

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

**FINANCIAL REPORT**  
**June 30, 2016 and 2015**

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
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**Years Ended June 30, 2016 and 2015**

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RSM US LLP

## 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 years ended June 30, 2016 and 2015, 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 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 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.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and pension information on page 43 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.

*RSM US LLP*

Kansas City, Missouri  
November 29, 2016

**TULSA METROPOLITAN UTILITY AUTHORITY  
(A Component Unit of the City of Tulsa, Oklahoma)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2016 and 2015**

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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, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 10. 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 \$979,156. Of this amount, \$97,997 is unrestricted and may be used to meet the Authority's ongoing obligations.
- The Authority's net position increased from \$920,007 at June 30, 2015 to \$979,156 at June 30, 2016. During 2016, the Authority generated an increase in net position of \$59,149 compared to \$50,906 during 2015.
- The Authority's cash and cash equivalents at June 30, 2016, were \$231,870, representing an increase of \$58,143 from June 30, 2015.

**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, 2016 and 2015**

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**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 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, 2016 and 2015**

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**Net Position**

The Authority's net position increased \$59,149 for the year ended June 30, 2016 and \$50,906 for the year ended June 30, 2015. The following table provides a summary of net position.

**SUMMARY OF NET POSITION**

	<b>2016</b>	<b>2015</b>	<b>2014</b> <b>(as restated)</b>
Current assets, unrestricted	\$ 155,087	\$ 126,519	\$ 113,256
Restricted assets	121,039	111,233	96,280
Capital assets, net	1,221,004	1,198,228	1,159,756
Other assets	17,968	14,583	13,479
<b>Total assets</b>	<b>1,515,098</b>	<b>1,450,563</b>	<b>1,382,771</b>
<b>Total deferred outflows of resources</b>	<b>23,007</b>	<b>3,534</b>	<b>2,719</b>
Current liabilities	65,774	65,122	60,333
Noncurrent liabilities	479,643	450,764	429,507
<b>Total liabilities</b>	<b>545,417</b>	<b>515,886</b>	<b>489,840</b>
<b>Total deferred inflows of resources</b>	<b>13,532</b>	<b>18,204</b>	<b>26,549</b>
Net investment in capital assets	867,665	840,224	806,803
Restricted	13,494	12,759	12,190
Unrestricted	97,997	67,024	50,108
<b>Total net position</b>	<b>\$ 979,156</b>	<b>\$ 920,007</b>	<b>\$ 869,101</b>

In 2016 total assets increased \$64,535. The increase in unrestricted current assets of \$28,568 is primarily related to increases in cash of \$24,264, net utilities receivables of \$4,086, and property tax receivable of \$252 due to the refunding of general obligation bond debt with a shorter maturity. The net increase in restricted assets of \$9,806 is attributable to proceeds of debt issued in the current year to fund capital expansion offset by the spending of debt proceeds to fund capital expansion. The \$22,776 increase in capital assets 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 \$19,473 due to an increase in deferred outflows of pension related resources of \$19,806 and a decrease in deferred charge on refunding of previous revenue bonds of \$333. Total liabilities increased \$29,531 due primarily to increases in the net pension liability of \$25,335, revenue bonds of \$17,640, and decreases in promissory notes of \$5,880, and general obligation debt of \$5,046. Total deferred inflows of resources decreased \$4,672 primarily due to deferred inflows of pension related resources of \$4,872, offset by an increase in deferred property taxes revenue of \$252.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**Years Ended June 30, 2016 and 2015**

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In 2015 total assets increased \$67,792. The increase in unrestricted current assets of \$13,263 is related to increases in cash of \$11,851, other receivables of \$123, net utilities receivables of \$1,001, inventory of \$202 and property tax receivable of \$86 due to the refunding of general obligation bond debt. The net increase in restricted assets of \$14,953 is attributable to proceeds of debt issued in the current year to fund capital expansion offset by the usage of debt proceeds to fund capital expansion. The \$38,472 increase in capital assets 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 \$815 due primarily to increases in deferred outflows of pension related resources of \$989 as well as the amortization of previous revenue bond refundings of \$174. Total liabilities increased \$26,046 due primarily to the net increases in promissory notes of \$14,569, revenue bonds of \$6,885, and net pension liability of \$4,529, and a decrease in general obligation debt of \$5,697. Total deferred inflows of resources decreased \$8,345 compared to prior year due to decreases in pension related resources of \$8,377, and debt refundings of \$54 offset by an increase in deferred property tax revenue of \$86.



**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**Years Ended June 30, 2016 and 2015**

**SUMMARY OF CHANGES IN NET POSITION**

	<b>2016</b>	<b>2015</b>	<b>2014</b> <b>(as restated)</b>
Operating revenue	\$ 211,307	\$ 191,340	\$ 182,464
Nonoperating revenue	2,808	3,078	4,092
Investment income	1,750	979	1,463
<b>Total revenues</b>	<b>215,865</b>	<b>195,397</b>	<b>188,019</b>
Depreciation expense	37,144	35,178	33,768
Other operating expense	112,402	95,223	97,318
Nonoperating expense	23,387	21,830	20,819
<b>Total expenses</b>	<b>172,933</b>	<b>152,231</b>	<b>151,905</b>
Income before contributions	42,932	43,166	36,114
Capital contributions	10,168	4,846	3,626
Capital contributions from City of Tulsa	6,049	2,894	1,335
<b>Total capital contributions</b>	<b>16,217</b>	<b>7,740</b>	<b>4,961</b>
Change in net position	59,149	50,906	41,075
Net position, beginning of year	920,007	869,101	828,026
<b>Net position, end of year</b>	<b>\$ 979,156</b>	<b>\$ 920,007</b>	<b>\$ 869,101</b>

In 2016, total revenues increased \$20,468 due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses increased \$17,179, due to increases in personnel services of \$8,088 and an increase in other services and charges of \$9,311 primarily due to increases in water and sewer line repairs of \$7,146 and consulting services for the water and wastewater comprehensive plans of \$3,945 offset by decreases in charges for paving cuts of \$1,861 and electric utilities of \$275. Nonoperating expenses increased \$1,557, due to an increase in interest expense of \$957 and an increase in payments in lieu of taxes ("PILOT"), of \$600 based on higher water and sewer service revenue. Investment income increased \$771 related to larger cash and investment balances. Capital contributions increased \$8,477 related to increases in contributed water and wastewater lines of \$5,322 and contributions from sales tax funds for the Lower Bird Creek wastewater treatment plant. As a result of these changes, net position increased \$41,751 during the year.

In 2015 total revenues increased \$7,378 due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses decreased \$2,095, due to increases in personnel services of \$317 combined with decreases in other services and charges of \$2,027 and material and supplies of \$385. Nonoperating expenses increased \$1,011, due to an increase in interest expense of \$587 and increase of payments in lieu of taxes ("PILOT") of \$424. Investment income decreased \$484 as a result a decline in the return on investments. Capital contributions increased \$2,779. As a result of these changes, net position increased \$50,906 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, 2016 and 2015**

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**Capital Assets**

The Authority's investment in capital assets as of June 30, 2016 and 2015 was \$1,221,004 and \$1,198,228, respectively (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment and a water storage lease. The Authority paid \$50,455 and \$63,976 during 2016 and 2015, respectively, related to the acquisition and purchase of capital assets.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 34,772	\$ 34,592	\$ 34,793
Water storage lease	9,593	9,593	9,593
Buildings	49,121	48,434	48,214
Equipment	67,970	65,129	63,086
Land improvements, water and sewer lines	<u>1,677,395</u>	<u>1,601,916</u>	<u>1,501,855</u>
	1,838,851	1,759,664	1,657,541
Less accumulated depreciation	(672,764)	(637,632)	(605,699)
Construction-in-progress	<u>54,917</u>	<u>76,196</u>	<u>107,914</u>
Capital assets, net	<u>\$ 1,221,004</u>	<u>\$ 1,198,228</u>	<u>\$ 1,159,756</u>

**Debt**

At June 30, 2016 and 2015, the Authority had outstanding general obligation bonded debt of \$24,564 and \$29,610, 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>2016</u>	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 24,564	\$ 29,610	\$ 35,307
Revenue bonds	158,750	141,110	134,225
Promissory notes	<u>242,667</u>	<u>248,547</u>	<u>233,978</u>
Total debt	<u>\$ 425,981</u>	<u>\$ 419,267</u>	<u>\$ 403,510</u>

During 2016, the Authority issued new debt to fund improvements to the water and wastewater systems. The Authority's debt increased \$6,714 or 1.6% during 2016. 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, 2016 and 2015**

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**Funds**

The Authority has two funds, the Water Fund and the Sewer Fund. At June 30, 2016, the Water Fund net position of \$506,316 reflected an increase of \$27,549 from the net position of \$478,767 at June 30, 2015. At June 30, 2016, the Sewer Fund net position of \$472,840 reflected an increase of \$31,600 from the net position of \$441,240 at June 30, 2015.

