u>113,170</u>	<u>85,216</u>
Capital assets, net	<u>\$ 970,828</u>	<u>\$ 922,638</u>	<u>\$ 875,755</u>

**Debt**

At June 30, 2009 and 2008, the Authority had outstanding general obligation bonded debt of \$63,205 and \$64,980, respectively. These bonds are required to be fully paid within 25 years from the date of issuance 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>2009</u>	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 63,205	\$ 64,980	\$ 61,561
Revenue bonds	135,317	119,923	125,734
Promissory notes	<u>104,801</u>	<u>97,234</u>	<u>93,620</u>
Total debt	<u>\$ 303,323</u>	<u>\$ 282,137</u>	<u>\$ 280,915</u>

The Authority's debt increased \$21,186 or 7.5% during 2009. During 2009, the Authority issued new debt to fund improvements to the water and wastewater systems. As an issuer of bonds, the Authority is subject to numerous covenants contained within the bond indentures. The Authority believes they are in full compliance with all of these covenants.

**Requests for Information**

This financial report is designed to provide interested parties with a general overview of the Authority's finances. 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 East Second Street, Tulsa, Oklahoma 74103.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**STATEMENTS OF NET ASSETS**  
**June 30, 2009 and 2008**

<u>ASSETS</u>	<u>2009</u>			<u>2008</u> <u>Total</u>
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>	
	(In thousands)			
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	\$ 27,189	\$ 22,888	\$ 50,077	\$ 71,464
Accounts receivable:				
Utility services receivable, net	11,982	7,165	19,147	16,926
Other receivables	432	186	618	1,145
Inventories	1,761	119	1,880	2,052
Total unrestricted current assets	<u>41,364</u>	<u>30,358</u>	<u>71,722</u>	<u>91,587</u>
Restricted assets:				
Cash and cash equivalents	22,378	6,191	28,569	23,836
Investments	19,131	1,314	20,445	18,506
Interest receivable	102	29	131	575
Total restricted current assets	<u>41,611</u>	<u>7,534</u>	<u>49,145</u>	<u>42,917</u>
Total current assets	<u>82,975</u>	<u>37,892</u>	<u>120,867</u>	<u>134,504</u>
Noncurrent assets:				
Investments, restricted	20,122	4,976	25,098	15,372
Investment in joint venture	-	9,970	9,970	9,641
Advances to other funds, restricted	-	10,480	10,480	21,279
Capital assets, net	487,722	483,106	970,828	922,638
Other	426	220	646	600
Total noncurrent assets	<u>508,270</u>	<u>508,752</u>	<u>1,017,022</u>	<u>969,530</u>
Total assets	<u>\$ 591,245</u>	<u>\$ 546,644</u>	<u>\$ 1,137,889</u>	<u>\$ 1,104,034</u>

(Continued)

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

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**STATEMENTS OF NET ASSETS, continued**  
**June 30, 2009 and 2008**

	2009		2008
	Water Fund	Sewer Fund	
	(In thousands)		
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 6,223	\$ 1,798	\$ 8,021
Current portion of water main extension contracts	438	-	438
Current portion of vested compensated absences	1,207	697	1,904
	7,868	2,495	10,363
Total current liabilities payable from unrestricted assets			8,942
Liabilities payable from restricted assets:			
Accrued liabilities	1,955	6,127	8,082
Deposits subject to refund	10,010	204	10,214
Current portion of general obligation debt	-	5,052	5,052
Current portion of promissory notes	-	5,558	5,558
Current portion of revenue bonds	6,725	-	6,725
	18,690	16,941	35,631
Total current liabilities payable from restricted assets			37,692
Total current liabilities	26,558	19,436	45,994
Noncurrent liabilities:			
General obligation debt	-	58,153	58,153
Unamortized bond premium	1,095	1,382	2,477
Revenue bonds, net	128,592	-	128,592
Unamortized bond discount	-	(148)	(148)
Promissory notes	209	99,034	99,243
Watermain extension contracts	8,366	-	8,366
Vested compensated absences	1,860	1,074	2,934
Other postemployment benefits	2,083	1,319	3,402
Arbitrage	251	30	281
	142,456	160,844	303,300
Total noncurrent liabilities			280,536
Total liabilities	169,014	180,280	349,294
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	396,654	326,801	723,455
Restricted for:			
Other purposes	-	-	-
Unrestricted	21,189	34,612	55,801
	21,189	34,612	55,801
Total net assets	\$ 422,231	\$ 366,364	\$ 788,595
			\$ 776,864

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

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years Ended June 30, 2009 and 2008**

