

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

FINANCIAL REPORT
June 30, 2013 and 2012

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
INDEX
Years Ended June 30, 2013 and 2012

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Basic Financial Statements	15



Independent Auditor's Report

Board of Trustees
Tulsa Metropolitan Utility Authority
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Tulsa Metropolitan Utility Authority (the Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Authority, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Prior-Year Comparative Information

We have previously audited the Authority's June 30, 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and each major fund in our report dated November 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGladrey LLP

Kansas City, Missouri
November 13, 2013

**TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2013 and 2012**

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, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the current year by \$884,778. Of this amount, \$98,572 is unrestricted and may be used to meet the Authority's ongoing obligations.
- The Authority's net position increased from \$853,767 at June 30, 2012 to \$884,778 at June 30, 2013. During 2013, the Authority generated an increase in net position of \$31,011 compared to \$21,243 during 2012.
- The Authority's cash and cash equivalents at June 30, 2013, were \$131,661, representing an increase of \$12,342 from June 30, 2012.

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, 2013 and 2012**

Required Financial Statements

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

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets, liabilities and deferred inflows/outflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the period.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2013 and 2012

Net Position

The Authority's net position increased \$31,011 for the year ended June 30, 2013 and \$21,243 for the year ended June 30, 2012. The following table provides a summary of net position.

SUMMARY OF NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets, unrestricted	\$ 110,632	\$ 95,659	\$ 77,372
Restricted assets	106,505	95,912	119,125
Capital assets, net	1,110,443	1,076,383	1,046,427
Other assets	<u>13,007</u>	<u>12,000</u>	<u>11,816</u>
Total assets	<u>1,340,587</u>	<u>1,279,954</u>	<u>1,254,740</u>
Total deferred outflow of resources	<u>3,018</u>	<u>1,172</u>	<u>993</u>
Current liabilities	8,247	11,465	7,228
Liabilities payable from restricted assets	47,078	44,937	43,481
Noncurrent liabilities	<u>399,254</u>	<u>370,957</u>	<u>372,500</u>
Total liabilities	<u>454,579</u>	<u>427,359</u>	<u>423,209</u>
Total deferred inflow of resources	<u>4,248</u>	<u>-</u>	<u>-</u>
Net investment in capital assets	776,740	760,517	756,859
Restricted	9,466	11,296	8,187
Unrestricted	<u>98,572</u>	<u>81,954</u>	<u>67,478</u>
Total net position	<u>\$ 884,778</u>	<u>\$ 853,767</u>	<u>\$ 832,524</u>

In 2013 total assets increased \$60,633. The increase in current assets of \$14,973 is related to increases in unrestricted cash of \$10,740 net utilities receivables of \$332, other receivables of \$3,925 and a decrease in inventory of \$24. The net increase in restricted assets of \$10,593 is attributable to the proceeds of debt issued in the current year offset by the usage of debt proceeds to fund capital expansion. The increase in capital assets, net of \$34,060 is consistent with the improvement and expansion of both utility systems and is necessary to provide adequate services to our customers and to assure compliance with all applicable laws and regulations. Total deferred outflows of resources increased \$1,846 attributable to revenue bond refunding. Total liabilities increased \$27,220, the result of promissory notes issued in the current year and decreases in revenue bonds and general obligation debt. The increase in total deferred inflows of resources of \$4,248 is related to increases in debt refunding of \$284 and property taxes of \$3,964.

In 2012 total assets increased \$25,214. The increase in current assets of \$18,287 is related to increases in unrestricted cash of \$16,641, net utilities receivables of \$1,594, inventory of \$132 and decrease in other receivable of \$80. The decrease in restricted assets of \$23,213 is attributable to the usage of debt proceeds to fund capital expansion. The increase in capital assets of \$29,956 is consistent with the improvement and expansion of both utility systems and is necessary to provide adequate services to our customers and to assure compliance with all applicable laws and regulations. Total liabilities increased \$4,150, the result of promissory notes issued in the current year and a decrease in general obligation debt.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2013 and 2012

SUMMARY OF CHANGES IN NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 178,406	\$ 170,152	\$ 154,845
Nonoperating revenue	3,372	3,965	3,900
Investment income	17	1,071	1,729
	<u>181,795</u>	<u>175,188</u>	<u>160,474</u>
Total revenues			
Depreciation expense	32,524	33,495	28,887
Other operating expense	115,274	116,889	108,422
Nonoperating expense	10,109	11,023	9,425
	<u>157,907</u>	<u>161,407</u>	<u>146,734</u>
Total expenses			
Income before contributions	23,888	13,781	13,740
Capital contributions	4,539	2,705	2,284
Capital contributions from City of Tulsa	2,584	4,757	2,133
Federal grant revenue	-	-	3,836
	<u>31,011</u>	<u>21,243</u>	<u>21,993</u>
Change in net position			
Net position, beginning of year	853,767	832,524	810,531
	<u>\$ 884,778</u>	<u>\$ 853,767</u>	<u>\$ 832,524</u>
Net position, end of year			

In 2013 total revenues increased \$6,607 due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses decreased \$1,615, due primarily to an increase in material and supplies of \$1,085 and decreases in salaries and wages \$1,588 and other services and charges \$1,112. Nonoperating expenses decreased \$914, primarily due to a decrease in interest expense of \$914. Investment income decreased \$1,054 as a result of lower average investments and a decline in the return on investments. Capital contributions decreased \$339. As a result, net position increased \$31,011 during the year.

In 2012 total revenues increased \$17,338 due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses increased \$8,467 due primarily to increases in salaries and wages \$3,220, material and supplies \$957, and other services and charges \$4,290. Nonoperating expenses increased \$1,598 primarily due to an increase in interest expense of \$1,369. Investment income decreased \$658 as a result of lower average investments and a decline in the return on investments. Capital contributions increased \$421. As a result, net position increased \$21,243 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, 2013 and 2012

Capital Assets

The Authority's investment in capital assets as of June 30, 2013 and 2012 was \$1,110,443 and \$1,076,383, respectively, (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings, equipment and a water storage lease. The Authority paid \$58,384 and \$59,334 during 2013 and 2012, respectively, related to the acquisition and purchase of capital assets.