**Economic factors and next year's budgets and rates**

At the national level, unemployment declined to 4.9 percent at June 30, 2016. Unemployment in the City of Tulsa was 5.4 percent at the end of fiscal year 2016 compared to 4.8 percent at the end of fiscal year 2015. 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 2017. The Authority approved a 6 percent increase in water fees and a 9 percent increase in sewer fees beginning in October 2016. The fee increases are to fund operations, maintenance, debt service, and capital 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, Suite 575, Tulsa, Oklahoma 74103.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**STATEMENTS OF NET POSITION**  
**June 30, 2016 and 2015**

(In thousands of dollars)	2016			2015		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 76,286	\$ 44,954	\$ 121,240	\$ 56,950	\$ 40,026	\$ 96,976
Cash and cash equivalents, restricted	17,024	8,076	25,100	16,332	7,501	23,833
Accounts receivable:						
Utility services receivable, net	15,948	12,007	27,955	12,859	11,010	23,869
Other receivables	416	171	587	222	173	395
Property tax receivable	-	3,535	3,535	-	3,283	3,283
Inventories	1,528	242	1,770	1,766	230	1,996
Total current assets	<u>111,202</u>	<u>68,985</u>	<u>180,187</u>	<u>88,129</u>	<u>62,223</u>	<u>150,352</u>
Noncurrent assets:						
Cash and cash equivalents, restricted	38,360	47,170	85,530	17,104	35,814	52,918
Investments, restricted	3,955	6,454	10,409	13,969	20,280	34,249
Interest receivable	3	9	12	6	20	26
Advances to primary government	-	12	12	-	207	207
Equity interest in joint venture	-	17,944	17,944	-	14,583	14,583
Nondepreciable capital assets	55,251	44,031	99,282	57,791	62,590	120,381
Depreciable capital assets, net	505,900	615,822	1,121,722	505,084	572,763	1,077,847
Total noncurrent assets	<u>603,469</u>	<u>731,442</u>	<u>1,334,911</u>	<u>593,954</u>	<u>706,257</u>	<u>1,300,211</u>
Total assets	<u>\$ 714,671</u>	<u>\$ 800,427</u>	<u>\$ 1,515,098</u>	<u>\$ 682,083</u>	<u>\$ 768,480</u>	<u>\$ 1,450,563</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	2,047	165	2,212	2,467	78	2,545
Deferred outflows of pension related resources	11,102	9,693	20,795	351	638	989
Total deferred outflows of resources	<u>\$ 13,149</u>	<u>\$ 9,858</u>	<u>\$ 23,007</u>	<u>\$ 2,818</u>	<u>\$ 716</u>	<u>\$ 3,534</u>

(Continued)

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 NET POSITION, Continued**  
**June 30, 2016 and 2015**

(In thousands of dollars)	2016			2015		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 9,960	\$ 9,433	\$ 19,393	\$ 9,399	\$ 12,694	\$ 22,093
Current portion of watermain extension contracts	366	-	366	402	-	402
Current portion of compensated absences	1,478	1,122	2,600	1,463	1,012	2,475
Current portion of water storage lease	200	-	200	194	-	194
Deposits subject to refund	10,141	551	10,692	9,673	467	10,140
Current portion of general obligation debt	-	6,627	6,627	-	5,174	5,174
Current portion of promissory notes	-	15,436	15,436	146	14,688	14,834
Current portion of revenue bonds	10,040	420	10,460	9,810	-	9,810
Total current liabilities	32,185	33,589	65,774	31,087	34,035	65,122
Noncurrent liabilities:						
General obligation debt	-	17,937	17,937	-	24,436	24,436
Promissory notes	-	227,231	227,231	3,018	230,695	233,713
Revenue bonds	137,825	10,465	148,290	131,300	-	131,300
Unamortized bond premium	3,076	9,174	12,250	2,570	9,296	11,866
Unamortized bond discount	-	(76)	(76)	-	(90)	(90)
Watermain extension contracts	2,998	-	2,998	3,399	-	3,399
Compensated absences	584	443	1,027	799	553	1,352
Other post-employment benefits	3,096	2,677	5,773	3,062	2,648	5,710
Net pension liability	32,758	27,867	60,625	19,118	16,172	35,290
Water storage lease	3,588	-	3,588	3,788	-	3,788
Total noncurrent liabilities	183,925	295,718	479,643	167,054	283,710	450,764
Total liabilities	\$ 216,110	\$ 329,307	\$ 545,417	\$ 198,141	\$ 317,745	\$ 515,886
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred gain on refunding	-	116	116	-	168	168
Deferred inflows of pension related resources	5,394	4,487	9,881	7,993	6,760	14,753
Property tax revenue	-	3,535	3,535	-	3,283	3,283
Total deferred inflows of resources	\$ 5,394	\$ 8,138	\$ 13,532	\$ 7,993	\$ 10,211	\$ 18,204
<b>NET POSITION</b>						
Net investment in capital assets	448,258	419,407	867,665	442,111	398,113	840,224
Restricted for debt service	5,428	8,066	13,494	5,328	7,431	12,759
Unrestricted	52,630	45,367	97,997	31,328	35,696	67,024
Total net position	\$ 506,316	\$ 472,840	\$ 979,156	\$ 478,767	\$ 441,240	\$ 920,007

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**  
**Years Ended June 30, 2016 and 2015**

(In thousands of dollars)	2016			2015		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Operating revenues:						
Water and sewer services	\$ 115,006	\$ 96,301	\$ 211,307	\$ 103,279	\$ 88,061	\$ 191,340
Operating expenses:						
Personnel Services	27,231	23,345	50,576	23,228	19,260	42,488
Materials and supplies	7,881	4,576	12,457	8,153	4,524	12,677
Other services and charges	29,274	20,095	49,369	23,303	16,755	40,058
Depreciation	17,274	19,870	37,144	16,795	18,383	35,178
Total operating expenses	81,660	67,886	149,546	71,479	58,922	130,401
Operating income	33,346	28,415	61,761	31,800	29,139	60,939
Nonoperating revenues (expenses):						
Investment income	1,198	552	1,750	692	287	979
Interest and amortization expense	(3,590)	(7,361)	(10,951)	(3,529)	(6,465)	(9,994)
Ad valorem taxes	-	2,729	2,729	-	2,989	2,989
Payments in lieu of taxes to City of Tulsa	(6,692)	(5,744)	(12,436)	(6,355)	(5,481)	(11,836)
Other, net	(16)	95	79	(72)	161	89
Net nonoperating expenses	(9,100)	(9,729)	(18,829)	(9,264)	(8,509)	(17,773)
Income before contributions	24,246	18,686	42,932	22,536	20,630	43,166
Capital contributions	3,303	6,865	10,168	2,966	1,880	4,846
Capital contributions from City of Tulsa	-	6,049	6,049	-	2,894	2,894
Total capital contributions	3,303	12,914	16,217	2,966	4,774	7,740
Change in net position	27,549	31,600	59,149	25,502	25,404	50,906
Net position, beginning of year	478,767	441,240	920,007	453,265	415,836	869,101
Net position, end of year	\$ 506,316	\$ 472,840	\$ 979,156	\$ 478,767	\$ 441,240	\$ 920,007