	<b>2009</b>			<b>2008</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Total</b>	<b>Total</b>
	<b>(In thousands)</b>			
Operating revenues:				
Water and sewer services	\$ 76,758	\$ 56,028	\$ 132,786	\$ 127,030
Operating expenses:				
Salaries and wages	28,598	18,213	46,811	44,270
Materials and supplies	9,345	3,337	12,682	11,123
Other services and charges	27,500	22,085	49,585	43,655
Depreciation	10,515	13,759	24,274	26,995
Total operating expenses	75,958	57,394	133,352	126,043
Operating income (loss)	800	(1,366)	(566)	987
Nonoperating revenues (expenses):				
Investment income	2,610	1,410	4,020	6,301
Interest expense	-	(4,971)	(4,971)	(1,576)
Ad valorem taxes	-	4,255	4,255	4,041
Payments from City of Tulsa	-	4,763	4,763	916
Other, net	44	41	85	274
Net nonoperating revenues (expenses)	2,654	5,498	8,152	9,956
Income before contributions	3,454	4,132	7,586	10,943
Capital contributions	1,206	2,939	4,145	6,507
Transfers in	112	-	112	-
Transfers out	-	(112)	(112)	-
	1,318	2,827	4,145	6,507
Change in net assets	4,772	6,959	11,731	17,450
Net assets, beginning of year	417,459	359,405	776,864	759,414
Net assets, end of year	\$ 422,231	\$ 366,364	\$ 788,595	\$ 776,864

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

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2009 and 2008**

	<b>2009</b>			<b>2008</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Total</b>	<b>Total</b>
	<b>(In thousands)</b>			
Cash flows from operating activities:				
Cash received from customers, including cash deposits	\$ 76,322	\$ 55,948	\$ 132,270	\$ 126,862
Cash payments to suppliers for goods	(32,351)	(21,500)	(53,851)	(43,318)
Cash payments to employees for services	(26,889)	(17,290)	(44,179)	(42,131)
Cash payments for quasi-external operating transactions, including payments in lieu of taxes	(5,605)	(4,057)	(9,662)	(9,033)
Cash received from settlement of lawsuit	-	-	-	-
Net cash provided by operating activities	<u>11,477</u>	<u>13,101</u>	<u>24,578</u>	<u>32,380</u>
Cash flows from noncapital and related financing activities:				
Payments to City of Tulsa	-	(3,459)	(3,459)	(8,659)
Collection of advances to City of Tulsa	-	14,145	14,145	6,265
Net cash provided by (used in) noncapital and related financing activities	<u>-</u>	<u>10,686</u>	<u>10,686</u>	<u>(2,394)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(24,349)	(39,536)	(63,885)	(45,228)
Payments from City of Tulsa	-	4,763	4,763	916
Proceeds from sale of capital assets	141	89	230	365
Interest paid on long-term debt	(4,918)	(6,542)	(11,460)	(11,552)
Principal paid on long-term debt	(6,175)	(10,545)	(16,720)	(16,008)
Payment of bond issuance costs	(91)	-	(91)	-
Proceeds from the issuance of long-term debt	21,709	16,128	37,837	16,970
Premium received on debt issuance	260	-	260	-
Payment of call premium on debt refunding	-	-	-	-
Payment of arbitrage rebate	-	-	-	-
Ad valorem taxes received	-	4,255	4,255	4,041
Payments on watermain extension contracts	(391)	-	(391)	(443)
Investment in joint venture	-	-	-	-
Capital contribution	-	-	-	84
Net cash used in capital and related financing activities	<u>(13,814)</u>	<u>(31,388)</u>	<u>(45,202)</u>	<u>(50,855)</u>
Cash flows from investing activities:				
Interest received on investments	\$ 3,235	\$ 1,527	\$ 4,762	\$ 6,777
Sale or maturity of investments	43,932	1,490	45,422	60,447
Purchases of investments	(55,400)	(1,500)	(56,900)	(47,604)
Net cash provided by (used in) investing activities	<u>(8,233)</u>	<u>1,517</u>	<u>(6,716)</u>	<u>19,620</u>
Net decrease in cash and cash equivalents	(10,570)	(6,084)	(16,654)	(1,249)
Cash and cash equivalents, beginning of year	<u>60,137</u>	<u>35,163</u>	<u>95,300</u>	<u>96,549</u>
Cash and cash equivalents, end of year	<u>\$ 49,567</u>	<u>\$ 29,079</u>	<u>\$ 78,646</u>	<u>\$ 95,300</u>

(Continued)

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

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**STATEMENTS OF CASH FLOWS, continued**  
**Years Ended June 30, 2009 and 2008**