CAPITAL ASSETS

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 32,283	\$ 31,864	\$ 31,324
Water storage lease	9,593	9,593	9,593
Buildings	48,040	47,755	241,893
Equipment	61,386	58,468	85,943
Land improvements, water and sewer lines	<u>1,446,805</u>	<u>1,412,300</u>	<u>1,164,199</u>
	1,598,107	1,559,980	1,532,952
Less accumulated depreciation	(574,388)	(545,408)	(516,635)
Construction-in-progress	<u>86,724</u>	<u>61,811</u>	<u>30,110</u>
Capital assets, net	<u>\$ 1,110,443</u>	<u>\$ 1,076,383</u>	<u>\$ 1,046,427</u>

Debt

At June 30, 2013 and 2012, the Authority had outstanding general obligation bonded debt of \$40,817 and \$46,085, 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>2013</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 40,817	\$ 46,085	\$ 51,326
Revenue bonds	143,935	153,530	161,430
Promissory notes	<u>214,175</u>	<u>172,376</u>	<u>157,414</u>
Total debt	<u>\$ 398,927</u>	<u>\$ 371,991</u>	<u>\$ 370,170</u>

During 2013, the Authority issued new debt to fund improvements to the water and wastewater systems. The Authority's debt increased \$26,936 or 7.2% during 2013. As an issuer of bonds, the Authority is subject to numerous covenants contained within the bond indentures. The Authority believes they are in full compliance with all of these covenants.

**TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2013 and 2012**

Funds

The Authority has two funds, the Water Fund and the Sewer Fund. At June 30, 2013, the water fund net position of \$463,583 reflected an increase of \$12,970 from the net position of \$450,613 at June 30, 2012. At June 30, 2013, the Sewer Fund net position of \$421,195 reflected an increase of \$18,041 from the net position of \$403,154 at June 30, 2012.

Economic factors and next year's budgets and rates

At the national level, unemployment remains above 7.6 percent. Unemployment in the City of Tulsa was 5.9 percent at the end of fiscal year 2013. The Authority's finances have been relatively unaffected by this economic downturn, as evidenced by its relatively consistent accounts receivable collection rates.

The Authority's appointed officials considered many factors when setting the fees that will be charged for water and sewer services in 2014. The Authority approved a 7 percent increase in water fees and a 9 percent increase in sewer fees beginning in October 2013. The fee increases are to fund operations, maintenance, debt service, and plant improvements.

Requests for Information

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
Year Ended June 30, 2013 with Partial Financial Information for the Year Ended
June 30, 2012

(In thousands of dollars)	2013			2012
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
<u>ASSETS</u>				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	\$ 51,336	\$ 29,699	\$ 81,035	\$ 70,295
Accounts receivable:				
Utility services receivable, net	13,395	9,996	23,391	23,059
Other receivables	115	4,014	4,129	204
Inventories	1,816	261	2,077	2,101
Total unrestricted current assets	<u>66,662</u>	<u>43,970</u>	<u>110,632</u>	<u>95,659</u>
Noncurrent assets:				
Cash and cash equivalents, restricted	25,414	25,212	50,626	49,024
Investments, restricted	18,857	35,992	54,849	45,596
Interest receivable, restricted	23	23	46	141
Equity interest in joint venture	-	13,007	13,007	12,000
Advances to primary government, restricted	-	984	984	1,151
Non-depreciable capital assets	49,510	79,090	128,600	103,268
Depreciable capital assets, net	479,656	502,187	981,843	973,115
Total noncurrent assets	<u>573,460</u>	<u>656,495</u>	<u>1,229,955</u>	<u>1,184,295</u>
Total assets	<u>\$ 640,122</u>	<u>\$ 700,465</u>	<u>\$ 1,340,587</u>	<u>\$ 1,279,954</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred charge on refunding	<u>3,018</u>	<u>-</u>	<u>3,018</u>	<u>1,172</u>
Total deferred outflows of resources	<u>\$ 3,018</u>	<u>\$ -</u>	<u>\$ 3,018</u>	<u>\$ 1,172</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
Year Ended June 30, 2013 with Partial Financial Information for the Year Ended
June 30, 2012

(In thousands of dollars)

	2013			2012
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,197	\$ 2,427	\$ 4,624	\$ 6,358
Current portion of watermain extension contracts	524	-	524	536
Current portion of vested compensated absences	1,613	1,126	2,739	3,319
Current portion of net pension obligation	110	68	178	1,076
Current portion of water storage lease	182	-	182	176
Total current liabilities payable from unrestricted assets	<u>4,626</u>	<u>3,621</u>	<u>8,247</u>	<u>11,465</u>
Liabilities payable from restricted assets:				
Accrued liabilities	2,304	8,448	10,752	10,749
Deposits subject to refund	8,810	470	9,280	9,226
Current portion of general obligation debt	-	5,510	5,510	5,469
Current portion of promissory notes	553	11,273	11,826	10,488
Current portion of revenue bonds	9,710	-	9,710	9,005
Total current liabilities payable from restricted assets	<u>21,377</u>	<u>25,701</u>	<u>47,078</u>	<u>44,937</u>
Total current liabilities	<u>26,003</u>	<u>29,322</u>	<u>55,325</u>	<u>56,402</u>
Noncurrent liabilities:				
General obligation debt	-	35,307	35,307	40,616
Promissory notes	3,305	199,044	202,349	161,888
Revenue bonds	134,225	-	134,225	144,525
Unamortized bond premium	2,466	7,763	10,229	5,099
Unamortized bond discount	-	(63)	(63)	(85)
Watermain extension contracts	4,760	-	4,760	5,866
Vested compensated absences	1,018	710	1,728	2,080
Other post-employment benefits	3,112	2,512	5,624	5,523
Net pension obligation	498	427	925	944
Water storage lease	4,170	-	4,170	4,353
Arbitrage, restricted	-	-	-	1
Total noncurrent liabilities	<u>153,554</u>	<u>245,700</u>	<u>399,254</u>	<u>370,810</u>
Total liabilities	<u>179,557</u>	<u>275,022</u>	<u>454,579</u>	<u>427,212</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred gain on refunding	-	284	284	147
Unavailable revenue - property taxes	-	3,964	3,964	-
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 4,248</u>	<u>\$ 4,248</u>	<u>\$ 147</u>
<u>NET POSITION</u>				
Net investment in capital assets	407,801	368,939	776,740	760,517
Restricted for debt service	2,952	6,514	9,466	11,296
Unrestricted	<u>52,830</u>	<u>45,742</u>	<u>98,572</u>	<u>81,954</u>
Total net position	<u>\$ 463,583</u>	<u>\$ 421,195</u>	<u>\$ 884,778</u>	<u>\$ 853,767</u>