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 FLOWS**  
**Years Ended June 30, 2016 and 2015**

(In thousands of dollars)	2016			2015		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Cash flows from operating activities:						
Received from customers, including cash deposits	\$ 112,180	\$ 95,358	\$ 207,538	\$ 103,477	\$ 86,994	\$ 190,471
Payments to suppliers for goods and services	(35,514)	(25,090)	(60,604)	(30,052)	(19,658)	(49,710)
Payments to personnel for services	(27,106)	(22,949)	(50,055)	(25,989)	(21,417)	(47,406)
Net cash provided by operating activities	49,560	47,319	96,879	47,436	45,919	93,355
Cash flows from non-capital and related financing activities:						
Payments in lieu of taxes to the primary government	(6,692)	(5,744)	(12,436)	(6,355)	(5,481)	(11,836)
Collection of advances to City of Tulsa	-	194	194	-	90	90
Net cash used by non-capital and related financing activities	(6,692)	(5,550)	(12,242)	(6,355)	(5,391)	(11,746)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(12,277)	(38,178)	(50,455)	(26,085)	(37,891)	(63,976)
Investment in joint venture	-	(3,692)	(3,692)	-	-	-
Payments from City of Tulsa	-	6,049	6,049	-	2,894	2,894
Proceeds from sale of capital assets	163	106	269	245	176	421
Principal paid on long-term debt	(13,168)	(19,405)	(32,573)	(10,294)	(18,863)	(29,157)
Interest paid on long-term debt	(4,561)	(10,024)	(14,585)	(4,769)	(9,808)	(14,577)
Payment of bond issuance costs	(134)	-	(134)	(238)	(118)	(356)
Refunding Payments	-	(5,916)	(5,916)	(10,915)	(5,018)	(15,933)
Proceeds from long-term debt issuance	16,565	28,444	45,009	27,765	32,894	60,659
Premium received on debt issuance	919	695	1,614	773	2,648	3,421
Payment of call premium on debt refunding	-	(109)	(109)	(219)	(100)	(319)
Ad valorem taxes received for debt service	-	2,729	2,729	-	2,989	2,989
Payments on watermain extension contracts	(305)	-	(305)	(376)	(1,384)	(1,760)
Net cash used by capital and related financing activities	\$ (12,798)	\$ (39,301)	\$ (52,099)	\$ (24,113)	\$ (31,581)	\$ (55,694)

(Continued)

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 FLOWS, Continued**  
**Years Ended June 30, 2016 and 2015**

(In thousands of dollars)	2016			2015		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Cash flows from investing activities:						
Interest received on investments	\$ 1,248	\$ 592	\$ 1,840	\$ 699	\$ 304	\$ 1,003
Sale or maturity of investments	9,966	15,198	25,164	8,341	32,978	41,319
Purchases of investments	-	(1,399)	(1,399)	(3,950)	(13,126)	(17,076)
Net cash provided by investing activities	11,214	14,391	25,605	5,090	20,156	25,246
Net increase in cash and cash equivalents	41,284	16,859	58,143	22,058	29,103	51,161
Cash and cash equivalents, beginning of year	90,386	83,341	173,727	68,328	54,238	122,566
Cash and cash equivalents, end of year	\$ 131,670	\$ 100,200	\$ 231,870	\$ 90,386	\$ 83,341	\$ 173,727
Reconciliation of cash and cash equivalents to the Statement of Net Position:						
Current unrestricted cash and cash equivalents	\$ 76,286	\$ 44,954	\$ 121,240	\$ 56,950	\$ 40,026	\$ 96,976
Current restricted cash and cash equivalents	17,024	8,076	25,100	16,332	7,501	23,833
Noncurrent restricted cash and cash equivalents	38,360	47,170	85,530	17,104	35,814	52,918
	\$ 131,670	\$ 100,200	\$ 231,870	\$ 90,386	\$ 83,341	\$ 173,727
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 33,346	\$ 28,415	\$ 61,761	\$ 31,800	\$ 29,139	\$ 60,939
Adjustments:						
Depreciation	17,274	19,870	37,144	16,795	18,383	35,178
Increase in accounts receivable	(3,283)	(996)	(4,279)	(95)	(1,115)	(1,210)
Decrease / (Increase) in inventories	237	(12)	225	(199)	(3)	(202)
Decrease in joint venture	-	332	332	-	279	279
Increase in deferred outflows pension	(10,751)	(9,055)	(19,806)	(2,119)	(2,191)	(4,310)
Increase / (decrease) in accounts payable and other accrued liabilities	1,193	(772)	421	1,508	1,289	2,797
Increase in other post employment benefits	34	30	64	19	91	110
Increase in deposits subject to refund	468	84	552	277	23	300
Increase net pension liability	13,641	11,696	25,337	2,320	2,209	4,529
Decrease deferred inflows pension	(2,599)	(2,273)	(4,872)	(2,870)	(2,185)	(5,055)
Net cash provided by operating activities	\$ 49,560	\$ 47,319	\$ 96,879	\$ 47,436	\$ 45,919	\$ 93,355
Noncash capital and related financing activities:						
Contributions from area developers	\$ 3,170	\$ 6,865	\$ 10,035	\$ 605	\$ 1,058	\$ 1,663
Additions included in accounts payable and retainage	\$ 2,576	\$ 3,767	\$ 6,343	\$ 3,479	\$ 6,288	\$ 9,767
Expiring watermain extension contracts	\$ 133	\$ -	\$ 133	\$ 330	\$ -	\$ 330

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, 2016 and 2015**

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**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 funds account for water and sewer utility fees and other revenue dedicated to the Authority’s water and sewer systems.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

---

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

**BASIS OF ACCOUNTING AND PRESENTATION** – The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to enterprise activities of governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below. All amounts, unless otherwise noted, are expressed in thousands.

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, liabilities and deferred inflows/outflows 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.

**CASH AND CASH EQUIVALENTS** – Cash and cash equivalents reported on the statement of net position include both the amounts deposited within the City’s pooled portfolio and other cash and cash equivalents. Cash and cash equivalents also consist of money market accounts which are reported at amortized cost.

The Authority’s cash and cash equivalents included in the City’s pooled portfolio are recorded at the net asset value of their position in the City’s pooled portfolio. The Authority is allocated interest monthly based on their average daily position in the City’s pooled portfolio. Changes in fair value of the City’s pooled portfolio are allocated annually based on the Authority’s position as of June 30.

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

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

**INVESTMENTS** – the Authority may invest in equity securities and fixed income obligations of the U.S. Government, its agencies or instrumentalities.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

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

**FAIR VALUE MEASUREMENTS** – During the fiscal year ending June 30, 2016 the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Authority categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority’s own assumptions as there is little, if any, related market activity.

**Hierarchy** – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

**Inputs** – If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**INVENTORIES** – Inventories are stated at cost (first-in, first-out), which is not in excess of market.

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

**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. Utility services receivable included \$8,040 and \$6,122 of accrued unbilled revenue for the Water fund and Sewer fund, respectively, as of June 30, 2016. The Authority recorded an allowance for uncollectible accounts of \$31 and \$76 for Water fund and Sewer fund, respectively, as of June 30, 2016.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

---

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

**CAPITAL ASSETS** – Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at acquisition 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 is expensed as incurred. Included in the capital assets is the interest capitalized during construction. Interest capitalized during fiscal years 2016 and 2015 was \$3,045 and \$4,505, 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, grants, and amounts contributed by City sales tax funds. Sales tax fund expenditures restricted for the purchase of proprietary fund assets are reported as capital contributions when received from the City.