	<b>2009</b>			<b>2008</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Total</b>	<b>Total</b>
	<b>(In thousands)</b>			
Reconciliation of cash and cash equivalents to the Statements of Net Assets:				
Current unrestricted cash and cash equivalents	\$ 27,189	\$ 22,888	\$ 50,077	\$ 71,464
Current restricted cash and cash equivalents	22,378	6,191	28,569	23,836
	<u>\$ 49,567</u>	<u>\$ 29,079</u>	<u>\$ 78,646</u>	<u>\$ 95,300</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 800	\$ (1,366)	\$ (566)	\$ 987
Adjustments:				
Depreciation	10,515	13,759	24,274	26,995
Increase in accounts receivable	(2,119)	(60)	(2,179)	(841)
Decrease (increase) in inventories	158	14	172	(10)
(Increase) in joint venture	-	(329)	(329)	(155)
Increase (decrease) in accounts payable and other accrued liabilities	(641)	392	(249)	3,160
Increase in other postemployment benefits	1,113	701	1,814	1,590
Increase (decrease) in deposits subject to refund	1,651	(10)	1,641	654
	<u>\$ 11,477</u>	<u>\$ 13,101</u>	<u>\$ 24,578</u>	<u>\$ 32,380</u>

Noncash capital and related financing activities:

The Water Fund received noncash contributions of \$1,206 and \$715 from area developers and expiring watermain extension contracts of \$655 and \$188 during the years ended June 30, 2009 and 2008, respectively. The Water Fund also had noncash capital additions included in accounts payable and retainage of \$4,919 and \$2,427 for the years ended June 30, 2009 and 2008, respectively.

The Sewer Fund received noncash contributions of \$2,939 and \$5,708 from area developers during the years ended June 30, 2009 and 2008, respectively. The Sewer Fund also had noncash capital additions included in accounts payable and retainage of \$4,483 and \$8,424 for the years ended June 30, 2009 and 2008, respectively.

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

# TULSA METROPOLITAN UTILITY AUTHORITY

(A Component Unit of the City of Tulsa, Oklahoma)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tulsa Metropolitan Utility Authority (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. Pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, are not applied in the preparation of the financial statements of proprietary funds in accordance with an election made by the Authority under GASB Statement No. 20. GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements constitutes GAAP for governmental units. The more significant of these accounting policies are described below. All amounts unless otherwise noted are expressed in thousands.

**ORGANIZATION** – 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, Oklahoma, (the City) and six other members appointed by the Mayor and confirmed by the City Council. The beneficiary of the Authority 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 covenants and agrees 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 covenants and agrees 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.

**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. The Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

# TULSA METROPOLITAN UTILITY AUTHORITY

(A Component Unit of the City of Tulsa, Oklahoma)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**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 and any cash held by the City of Tulsa’s internal pool to be cash equivalents.

**INVESTMENTS** – Investments consist primarily 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.

The Authority follows the provisions of GASB Statement No. 31, “Certain Investments and External Investment Pools,” which requires governmental entities to report investments at fair value in the Statement of Net Assets. The Authority experienced an increase in the fair value of investments of approximately \$846 and \$423 for the years ended June 30, 2009 and 2008, respectively. Realized gains and losses as well as changes in the fair market value of investments are reported in investment income in the combined Statements of Revenues, Expenses and Changes in Net Assets.

**INVENTORIES** – Inventories are stated at the lower of cost (first-in, first-out method) or market.

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

**UTILITY SERVICES RECEIVABLE** – This amount 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 \$266 and \$289 as of June 30, 2009 and 2008, 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.

**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,” (the “Statement”) 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.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**VESTED COMPENSATED ABSENCES** – Vacation sick leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 13 to 24 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. The liability for compensated absences attributable to the Authority is currently charged to expense and a corresponding liability is established.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)** – Other postemployment 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 health care, are taken while the employees are in active service, whereas other benefits, including postemployment health care and other OPEB, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Authority accounts for annual OPEB cost on an accrual basis, charging expenses in the period incurred with a corresponding liability for benefits paid in future periods.

**DEFERRED BOND ISSUE COSTS** – Deferred bond issue costs are capitalized and amortized over the life of the debt using the effective interest method.

**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.

**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 assets during the reporting period. Actual results could differ from those estimates.

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

**RECLASSIFICATIONS** – Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on net earnings.

**2. CASH DEPOSITS AND INVESTMENTS**

**POOLED CASH AND INVESTMENTS** – The Authority maintains a portion of its cash and investments with the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities guaranteed by the U.S. government or its agencies and are recorded at fair market value. At June 30, 2009 and 2008, the pooled cash and investments, which are reflected on the Authority's Statements of Net Assets within cash and cash equivalents, amounted to \$61,814 and \$78,760, respectively. The pooled cash and investment balances at June 30, 2009 and 2008, were represented by investments that were collateralized by securities that were held by the pledging financial institution, or by its trust department or agent, in the City's name.