The accompanying notes are an integral part of the financial statements

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2013 with Partial Financial Information for the Year Ended
June 30, 2012

(In thousands of dollars)	2013			2012
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
Operating revenues:				
Water and sewer services	\$ 99,671	\$ 78,735	\$ 178,406	\$ 170,152
Operating expenses:				
Salaries and wages	25,923	20,606	46,529	48,117
Materials and supplies	10,015	4,117	14,132	13,047
Other services and charges	31,187	23,426	54,613	55,725
Depreciation	16,048	16,476	32,524	33,495
Total operating expenses	83,173	64,625	147,798	150,384
Operating income	16,498	14,110	30,608	19,768
Nonoperating revenues (expenses):				
Investment income (loss)	20	(3)	17	1,071
Interest and amortization expense	(4,588)	(5,521)	(10,109)	(11,023)
Ad valorem taxes	-	3,531	3,531	3,491
Other, net	12	(171)	(159)	474
Net nonoperating revenues (expenses)	(4,556)	(2,164)	(6,720)	(5,987)
Income before contributions	11,942	11,946	23,888	13,781
Capital contributions	1,028	3,511	4,539	2,705
Capital contributions from City of Tulsa	-	2,584	2,584	4,757
	1,028	6,095	7,123	7,462
Change in net position	12,970	18,041	31,011	21,243
Net position, beginning of year	450,613	403,154	853,767	832,524
Net position, end of year	\$ 463,583	\$ 421,195	\$ 884,778	\$ 853,767

The accompanying notes are an integral part of the financial statements

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOW
Year Ended June 30, 2013 with Partial Financial Information for the Year Ended
June 30, 2012

(In thousands of dollars)	2013			2012
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
Cash flows from operating activities:				
Received from customers, including cash deposits	\$ 101,460	\$ 76,731	\$ 178,191	\$ 168,253
Payments to suppliers for goods and services	(35,721)	(23,416)	(59,137)	(54,536)
Payments to employees for services	(26,912)	(21,364)	(48,276)	(46,161)
Payments for quasi-external operating transactions including payments in lieu of taxes	(6,239)	(4,832)	(11,071)	(11,470)
Net cash provided by operating activities	32,588	27,119	59,707	56,086
Cash flows from non-capital and related financing activities:				
Collection of advances to City of Tulsa	-	167	167	2,006
Net cash provided by non-capital and related financing activities	-	167	167	2,006
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(18,755)	(39,629)	(58,384)	(59,334)
Payments from City of Tulsa	-	1,627	1,627	4,601
Proceeds from sale of capital assets	298	143	441	761
Interest paid on long-term debt	(8,640)	(8,630)	(17,270)	(14,320)
Principal paid on long-term debt	(7,145)	(17,806)	(24,951)	(45,062)
Payment of bond issuance costs	(339)	(193)	(532)	(363)
Refunding Payments	(64,351)	(9,031)	(73,382)	-
Proceeds from long-term debt issuance	61,355	63,737	125,092	46,387
Premium received on debt issuance	2,300	4,940	7,240	1,049
Ad valorem taxes received	-	3,531	3,531	3,491
Payments on watermain extension contracts	(525)	-	(525)	(530)
Investment in joint venture	-	(1,280)	(1,280)	(409)
Net cash used by capital and related financing activities	\$ (35,802)	\$ (2,591)	\$ (38,393)	\$ (63,729)

(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 FLOW, Continued
Year Ended June 30, 2013 with Partial Financial Information for the Year Ended
June 30, 2012

(In thousands of dollars)	2013			2012
	Water Fund	Sewer Fund	Business-type Activities Total	Business-type Activities Total
Cash flows from investing activities:				
Interest received on investments	\$ 190	\$ 81	\$ 271	\$ 1,326
Sale or maturity of investments	18,750	17,241	35,991	72,578
Purchases of investments	(13,309)	(32,092)	(45,401)	(13,218)
Net cash provided (used) by investing activities	5,631	(14,770)	(9,139)	60,686
Net increase in cash and cash equivalents	2,417	9,925	12,342	55,049
Cash and cash equivalents, beginning of year	74,333	44,986	119,319	64,270
Cash and cash equivalents, end of year	\$ 76,750	\$ 54,911	\$ 131,661	\$ 119,319
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Current unrestricted cash and cash equivalents	\$ 51,336	\$ 29,699	\$ 81,035	\$ 70,295
Noncurrent restricted cash and cash equivalents	25,414	25,212	50,626	49,024
	\$ 76,750	\$ 54,911	\$ 131,661	\$ 119,319
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 16,498	\$ 14,110	\$ 30,608	\$ 19,768
Adjustments:				
Depreciation	16,048	16,476	32,524	33,495
Decrease (increase) in accounts receivable	1,366	(1,657)	(291)	(1,659)
(Increase) decrease in inventories	(10)	34	24	(132)
Decrease in joint venture	-	273	273	225
(Decrease) increase in accounts payable and other accrued liabilities	(1,092)	(1,578)	(2,670)	3,937
(Decrease) increase in other post-employment benefits	(69)	170	101	545
(Decrease) increase in net pension obligation	(555)	(361)	(916)	179
Decrease (increase) in deposits subject to refund	402	(348)	54	(272)
Net cash provided by operating activities	\$ 32,588	\$ 27,119	\$ 59,707	\$ 56,086

(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 FLOW, Continued
Year Ended June 30, 2013 with Partial Financial Information for the Year Ended
June 30, 2012

Noncash capital and related financing activities:

The Water Fund received noncash contributions of \$1,028 and \$158 from area developers and expiring watermain extension contracts of \$628 and \$140 during the years ended June 30, 2013 and 2012, respectively. The Water Fund also had noncash capital additions included in accounts payable and retainage of \$1,111 and \$2,153 at the years ended June 30, 2013 and 2012, respectively.

