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

FINANCIAL REPORT
June 30, 2015

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
INDEX
Year Ended June 30, 2015

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, 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 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.

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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As described in Note 16, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an Amendment of GASB Statement No. 27*, which restated beginning net position of the business-type activities and each major fund, to record the net pension liability and deferred inflows of resources. Our opinion is not modified with respect to this matter.

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 and pension information on page 40, 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
January 19, 2016

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 year ended June 30, 2015. 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 $920,007. Of this amount, $67,024 is unrestricted and may be used to meet the Authority's ongoing obligations.

- The Authority's net position, as restated, increased from $869,101 at June 30, 2014 to $920,007 at June 30, 2015. During 2015, the Authority generated an increase in net position of $50,906.

- The Authority's cash and cash equivalents at June 30, 2015, were $173,727, representing an increase of $51,161 from June 30, 2014.

Overview of the Financial Statements

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

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

Required Financial Statements

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

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

Net Position

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

SUMMARY OF NET POSITION

	2015	2014 (as restated)	Dollar Change	Percent Change
Current assets, unrestricted	$ 126,519	$ 113,256	$ 13,263	11.7%
Restricted assets	111,233	96,280	14,953	15.5%
Capital assets, net	1,198,228	1,159,756	38,472	3.3%
Other assets	14,583	13,479	1,104	8.2%
Total assets	1,450,563	1,382,771	67,792	4.9%
Total deferred outflows of resources	8,502	2,719	5,783	212.7%
Current liabilities	11,473	8,922	2,551	28.6%
Liabilities payable from restricted assets	53,649	51,411	2,238	4.4%
Noncurrent liabilities	450,764	429,507	21,257	5.0%
Total liabilities	515,886	489,840	26,046	5.3%
Total deferred inflows of resources	23,172	26,549	(3,377)	(12.7)%
Net investment in capital assets	840,224	806,803	33,421	4.1%
Restricted	12,759	12,190	569	4.7%
Unrestricted	67,024	50,108	16,916	33.8%
Total net position	$ 920,007	$ 869,101	$ 50,906	5.9%

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 issuance 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 $5,783 due primarily to increases in deferred outflows of pension related resources of $5,957 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 $3,377 compared to prior year due to decreases in pension related resources of $3,409, and debt refundings of $54 offset by increases in property taxes of $86.

SUMMARY OF CHANGES IN NET POSITION

	2015	2014 (as restated)	Dollar Change	Percent Change
Operating revenue	$ 191,340	$ 182,464	$ 8,876	4.9%
Nonoperating revenue	3,078	4,092	(1,014)	(24.8)%
Investment income	979	1,463	(484)	(33.1)%
Total revenues	195,397	188,019	7,378	3.9%
Depreciation expense	35,178	33,768	1,410	4.2%
Other operating expense	95,223	97,318	(2,095)	(2.2)%
Nonoperating expense	21,830	20,819	1,011	4.9%
Total expenses	152,231	151,905	326	0.2%
Income before contributions	43,166	36,114	7,052	19.5%
Capital contributions	4,846	3,626	1,220	33.7%
Capital contributions from City of Tulsa	2,894	1,335	1,559	116.8%
Total capital contributions	7,740	4,961	2,779	100.0%
Change in net position	50,906	41,075	9,831	23.9%
Net position, beginning of year, as restated	869,101	828,026	41,075	5.0%
Net position, end of year	$ 920,007	$ 869,101	$ 50,906	5.9%

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.

Capital Assets

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

	2015	2014	Dollar Change	Percent Change
Land	$ 34,592	$ 34,793	(201)	(0.6)%
Water storage lease	9,593	9,593	-	0.0%
Buildings	48,434	48,214	220	0.5%
Equipment	65,129	63,086	2,043	3.2%
Land improvements, water and sewer lines	1,601,916	1,501,855	100,061	6.7%
	1,759,664	1,657,541	102,123	6.2%
Less accumulated depreciation	(637,632)	(605,699)	(31,933)	5.3%
Construction-in-progress	76,196	107,914	(31,718)	(29.4)%
Capital assets, net	$ 1,198,228	$ 1,159,756	$ 38,472	3.3%

Debt

At June 30, 2015 the Authority had outstanding general obligation bonded debt of $29,610. 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.