# TULSA METROPOLITAN UTILITY AUTHORITY

(A Component Unit of the City of Tulsa, Oklahoma)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### 2. CASH DEPOSITS AND INVESTMENTS, continued

**NONPOOLED CASH AND INVESTMENTS** – Nonpooled cash and investments are included in restricted cash and cash investments on the accompanying Statements of Net Assets. Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. 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.

Investments are carried at fair value. The carrying amounts of the Authority's nonpooled cash and investments at June 30, 2009 and 2008, include:

Type	June 30, 2009			
	Fair Value	Maturities in Years		
		Less Than 1	1-5	More Than 6
U.S. treasury securities	\$ 30,938	\$ 15,124	\$ 15,814	\$ -
U.S. agency obligations	14,605	5,321	9,284	-
Guaranteed investment contract	-	-	-	-
Money market mutual funds	16,832	16,832	-	-
	<u>\$ 62,375</u>	<u>\$ 37,277</u>	<u>\$ 25,098</u>	<u>\$ -</u>

  

Type	June 30, 2008			
	Fair Value	Maturities in Years		
		Less Than 1	1-5	More Than 6
U.S. agency obligations	\$ 33,878	\$ 18,506	\$ 15,372	\$ -
Guaranteed investment contract	-	-	-	-
Money market mutual funds	16,540	16,540	-	-
	<u>\$ 50,418</u>	<u>\$ 35,046</u>	<u>\$ 15,372</u>	<u>\$ -</u>

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

**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. At June 30, 2009 and 2008, the Authority's investments in U.S. agency obligations not directly guaranteed by the U.S. government were rated AAA by Standard & Poor's and Moody's Investor Service.

**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. All of the underlying securities for the Authority's investments in U.S. agency obligations at June 30, 2009 and 2008, are insured or registered, or securities held by the Authority or by its agent, in the Authority's name. The Authority's investments in money market mutual funds are not categorized as to custodial credit risks because the investment is not evidenced by securities that exist in physical or book entry form.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**2. CASH DEPOSITS AND INVESTMENTS, continued**

**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. At June 30, 2009, the Authority’s investment in Federal Home Loan Bank Corporation was 23% of its total investments. At June 30, 2008, the Authority’s investment in the Federal Home Loan Mortgage Company, Federal National Mortgage Association and Federal Home Loan Bank Corporation represented 14%, 25% and 25%, respectively, of its total investments.

**RECONCILIATION TO STATEMENT OF NET ASSETS** – A reconciliation of the pooled cash and investments, nonpooled deposits and nonpooled investments to the carrying amounts on the Statements of Net Assets as of June 30, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
Pooled cash and investments	\$ 61,814	\$ 78,760
Nonpooled cash, cash equivalents and investments	<u>62,375</u>	<u>50,418</u>
	<u>\$ 124,189</u>	<u>\$ 129,178</u>
Current unrestricted cash and cash equivalents	\$ 50,077	\$ 71,464
Current restricted cash and cash equivalents	28,569	23,836
Current restricted investments	20,445	18,506
Noncurrent restricted investments	<u>25,098</u>	<u>15,372</u>
	<u>\$ 124,189</u>	<u>\$ 129,178</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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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 Assets 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, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
General obligation bonds:		
Sinking funds	\$ 2,626	\$ 2,268
Advances to other funds	10,480	21,279
	<u>13,106</u>	<u>23,547</u>
Deposits subject to refund:		
Escrow deposits	<u>10,214</u>	<u>8,573</u>
Pooled cash and investments:		
General obligation bond proceeds	-	79
Water capital project fund	(276)	(702)
	<u>(276)</u>	<u>(623)</u>
Sewer promissory notes:		
Reserve fund	6,357	6,274
Debt fund	3,713	3,645
Construction fund	(448)	(142)
Earnings fund	1	1
Rebate fund	30	100
	<u>9,653</u>	<u>9,878</u>
Water revenue bonds:		
Construction account	33,060	20,952
Reserve account	12,851	11,032
Principal account	5,733	5,416
Rebate	251	218
	<u>51,895</u>	<u>37,618</u>
Interest receivable	<u>131</u>	<u>575</u>
Total restricted assets	<u>\$ 84,723</u>	<u>\$ 79,568</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

**4. CAPITAL ASSETS**

The changes in capital assets for the years ended June 30, 2009 and 2008, are summarized as follows:

<b>2009:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Nondepreciable assets:				
Land	\$ 30,160	\$ 432	\$ -	\$ 30,592
Construction in progress	113,170	54,775	(30,357)	137,588
Total nondepreciable capital assets	143,330	55,207	(30,357)	168,180
Depreciable assets:				
Buildings	231,519	1,668	(196)	232,991
Equipment	915,280	15,940	(2,019)	929,201
Land improvements and water and sewer lines	81,629	30,153	-	111,782
Total depreciable capital assets	1,228,428	47,761	(2,215)	1,273,974
Accumulated depreciation:				
Buildings	(90,670)	(4,906)	177	(95,399)
Equipment	(355,493)	(19,487)	1,890	(373,090)
Land improvements and water and sewer lines	(2,957)	120	-	(2,837)
	(449,120)	(24,273)	2,067	(471,326)
Depreciable capital assets, net	779,308	23,488	(148)	802,648
Capital assets, net	\$ 922,638	\$ 78,695	\$ (30,505)	\$ 970,828
<b>2008:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Nondepreciable assets:				
Land	\$ 30,046	\$ 114	\$ -	\$ 30,160
Construction in progress	85,216	47,582	(19,628)	113,170
Total nondepreciable capital assets	115,262	47,696	(19,628)	143,330
Depreciable assets:				
Buildings	230,185	1,334	-	231,519
Equipment	895,833	34,837	(15,390)	915,280
Land improvements and water and sewer lines	57,652	23,977	-	81,629
Total depreciable capital assets	1,183,670	60,148	(15,390)	1,228,428
Accumulated depreciation:				
Buildings	(84,324)	(6,356)	10	(90,670)
Equipment	(338,382)	(18,152)	1,041	(355,493)
Land improvements and water and sewer lines	(471)	(2,486)	-	(2,957)
	(423,177)	(26,994)	1,051	(449,120)
Depreciable capital assets, net	760,493	33,154	(14,339)	779,308
Capital assets, net	\$ 875,755	\$ 80,850	\$ (33,967)	\$ 922,638

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**4. CAPITAL ASSETS, continued**

Increases and decreases in assets and accumulated depreciation include amounts applicable to reclassification of certain assets.

The Authority incurred interest expense of \$11,001 and \$11,847 for the years ended June 30, 2009 and 2008, respectively, and capitalized interest of \$6,030 and \$10,271, respectively.

**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 \$9,970 and \$9,641 as of June 30, 2009 and 2008, respectively. The Authority’s other services and charges have been increased to reflect the change in the net investment by \$329 and \$155 for the years ended June 30, 2009 and 2008, respectively.

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

**6. WATER MAIN EXTENSION CONTRACTS**

The Authority contracts with developers for the construction of water mains to provide water service for areas under development. Such water mains are an extension of the City’s existing water distribution system. Under such contracts, the contractor pays for all construction costs. The noninterest-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 water main 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 \$8,804 and \$8,694 at June 30, 2009 and 2008, respectively. The Authority estimates the current portion of the contractual liability based upon payments made during the year. The Authority made payments of \$391 and \$443 in accordance with these contracts for the years ended June 30, 2009 and 2008, respectively.

**7. MUNICIPAL EMPLOYEES’ PENSION PLAN**

The Authority contributes to the Municipal Employees’ Pension System (“the System”), a cost sharing multiple-employer defined benefit pension plan administered by the City of Tulsa, Oklahoma. The pension plan was established by the City in accordance with the City Charter and State Statutes and is reported in the City’s Pension Trust Fund. Nonuniform, nonelected full-time employees of the Authority along with other employees of the City of Tulsa and certain related agencies participate in this plan immediately upon employment. Employees become 100% vested after five years of employment.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued**

Pension provisions include death benefits for the surviving spouse. The System 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 authority 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 System's board of trustees, which are appointed by the Mayor with approval of the City Council. System members are required to contribute 4.0% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate; the rate was 6.3% for both 2009 and 2008. The Authority's contributions to the System for the years ended June 30, 2009 and 2008, were \$1,914 and \$1,838, respectively, which equaled its portion of the contributions for each year.

The System is reported as a Pension Trust Fund in the City's 2009 Comprehensive Annual Financial Report. The System 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 POSTEMPLOYMENT BENEFITS (OPEB)**

The City provides postemployment health care benefits for retired employees and their dependents through the City of Tulsa Postretirement Medical Plan (the "Plan"), a single-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 health care 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 five 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.