The Sewer Fund received noncash contributions of \$3,152 and \$987 from area developers during the years ended June 30, 2013 and 2012, respectively. The Sewer Fund also had noncash capital additions included in accounts payable and retainage of \$6,162 and \$4,704 at the years ended June 30, 2013 and 2012, respectively.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

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

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

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

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

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

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

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

BASIS OF ACCOUNTING AND PRESENTATION – The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

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

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

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

CASH AND CASH EQUIVALENTS – For purposes of reporting cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased, and any cash held by the City's internal pool, to be cash equivalents. Interest income in pooled cash and investments is allocated monthly based on the percentage of the Authority's average daily equity in the pooled portfolio to the total average daily pooled portfolio balance.

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

The Authority follows the provisions of GASB Statement No. 31, "Certain Investments and External Investment Pools," which requires governmental entities to report investments at fair value in the statement of net position. The Authority experienced a decrease in the fair value of investments of approximately \$977 for the year ended June 30, 2013 and a decrease of \$8 for the year ended 2012. Realized gains and losses as well as changes in the fair market value of investments are reported in investment income in the combined statements of revenues, expenses and changes in net position.

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

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

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

UTILITY SERVICES RECEIVABLE – This balance consists of amounts due from customers within and around the Tulsa metropolitan area for utility service. Unbilled revenue is accrued and included in utility services receivable for services that were provided, but not billed at year end. The Authority recorded an allowance for uncollectible accounts of \$228 and \$249 as of June 30, 2013 and 2012, respectively.

CAPITAL ASSETS – Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Included in the capital assets is the interest capitalized during construction. Interest capitalized during fiscal years 2013 and 2012 was \$3,479 and \$3,312, respectively.

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

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

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

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

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

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

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

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

NET POSITION – Net position of the Authority represents the difference between assets and liabilities and deferred inflows/outflows. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Net investment in capital assets, excludes unspent bond proceeds of \$84,281 and \$71,500 as of June 30, 2013 and 2012, respectively. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Unrestricted net position is the difference between assets, liabilities and deferred inflow/outflows of resources that do not meet the definition of net investment in capital assets or restricted.

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

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

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

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, included in other receivables, are recorded on the lien date, although the related revenue is reported as a deferred inflow of resources and will not be recognized until the year for which it is levied.

USE OF ESTIMATES – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

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

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

RECLASSIFICATIONS – Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on Changes in Net Position.

2. CASH DEPOSITS AND INVESTMENTS

POOLED CASH AND INVESTMENTS – The Authority maintains a portion of its cash and investments with the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities guaranteed by the United States Government or its agencies and are recorded at fair market value. At June 30, 2013 and 2012, the pooled cash and investments, which are reflected on the Authority's Statements of Net Position within cash and cash equivalents, amounted to \$78,856 and \$64,383, respectively.

NON-POOLED CASH AND INVESTMENTS – Non-pooled cash equivalents and investments are included in restricted cash and cash equivalents and investments on the accompanying Statements of Net Position. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. 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.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

2. CASH DEPOSITS AND INVESTMENTS, continued

Investments are carried at fair value. The carrying amounts of the Authority's non-pooled cash equivalents and investments at June 30, 2013 and 2012, include:

	June 30, 2013		
	Fair Value	Maturities in years	
		Less than 1	1-5
U.S. Treasury Securities	\$ 39,858	\$ 10,457	\$ 29,401
U.S. Treasury Bills	14,991	14,991	-
Money Market Mutual Funds	52,805	52,805	-
	<u>\$ 107,654</u>	<u>\$ 78,253</u>	<u>\$ 29,401</u>

	June 30, 2012		
	Fair Value	Maturities in years	
		Less than 1	1-5
U.S. Treasury Securities	\$ 43,138	\$ 32,000	\$ 11,138
U.S. Agency Obligations	2,458	2,458	-
Money Market Mutual Funds	54,936	54,936	-
	<u>\$ 100,532</u>	<u>\$ 89,394</u>	<u>\$ 11,138</u>

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

Pooled investments – In accordance with the City's investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City's pooled investment portfolio is 2.53 years.

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

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

Pooled investments – The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2013 and 2012, the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ by Moody's and Standard & Poor's, respectively.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

2. CASH DEPOSITS AND INVESTMENTS, continued

Non-pooled investments – At June 30, 2013 and 2012 the Authority’s investments in U.S. agency obligations not directly guaranteed by the U.S. government and the money market mutual funds were rated by Standard & Poor’s and Moody’s Investor Service as AA+ and Aaa; respectively.

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

Pooled deposits and investments – The City’s investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City’s approval and release of the security. Certificates of deposit are, according to the City’s investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2013 and 2012, none of the deposits in the pooled portfolio was exposed to custodial credit risk. All safekeeping receipts for investment instruments are held in accounts in the City’s name and all securities are registered in the City’s name. Therefore, none of the Authority’s pooled investments as of June 30, 2013 and 2012 was exposed to custodial credit risk.

Non-pooled deposits and investments – All of the underlying securities for the Authority’s investments in U.S. agency obligations at June 30, 2013 and 2012 are insured or registered or securities held by the Authority or by its agent in the Authority’s name. The Authority’s investments in money market mutual funds are not subject to custodial credit risks because the investment is not evidenced by securities that exist in physical or book entry form.