	2015	2014	Dollar Change	Percent Change
General obligation bonds	$ 29,610	$ 35,307	$ (5,697)	(16.1)%
Revenue bonds	141,110	134,225	6,885	5.1%
Promissory notes	248,547	233,978	14,569	6.2%
Total debt	$ 419,267	$ 403,510	$ 15,757	3.9%

During 2015, the Authority issued new debt to fund improvements to the water and wastewater systems. The Authority's debt increased $15,757 or 3.9% during 2015. 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.

Funds

The Authority has two funds, the Water Fund and the Sewer Fund. At June 30, 2015, the Water Fund net position of $478,767 reflected an increase of $25,502 from the net position, as restated, of $453,265 at June 30, 2014. At June 30, 2015, the Sewer Fund net position of $441,240 reflected an increase of $25,404 from the net position, as restated, of $415,836 at June 30, 2014.

Economic factors and next year's budgets and rates

At the national level, unemployment declined to 5.3 percent at June 30, 2015. Unemployment in the City of Tulsa was 4.8 percent at the end of fiscal year 2015 compared to 4.9 percent at the end of fiscal year 2014. 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 2016. The Authority approved a 7 percent increase in water fees and a 9 percent increase in sewer fees beginning in October 2015. 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)
STATEMENT OF NET POSITION
June 30, 2015

(In thousands of dollars)	2015		
ASSETS	**Water Fund**	**Sewer Fund**	**Business-type Activities Total**
Current assets:			
Cash and cash equivalents	$ 56,950	$ 40,026	$ 96,976
Cash and cash equivalents, restricted	16,332	7,501	23,833
Accounts receivable:			
Utility services receivable, net	12,859	11,010	23,869
Other receivables	222	173	395
Property tax receivable	-	3,283	3,283
Inventories	1,766	230	1,996
Total current assets	88,129	62,223	150,352
Noncurrent assets:			
Cash and cash equivalents, restricted	17,104	35,814	52,918
Investments, restricted	13,969	20,280	34,249
Interest receivable, restricted	6	20	26
Advances to primary government, restricted	-	207	207
Equity interest in joint venture	-	14,583	14,583
Nondepreciable capital assets	57,791	62,590	120,381
Depreciable capital assets, net	505,084	572,763	1,077,847
Total noncurrent assets	593,954	706,257	1,300,211
Total assets	$ 682,083	$ 768,480	$ 1,450,563
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,467	78	2,545
Deferred outflows of pension related resources	3,042	2,915	5,957
Total deferred outflows of resources	$ 5,509	$ 2,993	$ 8,502

(Continued)

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF NET POSITION, Continued
June 30, 2015