**COMPENSATED ABSENCES** – Vacation and sick leave is granted to all regular and part-time employees. The annual amount of vacation time earned 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 upon termination or retirement. Accumulated sick leave is not paid out to employees upon separation, if separation occurs before retirement eligibility. Upon retirement an employee is eligible to receive a lump sum payout of one hour for every three hours earned and unused if the employee has at least 960 hours. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation payments and other employees who are expected to become eligible in the future to receive such payments upon separation are included. The liability for compensated absences attributable to the Authority are charged to expense during the period earned and is probable of payout.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

---

**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 used while the employees are in active service, whereas other benefits, including retirement and post-employment healthcare, are used after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. Additional information regarding these liabilities is included in Notes 7 and 8.

**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 as of June 30, 2016 excludes unspent bond proceeds of \$42,366 and \$50,474 for Water and Sewer, respectively, and as of June 30, 2015 excludes unspent bond proceeds of \$31,074 and \$53,338 for Water and Sewer, 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 resources are 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 general obligation 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**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

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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 amounts reported in the financial statements and accompanying footnotes. 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 OUTFLOWS AND INFLOWS OF RESOURCES** – The Authority records deferred outflows or inflows of resources for the consumption or acquisition of net position that is applicable to a future reporting period and will not be reported as an outflow (expense) or inflow (revenue) until then. The financial statements reflect deferred outflows and inflows of resources recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions, and deferred inflows of resources related to property tax revenue.

**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, amortized using the effective interest method, and recognized as a component of interest expense over the life of the old or new debt, whichever is shorter.

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

**RECLASSIFICATIONS** – Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on total net position or changes in net position.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

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**2. CASH DEPOSITS AND INVESTMENTS**

**CASH AND CASH EQUIVALENTS** – Cash deposits of the Authority are held within the City’s pooled portfolio. The City’s pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2016 and 2015 the Authority maintained balances of \$130,233 and \$102,250, respectively, in the City’s pooled portfolio which represented 17.9% and 15.1%, respectively of the City’s pooled portfolio.

The City’s pooled portfolio is collateralized by securities held by the City or its agent in the City’s name as of June 30, 2016 and 2015.

Please refer to the City’s Comprehensive Annual Financial Report for additional information on the City’s pooled portfolio, including required disclosures of risks and fair value measurements. A copy of the City’s separately-issued report can be obtained at [www.cityoftulsa.org](http://www.cityoftulsa.org).

In addition, the Authority has money market accounts reported as cash equivalents on the statement of net position of \$101,637 and \$71,477 as of June 30, 2016 and 2015, respectively.

**INVESTMENTS** – For the years ended June 30, the Authority had the following investments:

	Fair Value	June 30, 2016		Fair Value Measurement
		Maturities in years		
		Less than 1	1-5	
U.S. Treasury Securities	\$ 10,409	\$ 9,005	\$ 1,404	Level 1

  

	Fair Value	June 30, 2015		Fair Value Measurement
		Maturities in years		
		Less than 1	1-5	
U.S. Treasury Securities	\$ 34,249	\$ 25,175	\$ 9,074	Level 1

**Interest Rate Risk** – Interest rate risk is the risk that a change in interest rates will adversely affect the value of an investment. For restricted funds, bond requirements limit the type of investments that can be acquired and consist of U.S. Treasury Securities.

**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 and bond indenture restrictions on authorized investments to limit its exposure to credit risks. The Authority’s investments in U.S. Treasury Securities are not subject to credit risk.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

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

**Custodial Credit Risk** – For deposits with financial institutions, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For investments, custodial credit risk is the risk that, in the event of 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.

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 U.S. Treasury Securities at June 30, 2016 and 2015 are insured or are registered securities held by the Authority or by its agent in the Authority's name. The Authority's investments in money market accounts 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. At June 30, 2016 and 2015, the Authority had no investment concentrations.



**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

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**3. RESTRICTIONS ON ASSET USE**

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, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
General Obligation Bonds:		
Sinking funds	\$ 2,952	\$ 2,708
Deposits subject to refund:		
Escrow deposits	<u>10,692</u>	<u>10,140</u>
Sewer Debt:		
Debt fund	7,785	7,290
Construction fund	35,940	39,295
Reserve fund	<u>14,472</u>	<u>13,836</u>
Debt service, reserves, construction funds	<u>58,197</u>	<u>60,421</u>
Water Debt:		
Principal account	6,884	6,657
Construction account	26,898	17,059
Reserve account	<u>15,416</u>	<u>14,015</u>
Debt service, reserves, construction funds	<u>49,198</u>	<u>37,731</u>
Total restricted assets	<u>\$ 121,039</u>	<u>\$ 111,000</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)**  
**June 30, 2016 and 2015**

**4. CAPITAL ASSETS**

The changes in capital assets are summarized as follows:

<b>June 30, 2016</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Transfers/ Decreases</b>	<b>Ending Balance</b>
<b>Nondepreciable assets:</b>				
Land	\$ 34,592	\$ -	\$ 180	\$ 34,772
Water rights	9,593	-	-	9,593
Construction-in-progress	76,196	39,013	(60,292)	54,917
Total nondepreciable capital assets	<u>120,381</u>	<u>39,013</u>	<u>(60,112)</u>	<u>99,282</u>
<b>Depreciable assets:</b>				
Land improvements, water and sewer lines	1,601,680	17,093	58,622	1,677,395
Buildings	48,434	-	687	49,121
Equipment	65,365	4,004	(1,399)	67,970
Total depreciable capital assets	<u>1,715,479</u>	<u>21,097</u>	<u>57,910</u>	<u>1,794,486</u>
<b>Accumulated depreciation:</b>				
Land improvements, water and sewer lines	(566,653)	(31,927)	-	(598,580)
Buildings	(31,919)	(875)	-	(32,794)
Equipment	(39,060)	(4,342)	2,012	(41,390)
	<u>(637,632)</u>	<u>(37,144)</u>	<u>2,012</u>	<u>(672,764)</u>
Depreciable capital assets, net	<u>1,077,847</u>	<u>(16,047)</u>	<u>59,922</u>	<u>1,121,722</u>
<b>Capital assets, net</b>	<u>\$ 1,198,228</u>	<u>\$ 22,966</u>	<u>\$ (190)</u>	<u>\$ 1,221,004</u>
<b>June 30, 2015</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Transfers/ Decreases</b>	<b>Ending Balance</b>
<b>Nondepreciable assets:</b>				
Land	\$ 34,793	\$ -	\$ (201)	\$ 34,592
Water rights	9,593	-	-	9,593
Construction-in-progress	107,914	54,404	(86,122)	76,196
Total nondepreciable capital assets	<u>152,300</u>	<u>54,404</u>	<u>(86,323)</u>	<u>120,381</u>
<b>Depreciable assets:</b>				
Land improvements, water and sewer lines	1,501,855	14,221	85,840	1,601,916
Buildings	48,214	-	220	48,434
Equipment	63,086	5,355	(3,312)	65,129
Total depreciable capital assets	<u>1,613,155</u>	<u>19,576</u>	<u>82,748</u>	<u>1,715,479</u>
<b>Accumulated depreciation:</b>				
Land improvements, water and sewer lines	(536,426)	(30,242)	15	(566,653)
Buildings	(31,013)	(906)	-	(31,919)
Equipment	(38,260)	(4,030)	3,230	(39,060)
	<u>(605,699)</u>	<u>(35,178)</u>	<u>3,245</u>	<u>(637,632)</u>
Depreciable capital assets, net	<u>1,007,456</u>	<u>(15,602)</u>	<u>85,993</u>	<u>1,077,847</u>
<b>Capital assets, net</b>	<u>\$ 1,159,756</u>	<u>\$ 38,802</u>	<u>\$ (330)</u>	<u>\$ 1,198,228</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
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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 equity interest was \$17,944 and \$14,583 as of June 30, 2016 and 2015, respectively. The Authority’s other services and charges have been increased to reflect the change in equity interest by \$332 and \$279 for the years ended June 30, 2016 and 2015, respectively. The Authority contributed \$3,692 and \$1,384 to RMUA for capital improvements during the years ended June 30, 2016 and 2015, 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 watermains to provide water service for areas under development. Such watermains are an extension of the City's existing water distribution system. Under such contracts, the contractor pays for all construction costs. When the work is complete, the area has been prepared for development and the developer certifies their net allowable costs (this is the maximum amount recoverable by the developer), the Authority enters into a contract with the developer. The Authority records a capital asset equal to 100% of the developer costs per the contract and a liability for the net allowable costs. The difference between the total and net allowable costs is recorded as a capital contribution. 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 maximum amount recoverable by the developer. 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 \$3,364 and \$3,801 at June 30, 2016 and 2015 respectively. The Authority estimates the current portion of the contractual liability based upon amounts payable in the following year. The Authority made payments of \$305 and \$376 in accordance with these contracts for the years ended June 30, 2016 and 2015, respectively.