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

Pooled investments – At June 30, 2013, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 18%, 22%, 19%, and 22%, respectively, of its total pooled investment portfolio. At June 30, 2012, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association constituted approximately 17%, 15%, 22%, and 21%, respectively, of its total pooled investment portfolio.

Non-pooled investments – At June 30, 2013 the Authority had no investments in Federal Home Loan Bank Corporation. At June 30, 2012 the Authority’s investment in Federal Home Loan Bank Corporation was 2% of its total investments.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

2. CASH DEPOSITS AND INVESTMENTS, continued

RECONCILIATION TO STATEMENTS OF NET POSITION – A reconciliation of the pooled cash and investments, non-pooled deposits and non-pooled investments to the carrying amounts on the statements of net position as of June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Pooled cash and investments	\$ 78,856	\$ 64,383
Non-pooled cash, cash equivalents and investments	<u>107,654</u>	<u>100,532</u>
	<u>\$ 186,510</u>	<u>\$ 164,915</u>
Current unrestricted cash and cash equivalents	\$ 81,035	\$ 70,295
Noncurrent restricted cash and cash equivalents	50,626	49,024
Noncurrent restricted investments	<u>54,849</u>	<u>45,596</u>
	<u>\$ 186,510</u>	<u>\$ 164,915</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, 2013 and 2012

3. RESTRICTED ASSETS

Certain debt proceeds, as well as certain sources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants and they are maintained in separate bank accounts. A summary of the purpose for which these assets are restricted as of June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
General Obligation Bonds:		
Sinking funds	\$ 2,968	\$ 2,882
Advances to primary government	984	1,151
	<u>3,952</u>	<u>4,033</u>
Deposits subject to refund:		
Escrow deposits	9,280	9,226
Sewer Promissory Notes:		
Reserve fund	12,094	10,412
Debt fund	5,806	5,392
Construction fund	39,864	19,049
Earnings fund	1	1
Rebate fund	1	1
	<u>57,766</u>	<u>34,855</u>
Water Revenue Bonds:		
Construction account	16,658	27,613
Reserve account	14,681	13,275
Principal account	4,122	6,769
	<u>35,461</u>	<u>47,657</u>
Interest receivable	46	141
Total restricted assets	<u>\$ 106,505</u>	<u>\$ 95,912</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, 2013 and 2012

4. CAPITAL ASSETS

The changes in capital assets are summarized as follows:

June 30, 2013	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Non depreciable assets:				
Land	\$ 31,864	\$ -	\$ 419	\$ 32,283
Water rights	9,593	-	-	9,593
Construction-in-progress	61,811	57,118	(32,205)	86,724
Total non depreciable capital assets	<u>103,268</u>	<u>57,118</u>	<u>(31,786)</u>	<u>128,600</u>
Depreciable assets:				
Buildings	47,755	-	285	48,040
Equipment	58,468	4,908	(1,990)	61,386
Land improvements, water and sewer lines	1,412,300	7,220	27,285	1,446,805
Total depreciable capital assets	<u>1,518,523</u>	<u>12,128</u>	<u>25,580</u>	<u>1,556,231</u>
Accumulated depreciation:				
Buildings	(29,001)	(1,027)	-	(30,028)
Equipment	(35,114)	(3,606)	1,851	(36,869)
Land improvements, water and sewer lines	(481,293)	(27,891)	1,693	(507,491)
	<u>(545,408)</u>	<u>(32,524)</u>	<u>3,544</u>	<u>(574,388)</u>
Depreciable capital assets, net	<u>973,115</u>	<u>(20,396)</u>	<u>29,124</u>	<u>981,843</u>
Capital assets, net	<u>\$ 1,076,383</u>	<u>\$ 36,722</u>	<u>\$ (2,662)</u>	<u>\$ 1,110,443</u>
June 30, 2012	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Land	\$ 31,324	\$ -	\$ 540	\$ 31,864
Water rights	9,593	-	-	9,593
Construction-in-progress	30,110	53,743	(22,042)	61,811
Total non-depreciable capital assets	<u>71,027</u>	<u>53,743</u>	<u>(21,502)</u>	<u>103,268</u>
Depreciable assets:				
Buildings	241,893	20	(194,158)	47,755
Equipment	85,943	3,517	(30,992)	58,468
Land improvements, water and sewer lines	1,164,199	4,772	243,329	1,412,300
Total depreciable capital assets	<u>1,492,035</u>	<u>8,309</u>	<u>18,179</u>	<u>1,518,523</u>
Accumulated depreciation:				
Buildings	(105,099)	(880)	76,978	(29,001)
Equipment	(41,781)	(3,456)	10,123	(35,114)
Land improvements, water and sewer lines	(369,755)	(29,159)	(82,379)	(481,293)
	<u>(516,635)</u>	<u>(33,495)</u>	<u>4,722</u>	<u>(545,408)</u>
Depreciable capital assets, net	<u>975,400</u>	<u>(25,186)</u>	<u>22,901</u>	<u>973,115</u>
Capital assets, net	<u>\$ 1,046,427</u>	<u>\$ 28,557</u>	<u>\$ 1,399</u>	<u>\$ 1,076,383</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, 2013 and 2012

5. JOINT VENTURE

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

The Authority's net investment was \$13,007 and \$12,000 as of June 30, 2013 and 2012, respectively. The Authority's other services and charges have been increased to reflect the change in the net investment by \$273 and \$225 for the years ended June 30, 2013 and 2012, respectively. The Authority contributed \$1,280 and \$408 to RMUA for capital improvements during the year ended June 30, 2013 and 2012, 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. The non-interest bearing repayments to contractors are payable over a ten year period and are generally limited to 40% of the collected revenues generated by the respective watermain extension, not to exceed the total cost as defined in the contract. The Authority has no liability after the ten year period if the contractor's portion of the respective revenues generated is insufficient to cover the contractor's costs.