(In thousands of dollars)	2015		
LIABILITIES	Water Fund	Sewer Fund	Business-type Activities Total
Current liabilities:			
Accounts payable and accrued liabilities	$ 4,584	$ 3,818	$ 8,402
Current portion of watermain extension contracts	402	-	402
Current portion of compensated absences	1,463	1,012	2,475
Current portion of water storage lease	194	-	194
Total current liabilities payable from unrestricted assets	6,643	4,830	11,473
Liabilities payable from restricted assets:			
Accounts payable and accrued liabilities	4,815	8,876	13,691
Deposits subject to refund	9,673	467	10,140
Current portion of general obligation debt	-	5,174	5,174
Current portion of promissory notes	146	14,688	14,834
Current portion of revenue bonds	9,810	-	9,810
Total current liabilities payable from restricted assets	24,444	29,205	53,649
Total current liabilities	31,087	34,035	65,122
Noncurrent liabilities:			
General obligation debt	-	24,436	24,436
Promissory notes	3,018	230,695	233,713
Revenue bonds	131,300	-	131,300
Unamortized bond premium	2,570	9,296	11,866
Unamortized bond discount	-	(90)	(90)
Watermain extension contracts	3,399	-	3,399
Compensated absences	799	553	1,352
Other post-employment benefits	3,062	2,648	5,710
Net pension liability	19,118	16,172	35,290
Water storage lease	3,788	-	3,788
Total noncurrent liabilities	167,054	283,710	450,764
Total liabilities	$ 198,141	$ 317,745	$ 515,886
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	-	168	168
Deferred inflows of pension related resources	10,684	9,037	19,721
Property tax revenue	-	3,283	3,283
Total deferred inflows of resources	$ 10,684	$ 12,488	$ 23,172
NET POSITION			
Net investment in capital assets	442,111	398,113	840,224
Restricted for debt service	5,328	7,431	12,759
Unrestricted	31,328	35,696	67,024
Total net position	$ 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)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2015

(In thousands of dollars)	2015		
	Water Fund	Sewer Fund	Business-type Activities Total
Operating revenues:			
Water and sewer services	$ 103,279	$ 88,061	$ 191,340
Operating expenses:			
Personnel Services	23,228	19,260	42,488
Materials and supplies	8,153	4,524	12,677
Other services and charges	23,303	16,755	40,058
Depreciation	16,795	18,383	35,178
Total operating expenses	71,479	58,922	130,401
Operating income	31,800	29,139	60,939
Nonoperating revenues (expenses):			
Investment income	692	287	979
Interest and amortization expense	(3,529)	(6,465)	(9,994)
Ad valorem taxes	-	2,989	2,989
Payments to City of Tulsa	(6,355)	(5,481)	(11,836)
Other, net	(72)	161	89
Net nonoperating expenses	(9,264)	(8,509)	(17,773)
Income before contributions	22,536	20,630	43,166
Capital contributions	2,966	1,880	4,846
Capital contributions from City of Tulsa	-	2,894	2,894
Total capital contributions	2,966	4,774	7,740
Change in net position	25,502	25,404	50,906
Net position, beginning of year, as restated	453,265	415,836	869,101
Net position, end of year	$ 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)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015

(In thousands of dollars)	2015		
	Water Fund	Sewer Fund	Business-type Activities Total
Cash flows from operating activities:			
Received from customers, including cash deposits	$ 103,477	$ 86,994	$ 190,471
Payments to suppliers for goods and services	(30,052)	(19,658)	(49,710)
Payments to personnel for services	(25,989)	(21,417)	(47,406)
Net cash provided by operating activities	47,436	45,919	93,355
Cash flows from non-capital and related financing activities:			
Payments to City of Tulsa	(6,355)	(5,481)	(11,836)
Collection of advances to City of Tulsa	-	90	90
Net cash used by non-capital and related financing activities	(6,355)	(5,391)	(11,746)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(26,085)	(37,891)	(63,976)
Payments from City of Tulsa	-	2,894	2,894
Proceeds from sale of capital assets	245	176	421
Interest paid on long-term debt	(4,769)	(9,808)	(14,577)
Principal paid on long-term debt	(10,294)	(18,863)	(29,157)
Payment of bond issuance costs	(238)	(118)	(356)
Refunding Payments	(10,915)	(5,018)	(15,933)
Proceeds from long-term debt issuance	27,765	32,894	60,659
Premium received on debt issuance	773	2,648	3,421
Payment of call premium on debt refunding	(219)	(100)	(319)
Ad valorem taxes received for debt service	-	2,989	2,989
Payments on watermain extension contracts	(376)	-	(376)
Investment in joint venture	-	(1,384)	(1,384)
Net cash used by capital and related financing activities	$ (24,113)	$ (31,581)	$ (55,694)

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TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF CASH FLOWS, Continued
Year Ended June 30, 2015