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**7. MUNICIPAL EMPLOYEES' PENSION PLAN**

**Plan description** – City employees are provided with pensions through the Municipal Employee Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City). MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City of Tulsa's Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2nd Street, Tulsa, Oklahoma 74103.

**Benefits provided** – MERP provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest 30 months of salary during the last five-years of service and a multiplier based on the years of service. Employees are eligible for full retirement at age 65 and at least 5 years of service or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 2.5 percent per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement with additional service credited during the period of disability. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50 percent of the member's accrued benefit determined based on final average earnings and service as of the date of death.

**Contributions** – The Contributions are set per City of Tulsa ordinance. Employees were required to contribute 6.5 percent of their pensionable wages for the years ended June 30, 2016 and 2015. The Authority was required to contribute 11.5 percent of pensionable wages for the years ended June 30, 2016 and 2015 for employees whose payroll costs were charged to the Authority. The Authority is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceed the 11.5 percent of pensionable wages. Actual contributions to the pension plan from the Authority were \$3,741 and \$3,631 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016, the Authority reported a liability of \$60,625 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension liability to June 30, 2016. The liability for June 30, 2015 was \$35,290. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2016 and 2015, the Authority's proportion was 28.0267 percent and 28.1749 percent, respectively.

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

For the year ended June 30, 2016, the Authority recognized a pension expense of \$4,586. For the year ended June 30, 2015, the Authority recognized a pension expense credit of \$1,206. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>					
	<b>2016</b>			<b>2015</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Business-type Activities Total</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Business-type Activities Total</b>
Net difference between projected and actual plan earnings on pension plan investments	\$ 3,329	\$ 2,833	\$ 6,162	\$ -	\$ -	\$ -
Changes of assumptions	7,166	6,096	13,262	-	-	-
Differences between expected and actual plan experience	350	297	647	-	-	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	257	467	724	351	638	989
<b>Total</b>	<b>\$ 11,102</b>	<b>\$ 9,693</b>	<b>\$ 20,795</b>	<b>\$ 351</b>	<b>\$ 638</b>	<b>\$ 989</b>

	<b>Deferred Inflows of Resources</b>					
	<b>2016</b>			<b>2015</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Business-type Activities Total</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Business-type Activities Total</b>
Net difference between projected and actual plan earnings on pension plan investments	\$ -	\$ -	\$ -	\$ (254)	\$ (214)	\$ (468)
Changes of assumptions	(4,381)	(3,727)	(8,108)	(6,559)	(5,548)	(12,107)
Differences between expected and actual plan experience	(848)	(721)	(1,569)	(1,180)	(998)	(2,178)
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	(165)	(39)	(204)	-	-	-
<b>Total</b>	<b>\$ (5,394)</b>	<b>\$ (4,487)</b>	<b>\$ (9,881)</b>	<b>\$ (7,993)</b>	<b>\$ (6,760)</b>	<b>\$ (14,753)</b>

Note: Changes of assumptions – In 2016 amounts reported as changes in assumptions resulted primarily from the change in the mortality table and discount rate from 7.75% to 7.5%.

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (credit) as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Business-type Activities Total</u>
<b>Year ended June 30:</b>			
2017	\$ 288	\$ 365	\$ 653
2018	288	365	653
2019	3,356	2,950	6,306
2020	1,776	1,526	3,302
	<u>\$ 5,708</u>	<u>\$ 5,206</u>	<u>\$ 10,914</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2016</u>
Inflation	3.0%
Salary increases, including inflation	4.0% to 11.75%
Investment rate of return	7.5%
Compounded annually, net of investment expense and including inflation	
Valuation date	January 1, 2016

In 2016, mortality rates were based on RP-2014 Combined Healthy Tables with Blue Collar adjustments. Generational mortality improvements with Scale MP-2015 are from the table's base year of 2014.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Fixed income	24%	1.16%
Domestic equity	36%	6.19%
International equity	24%	6.59%
Real estate	8%	4.24%
Commodities	3%	0.50%
Timber	4%	4.25%
Cash	1%	0.11%
	100%	

**Discount rate** - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made as specified in the MERP funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 14.85 percent of payroll, which is the actuarial determined contribution rate. Based on those assumptions, the MERP's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

**Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate** - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Authority's proportionate share of the net pension liability	\$ 81,478	\$ 60,625	\$ 43,152

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the City of Tulsa's CAFR; which can be located at [www.cityoftulsa.org](http://www.cityoftulsa.org).

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**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The Authority provides post-employment healthcare benefits for retired employees and their dependents through participation in 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 and is funded on a pay-as-you-go basis.

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.

The actuarial valuation of liabilities under the Plan is calculated using the entry age normal cost method as of the July 1, 2016, 2015 and 2014 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability which was approximately \$9,713, \$12,180 and \$14,216 for the City as of June 30, 2016, 2015 and 2014, respectively. The Authority’s portion of the unfunded actuarially accrued liability has not been separately determined. The Authority’s OPEB information is presented below:

<b>Annual OPEB Cost Information - City</b>					
<b>Year</b>	<b>Actuarially Required Contributions</b>	<b>Employer Contributions</b>	<b>Percent Contributed</b>	<b>Authority's OPEB Obligation</b>	
2016	\$ 977	\$ 796	81%	\$	5,773
2015	1,207	618	51%		5,710
2014	1,376	1,332	97%		5,599

The Authority’s OPEB obligation is based on the number of active eligible City employees whose payroll costs are charged to the Authority, compared to the total number of active eligible employees. The complete details of the plan are disclosed in the City’s Comprehensive Annual Financial Report.

**9. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City purchases commercial insurance for general liability and property damage as well as employee health and dental. The Authority is included in the City’s insurance policies and premium costs are passed on to the Authority through indirect cost allocation. The Authority is responsible for deductibles relating to specific claims pertaining to the Authority. There have been no significant reductions in insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years. The Authority also participates in the City’s workers’ compensation self-insurance program. The City retains all risk of loss for workers’ compensation claims.



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**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 from the operations of the Authority.

Various bond indentures, loan agreements, and pledge and security agreements contain significant limitations and restrictions of debt service reserves and flow of monies through various restricted accounts. The Authority has pledged future water revenues, net of operating expenses and sewer revenues, net of operating expenses and promissory note debt service to repay \$147,865 and \$10,885 of outstanding Utility Revenue Bonds, respectively. The Utility Revenue Bonds are payable through 2034. Annual principal and interest payments on the bonds required 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$199,672. Principal and interest paid for the current year and water and sewer net revenues as described above for the current year were \$14,238 and \$56,351, respectively.

On October 21, 2015, the Authority issued the Utility Revenue Bonds, Series 2016A and Series 2016B for \$16,565 and \$10,885, respectively. Proceeds will provide funds for making necessary improvements to the water and wastewater systems.

On October 2, 2014, the Authority issued the Utility Revenue Bonds, Series 2014, for \$17,825. On May 1, 2015, the Authority issued the Utility Revenue Bonds, Refunding Series 2015, for \$9,940 to refund Series 2007.