Amounts due under the contracts were \$5,284 and \$6,402 at June 30, 2013 and 2012, respectively. The Authority estimates the current portion of the contractual liability based upon payments made during the year. The Authority made payments of \$525 and \$530 in accordance with these contracts for the years ended June 30, 2013 and 2012, respectively.

7. MUNICIPAL EMPLOYEES' PENSION PLAN

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

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

The ability to establish and amend requirements of plan members and the Authority is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute a percentage of their annual covered salary; the percentage was 6.0%, 5.0% and 4.0% for the years ended 2013, 2012 and 2011, respectively. The Authority is required to contribute at an actuarially determined rate; the rate was 11.1%, 12.1% and 9.6% for the years ended 2013, 2012 and 2011, respectively. The Authority's contributions to the plan for the years ended June 30, 2013, 2012 and 2011 were \$4,151, \$3,616 and \$1,856 respectively, which equaled 122%, 97% and 66% of the annual required contributions for each year. The Authority's actual contributions exceeded the required contributions to the Plan by \$755 as of June 30, 2013. The difference between the required contributions to the Plan and the actual contributions made by the Authority was \$99 and \$972 as of June 30, 2012 and 2011 respectively.

The Plan is reported as a Pension Trust Fund in the City's 2013 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

All 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, 2012, 2011 and 2010 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability which was approximately \$28,539, \$27,437 and \$34,166 for the City as of June 30, 2013, 2012 and 2011, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

The City's actuarial determined annual required contribution (ARC) for years ending June 30, 2013, 2012 and 2011 were \$2,880, \$2,769 and \$3,219, of which \$1,685, \$1,208 and \$537, were paid on a pay-as-you-go basis, respectively. The Authority was allocated \$5,624, \$5,523 and \$4,978 of the net obligation for the years ending June 30, 2013, 2012 and 2011, respectively, which has been reflected in the financial statements. The amount allocated to the Authority is based on the number of active eligible employees of the Authority compared to the total active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

9. RISK MANAGEMENT

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

10. NONCURRENT LIABILITIES

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

Various bond indentures, loan agreements, and pledge and security agreements contain significant limitations and restrictions of annual debt requirements and flow of monies through various restricted accounts. The Authority has pledged future water revenues, net of operating expenses to repay \$143,935 of outstanding Utility Revenue Bonds. The bonds are to be paid solely from water net revenues and are payable through 2031. Annual principal and interest payments on the bonds have required an average 35 - 41 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$184,584. Principal and interest paid for the current year and water net revenues for the current year were \$15,972 and \$38,804, respectively.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

10. NONCURRENT LIABILITIES, continued

Revenue bond activity during 2013 was as follows:

June 30, 2013

Bonds, Series and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utility Revenue Bonds, Series 2003, 2018	\$ 8,890	3.90-4.45%	\$ 4,660	\$ -	\$ (4,660)	\$ -	\$ -
Utility Revenue Bonds, Series 2005, 2025	78,720	4.00-4.50%	60,955	-	(60,955)	-	-
Utility Revenue Bonds, Series 2007, 2027	27,815	4.00-4.50%	18,015	-	(2,200)	15,815	2,400
Utility Revenue Bonds, Series 2009, 2029	21,500	3.00-4.75%	19,505	-	(715)	18,790	745
Utility Revenue Bonds, Series 2010, 2030	14,510	2.00-4.00%	14,510	-	(550)	13,960	560
Utility Revenue Bonds, Series 2011, 2031	24,100	2.00-4.375%	23,200	-	(830)	22,370	840
Utility Revenue Bonds, Series 2012, 2025	12,685	2.00-2.65%	12,685	-	(965)	11,720	965
Utility Revenue Bonds, Series 2013, 2025	61,280	2.00-3.00%	-	61,280	-	61,280	4,200
			<u>\$ 153,530</u>	<u>\$ 61,280</u>	<u>\$ (70,875)</u>	<u>\$ 143,935</u>	<u>\$ 9,710</u>

June 30, 2013

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

10. NONCURRENT LIABILITIES, continued

Revenue bond activity during 2012 was as follows:

June 30, 2012

Bonds, Series and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utility Revenue Bonds, Series 2003, 2018	\$ 8,890	3.75-4.45%	\$ 5,240	\$ -	\$ (580)	\$ 4,660	\$ 600
Utility Revenue Bonds, Series 2004, 2019	17,695	4.00-4.60%	13,300	-	(13,300)	-	-
Utility Revenue Bonds, Series 2005, 2025	78,720	4.00-4.50%	63,970	-	(3,015)	60,955	3,145
Utility Revenue Bonds, Series 2007, 2027	27,815	4.00-4.50%	20,115	-	(2,100)	18,015	2,200
Utility Revenue Bonds, Series 2009, 2029	21,500	3.00-4.75%	20,195	-	(690)	19,505	715
Utility Revenue Bonds, Series 2010, 2030	14,510	2.00-4.00%	14,510	-	-	14,510	550
Utility Revenue Bonds, Series 2011, 2031	24,100	2.00-4.375%	24,100	-	(900)	23,200	830
Utility Revenue Bonds, Series 2012, 2025	12,685	2.00-2.65%	-	12,685	-	12,685	965
			<u>\$ 161,430</u>	<u>\$ 12,685</u>	<u>\$ (20,585)</u>	<u>\$ 153,530</u>	<u>\$ 9,005</u>

June 30, 2012

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other long-term liabilities					
Water storage lease	\$ 4,775	\$ -	\$ (246)	\$ 4,529	\$ 176
Watermain extension contracts	7,071	-	(669)	6,402	536
Other post-employment benefits	4,978	545	-	5,523	-
Vested compensated absences	4,167	4,389	(3,157)	5,399	3,319
Net pension obligation	1,841	944	(765)	2,020	1,076
Total other long-term liabilities	<u>\$ 22,832</u>	<u>\$ 5,878</u>	<u>\$ (4,837)</u>	<u>\$ 23,873</u>	<u>\$ 5,107</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, 2013 and 2012

10. NONCURRENT LIABILITIES, continued

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

The Authority has pledged future sewer and water revenue, net of operating expenses to repay \$210,317 and \$3,858 of promissory notes respectively. The promissory notes are to be paid solely from sewer and water net revenues and are payable through 2034. Annual principal and interest payments on the promissory notes have required on average 50-68 percent of net revenues. The total principal and interest remaining to be paid on the promissory notes is \$287,781. Principal and interest paid for the current year and sewer and water net revenues for the current year were \$17,358 and \$65,808, respectively.