(In thousands of dollars)	2015		
	Water Fund	Sewer Fund	Business-type Activities Total
Cash flows from investing activities:			
Interest received on investments	$ 699	$ 304	$ 1,003
Sale or maturity of investments	8,341	32,978	41,319
Purchases of investments	(3,950)	(13,126)	(17,076)
Net cash provided by investing activities	5,090	20,156	25,246
Net increase in cash and cash equivalents	22,058	29,103	51,161
Cash and cash equivalents, beginning of year	68,328	54,238	122,566
Cash and cash equivalents, end of year	$ 90,386	$ 83,341	$ 173,727
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Current unrestricted cash and cash equivalents	$ 56,950	$ 40,026	$ 96,976
Current restricted cash and cash equivalents	16,332	7,501	23,833
Noncurrent restricted cash and cash equivalents	17,104	35,814	52,918
	$ 90,386	$ 83,341	$ 173,727
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 31,800	$ 29,139	$ 60,939
Adjustments:			
Depreciation	16,795	18,383	35,178
Increase in accounts receivable	(95)	(1,115)	(1,210)
Increase in inventories	(199)	(3)	(202)
Decrease in joint venture	-	279	279
Increase in deferred outflows pension	(3,042)	(2,915)	(5,957)
Increase in accounts payable and other accrued liabilities	1,508	1,289	2,797
Increase in other post employment benefits	19	91	110
Increase in deposits subject to refund	277	23	300
Increase net pension liability	2,320	2,209	4,529
Decrease deferred inflows pension	(1,947)	(1,461)	(3,408)
Net cash provided by operating activities	$ 47,436	$ 45,919	$ 93,355
Noncash capital and related financing activities:			
Contributions from area developers	$ 605	$ 1,058	$ 1,663
Additions included in accounts payable and retainage	$ 3,479	$ 6,288	$ 9,767
Expiring watermain extension contracts	$ 330	$ -	$ 330

The accompanying notes are an integral part of the financial statements

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.

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 includes both pooled cash and investments and non-pooled cash and cash equivalents. For purposes of reporting cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased, along with amounts held in the City's internal pool, to be cash equivalents.

INVESTMENTS – The Authority's pooled cash and investments are recorded at the net asset value of their position in the City's pool. The City's investment pool is stated at fair value based on quoted market prices. Non-pooled investments are recorded at fair value based on quoted market prices. The Authority experienced an increase in the fair value of investments of approximately $6 for the year ended June 30, 2015. Realized gains and losses as well as changes in the fair value of investments are reported as investment income in the statements of revenues, expenses and changes in net position.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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. Utility services receivable included $6,575 and $5,650 of accrued unbilled revenue for the Water fund and Sewer fund, respectively, as of June 30, 2015. The Authority recorded an allowance for uncollectible accounts of $20 and $45 for Water fund and Sewer fund, respectively, as of June 30, 2015.

CAPITAL ASSETS – Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair 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 year 2015 was $4,505.

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 as well as amounts contributed by City sales tax funds. Sales tax fund expenditures restricted for the purchase of proprietary fund assets are reported as capital contributions and are included as increases to construction in progress (nondepreciable capital assets) until those assets are complete and placed in service.

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

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. The Authority accounts for 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 $84,412 as of June 30, 2015. 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.

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 resouces 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.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

2. CASH DEPOSITS AND INVESTMENTS

POOLED CASH AND INVESTMENTS – The Authority participates in the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities guaranteed by the United States Government or its agencies and are recorded at fair value. At June 30, 2015 the pooled cash and investments, which are reflected in the Authority's Statements of Net Position within cash and cash equivalents, amounted to $102,250.