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**10. NONCURRENT LIABILITIES, continued**

Revenue bonds payable activity for the year ended June 30, 2016 is as follows:

**June 30, 2016**

<b>Bonds, Series and Maturity Dates</b>	<b>Issue 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>
<b>Water:</b>							
Utility Revenue Bonds, Series 2009, 2029	21,500	3.00-4.75%	\$ 17,270	\$ -	\$ (810)	\$ 16,460	\$ 840
Utility Revenue Bonds, Series 2010, 2030	14,510	2.50-4.00%	12,825	-	(590)	12,235	610
Utility Revenue Bonds, Series 2011, 2031	24,100	3.00-4.375%	20,675	-	(875)	19,800	900
Utility Revenue Bonds, Series 2012, 2025	12,685	2.00-2.65%	9,795	-	(970)	8,825	975
Utility Revenue Bonds, Series 2013, 2025	61,280	2.50-3.00%	52,780	-	(4,400)	48,380	4,480
Utility Revenue Bonds, Series 2014, 2034	17,825	2.00-3.50%	17,825	-	(660)	17,165	665
Utility Revenue Bonds, Series 2015, 2027	9,940	2.00-3.00%	9,940	-	(1,505)	8,435	670
Utility Revenue Bonds, Series 2016A, 2031	16,565	3.00-3.25%	-	16,565	-	16,565	900
			<u>\$ 141,110</u>	<u>\$ 16,565</u>	<u>\$ (9,810)</u>	<u>\$ 147,865</u>	<u>\$ 10,040</u>
<b>Sewer:</b>							
Series 2016B - 2031	10,885	3.32%	-	10,885	-	10,885	420
			<u>\$ 141,110</u>	<u>\$ 27,450</u>	<u>\$ (9,810)</u>	<u>\$ 158,750</u>	<u>\$ 10,460</u>
			<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Within One Year</b>
<b>Other long-term liabilities</b>							
Water storage lease			\$ 3,982	\$ -	\$ (194)	\$ 3,788	\$ 200
Watermain extension contracts			3,801	-	(437)	3,364	366
Other postemployment benefits			5,710	63	-	5,773	-
Compensated absences			3,827	2,311	(2,511)	3,627	2,600
Net pension liability			35,290	25,335	-	60,625	-
Total other long-term liabilities			<u>\$ 52,610</u>	<u>\$ 27,709</u>	<u>\$ (3,142)</u>	<u>\$ 77,177</u>	<u>\$ 3,166</u>

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**10. NONCURRENT LIABILITIES, continued**

Revenue bonds payable activity for the year ended June 30, 2015 is as follows:

**June 30, 2015**

<b>Bonds, Series and Maturity Dates</b>	<b>Issue 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>
<b>Water:</b>							
Utility Revenue Bonds, Series 2007, 2027	\$ 27,815	4.00-4.50%	\$ 13,415	\$ -	\$ (13,415)	\$ -	\$ -
Utility Revenue Bonds, Series 2009, 2029	21,500	3.00-4.75%	18,045	-	(775)	17,270	810
Utility Revenue Bonds, Series 2010, 2030	14,510	2.50-4.00%	13,400	-	(575)	12,825	590
Utility Revenue Bonds, Series 2011, 2031	24,100	3.00-4.375%	21,530	-	(855)	20,675	875
Utility Revenue Bonds, Series 2012, 2025	12,685	2.00-2.65%	10,755	-	(960)	9,795	970
Utility Revenue Bonds, Series 2013, 2025	61,280	2.50-3.00%	57,080	-	(4,300)	52,780	4,400
Utility Revenue Bonds, Series 2014, 2034	17,825	2.00-3.50%	-	17,825	-	17,825	660
Utility Revenue Bonds, Series 2015, 2027	9,940	2.00-3.00%	-	9,940	-	9,940	1,505
			<u>\$ 134,225</u>	<u>\$ 27,765</u>	<u>\$ (20,880)</u>	<u>\$ 141,110</u>	<u>\$ 9,810</u>
			<b>Beginning Balance as Restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Other long-term liabilities</b>							
Water storage lease			\$ 4,170	\$ -	\$ (188)	\$ 3,982	\$ 194
Watermain extension contracts			4,507	-	(706)	3,801	402
Other postemployment benefits			5,599	111	-	5,710	-
Compensated absences			4,018	2,707	(2,898)	3,827	2,475
Net pension liability			30,761	4,529	-	35,290	-
Total other long-term liabilities			<u>\$ 49,055</u>	<u>\$ 7,347</u>	<u>\$ (3,792)</u>	<u>\$ 52,610</u>	<u>\$ 3,071</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 revenue, net of operating expenses to repay \$242,667 of promissory notes. The promissory notes are payable through 2038. Annual principal and interest payments on the promissory notes required 34 percent of net revenues. The total principal and interest remaining to be paid on the promissory notes is \$318,119. Principal and interest paid for the current year and sewer and water net revenues for the current year were \$26,924 and \$79,973, 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.

The Authority participates in the Oklahoma Water Resources Board's Clean Water State Revolving Fund Program for a portion of its funding needs. Promissory notes issued and outstanding under this specific program were \$189,028 and \$105,326, respectively, as of June 30, 2016. Loan proceeds are received on a reimbursement basis. The Authority had \$37,644 available to be drawn under this program as of June 30, 2016.

On November 19, 2015, the Authority issued the Promissory Note Series 2015A for \$28,330. Proceeds will provide funds for making necessary improvements to the wastewater system.

On December 1, 2014, the Authority issued the Series 2014C promissory note for \$17,735.

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**10. NONCURRENT LIABILITIES, continued**

Promissory note payable activity for the year ended June 30, 2016 is as follows:

<u>Promissory Notes and Maturity Dates</u>	<u>Issue 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 1997A - 2016	\$ 4,035	0.50%	\$ 309	\$ -	\$ (206)	\$ 103	\$ 103
Series 1998B - 2017	4,392	0.50%	573	-	(229)	344	229
Series 2001B - 2020	4,996	0.50%	1,315	-	(263)	1,052	263
Series 2002D - 2021	6,813	0.50%	2,271	-	(349)	1,922	349
Series 2004B - 2023	1,560	0.50%	680	-	(80)	600	80
Series 2005B - 2027	7,900	0.50-2.74%	5,252	-	(349)	4,903	360
Series 2005C - 2025	1,203	0.50%	631	-	(60)	571	60
Series 2006A - 2027	3,130	0.50-2.74%	2,027	-	(134)	1,893	139
Series 2006B - 2016	835	1.51%	105	-	(105)	-	-
Series 2006C - 2029	17,825	0.50-2.77%	13,170	-	(729)	12,441	753
Series 2006 - 2025	52,585	4.145-5.145%	35,430	-	(2,545)	32,885	2,650
Series 2007A - 2026	5,131	0.50%	3,026	-	(263)	2,763	263
Series 2007B - 2026	8,365	4.020-4.645%	5,880	-	(384)	5,496	402
Series 2009A - 2032	11,320	3.22%	8,309	-	(566)	7,743	566
Series 2009B - 2032	7,350	2.91%	4,644	-	(213)	4,431	221
Series 2010A - 2032	27,757	2.89%	20,522	3,080	(1,388)	22,214	1,388
Series 2010B - 2030	29,380	3.145-5.145%	25,045	-	(1,160)	23,885	1,195
Series 2011A - 2033	23,480	3.11%	19,828	1,487	(1,174)	20,141	1,174
Series 2011B - 2031	14,275	2.145-5.145%	12,750	-	(535)	12,215	555
Series 2011C - 2034	16,700	2.55%	15,032	-	(835)	14,197	835
Series 2012A - 2034	4,347	2.43%	1,450	1,980	(217)	3,213	217
Series 2012B - 2032	11,355	2.145-3.395%	10,260	-	(445)	9,815	455
Series 2012C - 2017	2,450	2.145-4.145%	1,490	-	(490)	1,000	495
Series 2013A - 2035	9,850	2.24%	922	3,336	-	4,258	493
Series 2013B - 2033	27,605	2.645-5.145%	26,250	-	(960)	25,290	985
Series 2014A - 2035	2,910	2.58%	522	1,875	(73)	2,324	146
Series 2014B - 2033	10,180	2.145-4.06%	9,955	-	(415)	9,540	420
Series 2014C - 2034	17,735	2.145-5.145%	17,735	-	(520)	17,215	640
Series 2015A - 2038	28,330	2.460%	-	213	-	213	-
			<u>245,383</u>	<u>11,971</u>	<u>(14,687)</u>	<u>242,667</u>	<u>15,436</u>
<b>Water:</b>							
Series 2009C - 2031	5,225	3.32%	3,164	-	(3,164)	-	-
			<u>\$ 248,547</u>	<u>\$ 11,971</u>	<u>\$ (17,851)</u>	<u>\$ 242,667</u>	<u>\$ 15,436</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
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**10. NONCURRENT LIABILITIES, continued**