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

During the year ended June 30, 2013, the Authority issued the Series 2013A promissory note for \$9,850. There was no outstanding balance on the promissory note at June 30, 2013.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

10. NONCURRENT LIABILITIES, continued

Loan activity during 2013 was 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>
Sewer:							
Series 1992A - 2012	\$ 4,299	0.50%	\$ 107	\$ -	\$ (107)	\$ -	\$ -
Series 1997A - 2016	4,035	0.50%	927	-	(206)	721	206
Series 1998B - 2017	4,392	0.50%	1,261	-	(229)	1,032	229
Series 1998C - 2017	8,500	5.145%	3,490	-	(3,490)	-	-
Series 2001B - 2020	4,996	0.50%	2,103	-	(262)	1,841	263
Series 2002D - 2021	6,813	0.50%	3,320	-	(350)	2,970	349
Series 2003 - 2012	4,310	3.745%	520	-	(520)	-	-
Series 2004B - 2023	1,560	0.50%	920	-	(80)	840	80
Series 2005B - 2027	7,900	3.10%	6,319	1	(402)	5,918	328
Series 2005C - 2025	1,203	0.50%	812	-	(60)	752	60
Series 2006A - 2027	3,130	3.10%	2,354	72	(141)	2,285	127
Series 2006B - 2016	835	1.56%	367	-	(91)	276	96
Series 2006C - 2029	17,825	3.10%	15,139	282	(891)	14,530	891
Series 2006 - 2025	52,585	4.145-5.145%	42,495	-	(2,265)	40,230	2,355
Series 2007A - 2026	5,131	0.50%	3,815	-	(263)	3,552	263
Series 2007B - 2026	8,365	3.795-4.845%	6,953	-	(344)	6,609	358
Series 2009A - 2032	11,320	3.22%	7,767	1,615	(566)	8,816	566
Series 2009B - 2032	7,350	2.91%	4,809	539	(294)	5,054	202
Series 2010A - 2032	27,757	2.89%	10,716	9,861	(694)	19,883	1,388
Series 2010B - 2030	29,380	3.145-5.145%	28,325	-	(1,060)	27,265	1,095
Series 2011A - 2033	23,480	3.11%	-	9,205	-	9,205	587
Series 2011B - 2031	14,275	2.645-5.145%	14,275	-	(500)	13,775	505
Series 2011C - 2034	16,700	2.55%	-	3,569	-	3,569	-
Series 2012A - 2034	4,347	2.43%	-	4	-	4	-
Series 2012B - 2032	11,355	.545-3.395%	11,355	-	(220)	11,135	435
Series 2012C - 2017	2,450	.395-4.145%	-	2,450	-	2,450	480
Series 2013A - 2035	9,850	3.45%	-	-	-	-	-
Series 2013B - 2033	27,605	2.145-5.145%	-	27,605	-	27,605	410
			<u>168,149</u>	<u>55,203</u>	<u>(13,035)</u>	<u>210,317</u>	<u>11,273</u>
Water:							
Series 2008A - 2013	1,250	2.03%	653	75	(312)	416	416
Series 2009C - 2031	5,225	2.82%	3,574	-	(132)	3,442	137
			<u>\$ 172,376</u>	<u>\$ 55,278</u>	<u>\$ (13,479)</u>	<u>\$ 214,175</u>	<u>\$ 11,826</u>

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

10. NONCURRENT LIABILITIES, continued

Loan activity during 2012 was 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>
Sewer:							
Series 1992A - 2012	\$ 4,299	0.50%	\$ 322	\$ -	\$ (215)	\$ 107	\$ 107
Series 1997A - 2016	4,035	0.50%	1,134	-	(207)	927	206
Series 1998B - 2017	4,392	0.50%	1,490	-	(229)	1,261	229
Series 1998C - 2017	8,500	4.945-5.145%	3,980	-	(490)	3,490	515
Series 2001B - 2020	4,996	0.50%	2,366	-	(263)	2,103	263
Series 2002D - 2021	6,813	0.50%	3,670	-	(350)	3,320	349
Series 2003 - 2012	4,310	3.745%	1,025	-	(505)	520	520
Series 2004B - 2023	1,560	0.50%	1,000	-	(80)	920	80
Series 2005B - 2027	7,900	3.10%	6,715	-	(396)	6,319	395
Series 2005C - 2025	1,203	0.50%	872	-	(60)	812	60
Series 2006A - 2027	3,130	3.10%	2,436	74	(156)	2,354	157
Series 2006B - 2016	835	1.55%	452	-	(85)	367	91
Series 2006C - 2029	17,825	3.10%	15,816	214	(891)	15,139	891
Series 2006 - 2025	52,585	3.895-5.145%	44,674	-	(2,179)	42,495	2,265
Series 2007A - 2026	5,131	0.50%	4,079	-	(264)	3,815	263
Series 2007B - 2026	8,365	3.795-4.645%	7,284	-	(331)	6,953	344
Series 2009A - 2032	11,320	3.22%	7,445	605	(283)	7,767	566
Series 2009B - 2032	7,350	2.91%	4,217	592	-	4,809	268
Series 2010A - 2032	27,757	2.89%	2,274	8,442	-	10,716	694
Series 2010B - 2030	29,380	3.145-5.145%	29,380	-	(1,055)	28,325	1,060
Series 2011B - 2031	14,275	.545-5.145%	14,275	-	-	14,275	500
Series 2012B - 2032	11,355	.395-3.395%	-	11,355	-	11,355	220
			<u>154,906</u>	<u>21,282</u>	<u>(8,039)</u>	<u>168,149</u>	<u>10,043</u>
Water:							
Series 2008A - 2013	1,250	2.03%	228	738	(313)	653	313
Series 2009C - 2031	5,225	2.82%	2,280	1,359	(65)	3,574	132
			<u>\$ 157,414</u>	<u>\$ 23,379</u>	<u>\$ (8,417)</u>	<u>\$ 172,376</u>	<u>\$ 10,488</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, 2013 and 2012