The City's actuarial determined annual required contribution (ARC) for fiscal years ending June 30, 2009 and 2008, was \$3,072 and \$8,075 of which \$285 and \$326 were paid on a pay-as-you-go basis, respectively. The Authority was allocated \$3,402 and \$1,590 of the net obligation for the years ending June 30, 2009 and 2008, respectively, which has been reflected in the financial statements. The amount allocated to the Authority is based on the percentage of the Authority's payroll cost compared to the total payroll cost of the active eligible employees. 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 and 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.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

**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 therefrom.

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. Revenue bond activity for the years ended June 30, 2009 and 2008, is as follows:

**2009:**

<b>Bonds, Series and Maturity Dates</b>	<b>Issuance Amount</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Utility Revenue Bonds, Series 2003, 2018	\$ 8,890	3.70-4.45%	\$ 6,875	\$ -	\$ (530)	\$ 6,345	\$ 545
Utility Revenue Bonds, Series 2004, 2019	17,695	3.50-4.60%	15,565	-	(740)	14,825	755
Utility Revenue Bonds, Series 2005, 2025	78,720	4.00-4.50%	72,660	-	(3,005)	69,655	2,785
Utility Revenue Bonds, Series 2007, 2027	27,815	4.00-4.50%	26,015	-	(1,900)	24,115	2,000
Utility Revenue Bonds, Series 2009, 2029	21,500	3.00-4.75%	-	21,500	-	21,500	640
			121,115	21,500	(6,175)	136,440	6,725
Unamortized loss on refunding			(1,192)	-	69	(1,123)	-
			<u>\$ 119,923</u>	<u>\$ 21,500</u>	<u>\$ (6,106)</u>	<u>\$ 135,317</u>	<u>\$ 6,725</u>

**2008:**

<b>Bonds, Series and Maturity Dates</b>	<b>Issuance Amount</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Utility Revenue Bonds, Series 2003, 2018	\$ 8,890	3.70-4.45%	\$ 7,390	\$ -	\$ (515)	\$ 6,875	\$ 530
Utility Revenue Bonds, Series 2004, 2019	17,695	3.50-4.60%	16,290	-	(725)	15,565	740
Utility Revenue Bonds, Series 2005, 2025	78,720	4.00-4.50%	75,690	-	(3,030)	72,660	3,005
Utility Revenue Bonds, Series 2007, 2027	27,815	4.00-4.50%	27,815	-	(1,800)	26,015	1,900
			127,185	-	(6,070)	121,115	6,175
Unamortized loss on refunding			(1,451)	-	259	(1,192)	-
			<u>\$ 125,734</u>	<u>\$ -</u>	<u>\$ (5,811)</u>	<u>\$ 119,923</u>	<u>\$ 6,175</u>

**PROMISSORY NOTES** – The Authority’s outstanding loans 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 therefrom and generally require semiannual principal and interest payments.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

**10. NONCURRENT LIABILITIES, continued**

Loan activity during 2009 is as follows:

<u>Promissory Notes and Maturity Dates</u>	<u>Issuance Amount</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Sewer:</b>							
Series 1992A - 2012	\$ 4,299	0.50%	\$ 967	\$ -	\$ (215)	\$ 752	\$ 215
Series 1997A - 2016	4,035	0.50%	1,752	-	(206)	1,546	206
Series 1998B - 2017	4,392	0.50%	2,177	-	(229)	1,948	229
Series 1998C - 2017	8,500	4.95%	5,315	-	(425)	4,890	445
Series 2001B - 2020	4,996	0.50%	3,155	-	(263)	2,892	263
Series 2002D - 2022	6,813	0.50%	4,717	-	(349)	4,368	349
Series 2003 - 2012	4,310	3.05%	2,450	-	(460)	1,990	475
Series 2004B - 2023	1,560	0.50%	1,240	-	(80)	1,160	80
Series 2005B - 2027	7,900	3.10%	5,924	1,007	(395)	6,536	416
Series 2005C - 2025	1,203	0.50%	1,052	-	(60)	992	60
Series 2006A - 2028	3,130	3.10%	956	1,300	(157)	2,099	157
Series 2006B - 2016	835	2.62%	702	-	(91)	611	76
Series 2006C - 2027	17,835	3.10%	3,029	10,474	-	13,503	-
Series 2006 - 2025	52,585	4.15%	50,720	-	(1,935)	48,785	2,015
Series 2007A - 2026	5,131	0.50%	4,868	-	(263)	4,605	263
Series 2007B - 2026	8,365	4.15%	8,210	-	(295)	7,915	309
			<u>97,234</u>	<u>12,781</u>	<u>(5,423)</u>	<u>104,592</u>	<u>5,558</u>
<b>Water:</b>							
Series 2008A - 2026	1,250	2.30%	-	209	-	209	-
			<u>\$ 97,234</u>	<u>\$ 12,990</u>	<u>\$ (5,423)</u>	<u>\$ 104,801</u>	<u>\$ 5,558</u>

Loan activity during 2008 is as follows:

<u>Promissory Notes and Maturity Dates</u>	<u>Issuance Amount</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 1992A - 2012	\$ 4,299	0.50%	\$ 1,182	\$ -	\$ (215)	\$ 967	\$ 215
Series 1997A - 2016	4,035	0.50%	1,958	-	(206)	1,752	206
Series 1998B - 2017	4,392	0.50%	2,407	-	(230)	2,177	229
Series 1998C - 2017	8,500	4.95%	5,725	-	(410)	5,315	425
Series 2001B - 2020	4,996	0.50%	3,418	-	(263)	3,155	263
Series 2002D - 2022	6,813	0.50%	5,066	-	(349)	4,717	349
Series 2003 - 2012	4,310	3.05%	2,905	-	(455)	2,450	460
Series 2004B - 2023	1,560	0.50%	1,320	-	(80)	1,240	80
Series 2005B - 2027	7,900	3.10%	1,398	4,526	-	5,924	208
Series 2005C - 2025	1,203	0.50%	1,112	-	(60)	1,052	60
Series 2006A - 2028	3,130	3.10%	278	756	(78)	956	157
Series 2006B - 2016	835	4.15%	770	-	(68)	702	72
Series 2006C - 2027	17,835	3.10%	-	3,029	-	3,029	-
Series 2006 - 2025	52,585	4.15%	52,585	-	(1,865)	50,720	1,935
Series 2007A - 2026	5,131	0.50%	5,131	-	(263)	4,868	263
Series 2007B - 2026	8,365	4.15%	8,365	-	(155)	8,210	295
			<u>\$ 93,620</u>	<u>\$ 8,311</u>	<u>\$ (4,697)</u>	<u>\$ 97,234</u>	<u>\$ 5,217</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

**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 issuance 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. General obligation bond activity during 2009 and 2008 is as follows:

**2009:**

<b>Bonds and Maturity Dates</b>	<b>Issuance Amount</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Series 1999 - 2019	\$ 12,050	5.25-5.63%	\$ 7,621	\$ -	\$ (633)	\$ 6,988	\$ 633
Series 2001 - 2021	12,225	4.25-5.0%	8,373	-	(642)	7,731	642
Series 2002C - 2017	28,000	4.0-5.0%	18,900	-	(2,100)	16,800	2,100
Series 2003A - 2009	5,577	2.0-5.0%	904	-	(904)	-	-
Series 2004A- 2016	949	3.0-5.0%	633	-	(79)	554	79
Series 2004B- 2015	1,038	3.0-5.0%	536	-	(25)	511	25
Series 2005- 2025	13,219	3.25-5.0%	11,824	-	(696)	11,128	698
Series 2006- 2026	817	3.75-4.5%	774	-	(43)	731	43
Series 2007- 2027	6,757	3.75-4.25%	6,756	-	-	6,756	375
Series 2008- 2028	8,659	4.0-4.75%	8,659	-	-	8,659	457
Series 2009- 2030	3,347	2.5-4.25%	-	3,347	-	3,347	-
			<u>\$ 64,980</u>	<u>\$ 3,347</u>	<u>\$ (5,122)</u>	<u>\$ 63,205</u>	<u>\$ 5,052</u>

**2008:**

<b>Bonds and Maturity Dates</b>	<b>Issuance Amount</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Series 1999 - 2019	\$ 12,050	5.25-5.63%	\$ 8,254	\$ -	\$ (633)	\$ 7,621	\$ 633
Series 2001 - 2021	12,225	4.25-5.0%	9,015	-	(642)	8,373	642
Series 2002C - 2017	28,000	4.0-5.0%	21,000	-	(2,100)	18,900	2,100
Series 2003A - 2009	5,577	2.0-5.0%	1,818	-	(914)	904	902
Series 2004A- 2016	949	3.0-5.0%	712	-	(79)	633	79
Series 2004B- 2015	1,038	3.0-5.0%	668	-	(132)	536	25
Series 2005- 2025	13,219	3.25-5.0%	12,521	-	(697)	11,824	698
Series 2006- 2026	817	3.75-4.5%	817	-	(43)	774	43
Series 2007 - 2027	6,757	3.75-4.25%	6,756	-	-	6,756	-
Series 2008 - 2028	8,659	4.0-4.75%	-	8,659	-	8,659	-
			<u>\$ 61,561</u>	<u>\$ 8,659</u>	<u>\$ (5,240)</u>	<u>\$ 64,980</u>	<u>\$ 5,122</u>