Promissory note payable activity for the year ended June 30, 2015 is as follows:

<u>Promissory Notes and Maturity Dates</u>	<u>Issue 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 1997A - 2016	\$ 4,035	0.50%	\$ 515	\$ -	\$ (206)	\$ 309	\$ 206
Series 1998B - 2017	4,392	0.50%	803	-	(230)	573	229
Series 2001B - 2020	4,996	0.50%	1,578	-	(263)	1,315	263
Series 2002D - 2021	6,813	0.50%	2,620	-	(349)	2,271	349
Series 2004B - 2023	1,560	0.50%	760	-	(80)	680	80
Series 2005B - 2027	7,900	0.50-2.74%	5,590	-	(338)	5,252	349
Series 2005C - 2025	1,203	0.50%	692	-	(61)	631	60
Series 2006A - 2027	3,130	0.50-2.74%	2,158	-	(131)	2,027	135
Series 2006B - 2016	835	1.51%	180	-	(75)	105	105
Series 2006C - 2029	17,825	0.50-2.77%	13,877	-	(707)	13,170	729
Series 2006 - 2025	52,585	4.145-5.145%	37,875	-	(2,445)	35,430	2,545
Series 2007A - 2026	5,131	0.50%	3,289	-	(263)	3,026	263
Series 2007B - 2026	8,365	4.020-4.645%	6,251	-	(371)	5,880	384
Series 2009A - 2032	11,320	3.22%	8,861	14	(566)	8,309	566
Series 2009B - 2032	7,350	2.91%	4,852	-	(208)	4,644	213
Series 2010A - 2032	27,757	2.89%	21,269	641	(1,388)	20,522	1,388
Series 2010B - 2030	29,380	3.145-5.145%	26,170	-	(1,125)	25,045	1,160
Series 2011A - 2033	23,480	3.11%	18,069	2,933	(1,174)	19,828	1,174
Series 2011B - 2031	14,275	2.145-5.145%	13,270	-	(520)	12,750	535
Series 2011C - 2034	16,700	2.55%	10,940	4,927	(835)	15,032	835
Series 2012A - 2034	4,347	2.43%	1,010	549	(109)	1,450	217
Series 2012B - 2032	11,355	2.145-3.395%	10,700	-	(440)	10,260	445
Series 2012C - 2017	2,450	2.145-4.145%	1,970	-	(480)	1,490	490
Series 2013A - 2035	9,850	2.24%	-	922	-	922	-
Series 2013B - 2033	27,605	2.645-5.145%	27,195	-	(945)	26,250	960
Series 2014A - 2035	2,910	2.58%	-	522	-	522	73
Series 2014B - 2033	10,180	2.145-4.06%	10,180	-	(225)	9,955	415
Series 2014C - 2034	17,735	2.145-5.145%	-	17,735	-	17,735	520
			<u>230,674</u>	<u>28,243</u>	<u>(13,534)</u>	<u>245,383</u>	<u>14,688</u>
<b>Water:</b>							
Series 2009C - 2031	5,225	3.32%	3,304	-	(140)	3,164	146
			<u>\$ 233,978</u>	<u>\$ 28,243</u>	<u>\$ (13,674)</u>	<u>\$ 248,547</u>	<u>\$ 14,834</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 2016 and 2015 was as follows:

<b>2016</b>							<b>Due</b>
<b>Bonds and</b>	<b>Issue</b>	<b>Interest</b>	<b>Beginning</b>			<b>Ending</b>	<b>Within</b>
<b>Maturity Dates</b>	<b>Amount</b>	<b>Rate</b>	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>One Year</b>
Series 2004A- 2016	\$ 949	5.00%	\$ 84	\$ -	\$ (84)	\$ -	\$ -
Series 2008- 2028	8,659	4.00-4.75%	5,916	-	(5,916)	-	-
Series 2009- 2029	3,347	3.00-4.25%	2,457	-	(178)	2,279	178
Series 2009A- 2019	5,532	3.00-4.00%	2,343	-	(597)	1,746	586
Series 2009B- 2021	6,340	3.00-5.00%	3,306	-	(572)	2,734	559
Series 2012A- 2017	10,575	4.00%	3,990	-	(2,035)	1,955	1,955
Series 2013A- 2025	8,534	2.50%	6,862	-	(796)	6,066	769
Series 2014A- 2026	430	2.00-3.00%	430	-	(45)	385	44
Series 2015A- 2027	4,222	2.00-2.50%	4,222	-	(410)	3,812	396
Series 2016A- 2027	5,587	5.00%	-	5,587	-	5,587	2,140
			<u>\$ 29,610</u>	<u>\$ 5,587</u>	<u>\$ (10,633)</u>	<u>\$ 24,564</u>	<u>\$ 6,627</u>

<b>2015</b>							<b>Due</b>
<b>Bonds and</b>	<b>Issue</b>	<b>Interest</b>	<b>Beginning</b>			<b>Ending</b>	<b>Within</b>
<b>Maturity Dates</b>	<b>Amount</b>	<b>Rate</b>	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>One Year</b>
Series 2004A- 2016	\$ 949	5.00%	\$ 163	\$ -	\$ (79)	\$ 84	\$ 84
Series 2004B- 2015	1,038	4.00-5.00%	117	-	(117)	-	-
Series 2006- 2026	817	4.00-4.50%	515	-	(515)	-	-
Series 2007- 2027	6,757	4.00-4.25%	4,878	-	(4,878)	-	-
Series 2008- 2028	8,659	4.00-4.75%	6,373	-	(457)	5,916	457
Series 2009- 2029	3,347	3.00-4.25%	2,635	-	(178)	2,457	178
Series 2009A- 2019	5,532	3.00-4.00%	2,954	-	(611)	2,343	597
Series 2009B- 2021	6,340	3.00-5.00%	3,888	-	(582)	3,306	572
Series 2012A- 2017	10,575	4.00%	6,100	-	(2,110)	3,990	2,035
Series 2013A- 2025	8,534	2.50%	7,684	-	(822)	6,862	796
Series 2014A- 2026	430	2.00-3.00%	-	430	-	430	45
Series 2015A- 2027	4,222	2.00-2.50%	-	4,222	-	4,222	410
			<u>\$ 35,307</u>	<u>\$ 4,652</u>	<u>\$ (10,349)</u>	<u>\$ 29,610</u>	<u>\$ 5,174</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
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**10. NONCURRENT LIABILITIES, continued**

**LINE OF CREDIT** –The Authority has a line of credit agreement with a banking institution of \$10,000. The line of credit is secured by the revenues of the Water Fund, proceeds can be used by either fund. In October 2015, the Authority approved the first amendment to the agreement extending the final maturity date to October 22, 2017. The applicable interest rate is the 30 day LIBOR plus 1.75%. The Authority is obligated to pay a nonrefundable commitment fee on the unused commitment amount at the rate of 0.25% per annum. There were no borrowings under the agreement as of June 30, 2016 and 2015.