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 2013 and 2012 was as follows:

2013

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

2012

<u>Bonds 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>
Series 2002C - 2017	28,000	5.00%	\$ 12,600	\$ -	\$ (12,600)	\$ -	\$ -
Series 2004A- 2016	949	5.00%	396	-	(76)	320	79
Series 2004B- 2015	1,038	4.00-5.00%	461	-	(114)	347	115
Series 2005- 2025	13,219	5.00%	9,732	-	(701)	9,031	698
Series 2006- 2026	817	4.00-4.50%	645	-	(44)	601	43
Series 2007- 2027	6,757	4.00-4.25%	6,004	-	(374)	5,630	376
Series 2008- 2028	8,659	4.00-4.75%	7,745	-	(457)	7,288	457
Series 2009- 2029	3,347	2.75-4.25%	3,169	-	(178)	2,991	178
Series 2009A- 2019	5,532	3.00-4.00%	4,865	-	(652)	4,213	636
Series 2009B- 2021	6,340	3.00-5.00%	5,709	-	(620)	5,089	607
Series 2012A- 2017	10,575	4.00%	-	10,575	-	10,575	2,280
			<u>\$ 51,326</u>	<u>\$ 10,575</u>	<u>\$ (15,816)</u>	<u>\$ 46,085</u>	<u>\$ 5,469</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, 2013 and 2012

10. NONCURRENT LIABILITIES, continued

ECONOMIC GAIN/LOSS ON REFUNDING

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

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

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

	Revenue Bonds		Promissory Notes		General Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 9,710	\$ 4,396	\$ 11,826	\$ 7,640	\$ 5,510	\$ 1,524
2015	9,965	4,256	13,554	7,405	5,374	1,329
2016	9,245	3,986	13,746	7,011	5,137	1,132
2017	8,555	3,726	13,810	6,602	4,923	944
2018	8,725	3,491	13,853	6,178	2,920	762
2019-2023	46,180	13,066	63,507	23,972	10,860	2,334
2024-2028	38,590	6,709	55,949	11,699	5,944	671
2029-2033	12,965	1,019	25,895	3,047	149	6
2034-2038	-	-	2,035	52	-	-
	\$ 143,935	\$ 40,649	\$ 214,175	\$ 73,606	\$ 40,817	\$ 8,702

Variable Rate Terms – At June 30, 2013 the variable rate included in the above requirements is 1.56%, which includes program costs of 1.26% and an interest rate of 0.30%.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

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, 2013 and 2012, is computed as follows:

	<u>2013</u>	<u>2012</u>
Levies for principal to June 30	\$ 18,367	\$ 30,424
Bond maturities to June 30	<u>16,615</u>	<u>28,647</u>
Bond reserve	1,752	1,777
Interest reserve	1,147	1,071
Final interest reserve	<u>69</u>	<u>37</u>
Total general obligation bonds reserve	<u>\$ 2,968</u>	<u>\$ 2,885</u>

The Authority established reserves for the retirement of revenue bond debt, the assets of which are held by the trustee and totaled \$14,681 and \$13,275 at June 30, 2013 and 2012, respectively. Further, the Authority established reserves for the retirement of the Promissory Notes, the assets of which are held by the trustee and totaled \$17,900 and \$15,804 at June 30, 2013 and 2012, respectively.

12. NONCANCELABLE CAPITAL LEASE

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

12. NONCANCELABLE CAPITAL LEASE, continued

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

	<u>Principal</u>	<u>Interest</u>	<u>Operating Expense</u>	<u>Total</u>
2014	\$ 182	\$ 140	\$ 169	\$ 491
2015	188	134	169	491
2016	194	128	169	491
2017	200	122	169	491
2018	207	116	169	492
2019-2023	1,139	474	844	2,457
2024-2028	1,334	279	844	2,457
2029-2031	908	60	505	1,473
	<u>\$ 4,352</u>	<u>\$ 1,453</u>	<u>\$ 3,038</u>	<u>\$ 8,843</u>

13. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2013 and 2012, the Authority conducted the following transactions with related entities:

	<u>2013</u>	<u>2012</u>
Indirect cost reimbursement paid to the City of Tulsa	\$ 5,608	\$ 5,588
Payment in lieu of taxes to the City of Tulsa	\$ 11,072	\$ 11,471
Payments from the City of Tulsa	\$ 2,584	\$ 4,757
Charges for utility services paid by the City of Tulsa	\$ 2,239	\$ 1,979
Charges for maintenance of equipment paid to the City of Tulsa	\$ 4,148	\$ 3,998
Ad valorem taxes from the City of Tulsa	\$ 3,531	\$ 3,491

The Authority has outstanding advances of unspent bonds proceeds in the amount of \$984 and \$1,151 as of June 30, 2013 and 2012, respectively, held by the City. As a result, there is a noncurrent asset – advance to primary government, restricted, recorded in the statements of net position equal to these amounts.

14. GENERAL LITIGATION

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

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)
June 30, 2013 and 2012

15. COMMITMENTS

As of June 30, 2013, the Authority had open commitments for construction projects of approximately \$60,901.

16. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

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

This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively comparably measure the annual costs of pension costs. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

17. SUBSEQUENT EVENT

On July 10, 2013 the Authority approved a \$10,000 line of credit agreement with a banking institution. The applicable interest rate is the 30 day LIBOR plus 1.75%. The agreement is for an initial two year term and renewable in two year increments thereafter.