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

	<b>Revenue Bonds</b>		<b>Promissory Notes</b>		<b>General Long-Term Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 6,725	\$ 5,569	\$ 5,558	\$ 3,564	\$ 5,052	\$ 2,931
2011	6,895	5,309	6,609	3,460	5,229	2,710
2012	7,180	5,041	6,747	3,261	5,320	2,480
2013	7,480	4,759	6,783	3,057	5,320	2,247
2014	7,905	4,465	6,289	2,858	5,320	1,992
2015-2019	37,575	17,709	31,762	11,149	21,710	6,252
2020-2024	38,780	10,049	30,075	5,540	10,731	2,338
2025-2029	23,900	2,223	10,978	492	4,523	449
	<u>\$ 136,440</u>	<u>\$ 55,124</u>	<u>\$ 104,801</u>	<u>\$ 33,381</u>	<u>\$ 63,205</u>	<u>\$ 21,399</u>

**VARIABLE RATE TERMS** – At June 30, 2009, the variable rate included in the above requirements is 3.10%, which includes program costs of 0.50% and an interest rate of 2.60%.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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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, which as of June 30, 2009 and 2008, is computed as follows:

	<u>2009</u>	<u>2008</u>
Levies for principal to June 30	\$ 31,150	\$ 25,653
Bond maturities to June 30	29,432	24,310
	<hr/>	<hr/>
Bond reserve	1,718	1,343
Interest reserve	419	414
Final interest reserve	45	68
	<hr/>	<hr/>
Total general obligation bonds reserve	<u>\$ 2,182</u>	<u>\$ 1,825</u>

The Authority established reserves for the retirement of revenue bond debt, the assets of which are held by the trustee, totaling \$18,584 and \$16,448 at June 30, 2009 and 2008, respectively. Further, the Authority established reserves for the retirement of the promissory notes, the assets of which are held by the trustee, totaling \$10,070 and \$9,919 at June 30, 2009 and 2008, respectively.

**12. NONCANCELABLE OPERATING LEASE**

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 as of June 30, 2009, under the lease are as follows:

2010	\$ 594
2011	594
2012	594
2013	491
2014	491
2015-2019	2,457
2020-2024	2,457
2025-2029	2,457
2030-2032	1,474
	<hr/>
	<u>\$ 11,609</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**13. RELATED-PARTY TRANSACTIONS**

During the years ended June 30, 2009 and 2008, the Authority conducted the following transactions with related entities:

	<u>2009</u>	<u>2008</u>
Indirect cost reimbursement paid to the City of Tulsa	\$ 4,973	\$ 4,766
Payment in lieu of taxes to the City of Tulsa	\$ 9,229	\$ 9,033
Payments from the City of Tulsa	\$ 4,763	\$ 916
Charges for utility services paid by the City of Tulsa	\$ 1,062	\$ 1,682
Charges for maintenance of equipment paid to the City of Tulsa	\$ 3,424	\$ 3,634
Charges for office rent paid to the City of Tulsa	\$ 139	\$ -

The Authority has outstanding advances of unspent bond proceeds in the amount of \$10,480 and \$21,279 as of June 30, 2009 and 2008, respectively, held by the City of Tulsa.

**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 financial position, changes in financial position and cash flows of the Authority.

**Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed  
in Accordance With *Government Auditing Standards***

Board of Trustees  
Tulsa Metropolitan Utility Authority  
Tulsa, Oklahoma

We have audited the financial statements of the Tulsa Metropolitan Utility Authority (the Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 09-01 and 09-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Board of Trustees  
Tulsa Metropolitan Utility Authority

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-01 to be a material weakness.

**Compliance and Other Matters**

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

We also noted certain additional matters that we reported to the Authority's management in a separate letter dated December 18, 2009.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

BKD LLP

December 18, 2009

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2009**

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**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
09-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Not all capital assets are maintained in the Barscan system (the City’s system for accounting for all capital assets). Certain items are reconciled outside the system. In addition, capital assets are not reconciled in a timely or accurate manner, lives assigned are not evaluated for accuracy and details are not reviewed for accuracy and completeness.</p> <p>Context – Capital assets are not being entered into the system in a timely manner; reconciliations are not being completed accurately or in a timely manner; and secondary reviews are not being performed.</p> <p>Effect – Potential misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Staffing positions continue to remain open or availability of staff is limited to perform the monthly updating and proper reviews of the information.</p> <p>Recommendation – We recommend management evaluate staffing needs and develop secondary review procedures to evaluate the integrity of the information.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the recommendation and will evaluate staffing levels necessary to provide adequate internal controls over financial reporting.</p>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2009**

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**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
09-02	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Improper cutoff of payables and related expenditures.</p> <p>Context – Payables were not being reported in the appropriate period.</p> <p>Effect – Potential misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Monitoring procedures as established to assist in the internal control over financial reporting process failed to work as designed.</p> <p>Recommendation – We recommend management perform a secondary review of expenditures after year-end to ensure that items are being reported in the proper period.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the recommendation and will evaluate staffing levels necessary to provide adequate internal controls over financial reporting.</p>