The line of credit agreement contains certain covenants. The covenants require that net revenues of the water system, as defined by the credit agreement, provide for minimums of net revenues of 1.25 times the maximum annual principal and interest on; all bonds, all notes and all existing subordinated indebtedness

**ECONOMIC GAIN/LOSS ON REFUNDING** – On April 28, 2016, the City issued \$28,720 in Series 2016A Refunding General Obligation Bonds. The proceeds of this issue were used to currently refund the City's Series 2008 General Obligation Bonds of which the Authority's portion was \$5,916. This transaction will reduce the Authority's debt service payments by \$1,324 over the next 12 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 \$627. The refunding resulted in a deferred charge of \$109 which will be amortized over the life of the new bonds. The amortization and related deferred loss are reported in the financial statements.

On May 1, 2015, the Authority issued \$9,940 in Series 2015 Refunding Utility Revenue Bonds to refund the Series 2007 Utility Revenue Bonds. This transaction will reduce debt service payments by \$1,199 over the next 12 years and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,067. The refunding resulted in a deferred charge of \$385 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 September 2, 2014, the City issued \$16,305 in Series 2014A Refunding General Obligation Bonds. The proceeds of this issue were used to currently refund the City's Series 2006 General Obligation Bonds of which the Authority's portion was \$514. This transaction will reduce the Authority's debt service payments by \$80 over the next 11 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 \$57. The refunding resulted in a deferred charge of \$8 which will be amortized over the life of the new bonds. The amortization and related deferred loss are reported in the financial statements.

On March 2, 2015, the City issued \$45,420 in Series 2015A Refunding General Obligation Bonds. The proceeds of this issue were used to currently refund the City's Series 2007 General Obligation Bonds of which the Authority's portion was \$4,503. This transaction will reduce the Authority's debt service payments by \$600 over the next 12 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 \$501. The refunding resulted in a deferred charge of \$75 which will be amortized over the life of the new bonds. The amortization and related deferred loss are reported in the financial statements.



**TULSA METROPOLITAN UTILITY AUTHORITY**  
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**10. NONCURRENT LIABILITIES, continued**

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

	Revenue Bonds		Promissory Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 10,460	\$ 4,853	\$ 15,436	\$ 8,760	\$ 6,627	\$ 884
2018	10,650	4,586	15,736	8,295	4,550	619
2019	10,830	4,306	15,209	7,786	3,810	436
2020	11,005	4,016	15,574	7,270	1,807	284
2021	11,180	3,713	15,676	6,749	1,798	225
2022-2026	60,170	13,482	82,452	24,648	5,164	517
2027-2031	35,140	5,614	61,271	10,563	808	49
2032-2036	9,315	911	21,313	1,381	-	-
	<u>\$ 158,750</u>	<u>\$ 41,481</u>	<u>\$ 242,667</u>	<u>\$ 75,452</u>	<u>\$ 24,564</u>	<u>\$ 3,014</u>

**Variable Rate Terms** – At June 30, 2016 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%.

**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, 2016 and 2015, is computed as follows:

	2016	2015
Levies for principal to June 30	\$ 26,506	\$ 24,997
Bond maturities to June 30	24,151	23,032
Bond reserve	2,355	1,965
Interest reserve	518	656
Final interest reserve	79	87
Total general obligation bonds reserve	<u>\$ 2,952</u>	<u>\$ 2,708</u>

The Authority established reserves for the retirement of Revenue Bond Debt in accordance with the bond indentures, the assets of which are held by the trustee and totaled \$23,192 and \$20,673 at June 30, 2016 and 2015, respectively. Further, the Authority established reserves for the retirement of the Promissory Notes in accordance with the terms of the notes, the assets of which are held by the trustee and totaled \$21,302 and \$21,126 at June 30, 2016 and 2015, respectively.

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**12. NONCANCELABLE CAPITAL LEASE**

On December 2, 1984, the Authority entered a contract with the Department of the Army of 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. The contract includes annual operation and maintenance expenses. Upon expiration of the lease, with continued payment of annual operating costs, and costs allocated for reconstruction, rehabilitation or replacement of the outlet works, the Authority has a permanent right to use of the water supply storage space. 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>
2017	\$ 200	\$ 122	\$ 301	\$ 623
2018	206	116	301	623
2019	213	109	301	623
2020	220	102	301	623
2021	227	95	301	623
2022-2026	1,253	361	1,507	3,121
2027-2031	1,469	145	1,507	3,121
	<u>\$ 3,788</u>	<u>\$ 1,050</u>	<u>\$ 4,519</u>	<u>\$ 9,357</u>

**TULSA METROPOLITAN UTILITY AUTHORITY**  
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**13. RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2016 and 2015, the Authority conducted the following transactions with related entities:

	<u>2016</u>	<u>2015</u>
Indirect cost reimbursement paid to the City of Tulsa	\$ 5,495	\$ 5,745
Payment in lieu of taxes to the City of Tulsa	\$ 12,436	\$ 11,836
Capital contributions from the City of Tulsa	\$ 6,049	\$ 2,894
Charges for utility services paid by the City of Tulsa	\$ 1,426	\$ 1,628
Charges for maintenance of equipment paid to the City of Tulsa	\$ 3,170	\$ 3,565

The Authority has outstanding advances of unspent bonds proceeds in the amount of \$12 and \$207 as of June 30, 2016 and 2015, 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. COMMITMENTS**

As of June 30, 2016, the Authority had open commitments for construction projects of approximately \$35,870.

**15. SUBSEQUENT EVENTS**

**Revenue Bonds** - On July 7, 2016 the Authority issued the Series 2016C Revenue Bonds in the amount of \$34,810. The bonds mature in 2025 and require annual principal payments and semiannual interest payments at a rate of 5.0%. Proceeds will be used to refund the Series 2006 note in the amount of \$32,885 and the Series 2007B note in the amount of \$5,496.

On November 16, 2016 the Authority approved the issuance of Utility Revenue Bonds, Refunding Series 2017A in the principal amount not to exceed \$27,765. Proceeds will be used to refund the Series 2009 Revenue Bonds in the amount of \$16,460 and the Series 2010 Revenue Bonds in the amount of \$11,935.

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**16. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS**

**GASB Statement No. 75** – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – This Statement will be effective for the Authority beginning with its fiscal year ending June 30, 2018.

This Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities.

**GASB Statement No. 82** – Pension Issues – *An Amendment of GASB Statements No. 67, No. 68 and No. 73*, will be effective June 30, 2017. This statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based and ratios that use that measure.

**TULSA METROPOLITAN UTILITY AUTHORITY**  
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**REQUIRED SUPPLEMENTAL INFORMATION (In thousands of dollars)**  
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**Municipal Employers Retirement Plan**  
**Schedule of the Authority's Proportionate Share – For the current and prior years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	28.03%	28.17%	27.53%
Authority's proportionate share of the net pension liability	\$ 60,625	\$ 35,290	\$ 30,761
Authority's covered-employee payroll	\$ 32,905	\$ 29,197	\$ 30,525
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.24%	120.87%	100.77%
Plan fiduciary net position as a percentage of the total pension liability	65.62%	77.13%	79.29%

The amounts presented were determined as of year end.

\* Prior year information is not available.

Note: Changes of assumptions – In 2016 amounts reported as changes in assumptions resulted primarily from the change in the mortality table and discount rate from 7.75% to 7.5%.

**Municipal Employers Retirement Plan**  
**Schedule of the Authority's Contributions**

<u>Year</u>	<u>Contractually required contribution</u>	<u>Actual Contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Authority's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
<b>2016</b>	\$ 3,741	\$ (3,741)	\$ -	\$ 32,530	11.50%
<b>2015</b>	3,572	(3,572)	-	31,064	11.50%
<b>2014</b>	3,056	(3,056)	-	30,564	10.00%
<b>2013</b>	3,073	(3,073)	-	30,732	10.00%
<b>2012</b>	2,851	(2,851)	-	30,658	9.30%
<b>2011</b>	1,856	(1,856)	-	29,454	6.30%
<b>2010</b>	1,674	(1,674)	-	26,573	6.30%
<b>2009</b>	1,914	(1,914)	-	30,374	6.30%
<b>2008</b>	1,660	(1,660)	-	26,352	6.30%
<b>2007</b>	1,721	(1,721)	-	27,321	6.30%