NON-POOLED CASH AND INVESTMENTS

Investments are carried at fair value. The carrying amounts of the Authority's non-pooled cash equivalents and investments at June 30, 2015 include:

		June 30, 2015 Maturities in years	
	Fair Value	Less than 1	1-5
U.S. Treasury Securities	$ 34,249	$ 25,175	$ 9,074
Money Market Mutual Funds	71,477	71,477	-
	$ 105,726	$ 96,652	$ 9,074

Interest Rate Risk – Interest rate risk is the risk that a change in interest rates will adversely affect the value of an investment. The Authority's investments in money market mutual funds are redeemable in full immediately and are therefore presented with a maturity of less than one year.

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 2.07 years.

Non-pooled investments – Bond requirements limit the type of restricted investments that can be acquired. Non-pooled investments 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.

Pooled investments – The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2015, the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ by Moody's Investor Service and Standard & Poor's.

Non-pooled investments – The Authority utilizes the City of Tulsa investment policy to limit its exposure to credit risks. At June 30, 2015 the Authority's investments in money market mutual funds were rated Aaa and AAA by Moody's Investor Service and Standard & Poor's, respectively. The Authority's investments in U.S. Treasury Securities are not subject to credit risk.

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.

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, 2015, 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, 2015 was exposed to custodial credit risk.

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

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

Pooled investments – At June 30, 2015, the City's investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 19%, 18%, 17%, and 15%, respectively, of its total pooled investment portfolio.

Non-pooled investments – At June 30, 2015, the Authority had no investment concentrations.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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, 2015, is as follows:

	2015
Pooled cash and investments	$ 102,250
Non-pooled cash, cash equivalents and investments	105,726
	$ 207,976
Current unrestricted cash and cash equivalents	$ 96,976
Current restricted cash and cash equivalents	23,833
Noncurrent restricted cash and cash equivalents	52,918
Noncurrent restricted investments	34,249
	$ 207,976

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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, 2015, is as follows:

	2015
General Obligation Bonds:	
Sinking funds	$ 2,708
Advances to primary government	207
	2,915
Deposits subject to refund:	
Escrow deposits	10,140
Sewer Promissory Notes:	
Reserve fund	13,836
Debt fund	7,290
Construction fund	39,295
	60,421
Water Revenue Bonds:	
Construction account	17,059
Reserve account	14,015
Principal account	6,657
	37,731
Interest receivable	26
Total restricted assets	$ 111,233

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

4. CAPITAL ASSETS

The changes in capital assets are summarized as follows:

June 30, 2015	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable assets:				
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	152,300	54,404	(86,323)	120,381
Depreciable assets:				
Buildings	48,214	-	220	48,434
Equipment	63,086	5,355	(3,312)	65,129
Land improvements, water and sewer lines	1,501,855	14,221	85,840	1,601,916
Total depreciable capital assets	1,613,155	19,576	82,748	1,715,479
Accumulated depreciation:				
Buildings	(31,013)	(906)	-	(31,919)
Equipment	(38,260)	(4,030)	3,230	(39,060)
Land improvements, water and sewer lines	(536,426)	(30,242)	15	(566,653)
	(605,699)	(35,178)	3,245	(637,632)
Depreciable capital assets, net	1,007,456	(15,602)	85,993	1,077,847
Capital assets, net	$ 1,159,756	$ 38,802	$ (330)	$ 1,198,228

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 $14,583 as of June 30, 2015. The Authority's other services and charges have been increased to reflect the change in equity interest by $279 for the year ended June 30, 2015. The Authority contributed $1,384 to RMUA for capital improvements during the year ended June 30, 2015.

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 $3,801 at June 30, 2015. The Authority estimates the current portion of the contractual liability based upon amounts payable in the following year. The Authority made payments of $376 in accordance with these contracts for the year ended June 30, 2015.

7. MUNICIPAL EMPLOYEES' PENSION PLAN

Plan description – Employees of the Authority 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.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

Contributions – The Contributions are set per City of Tulsa ordinance. Employees are required to contribute 6.5 percent of their annual pay for the year ended June 30, 2015. The Authority is required to contribute 11.5 percent of payroll for the year ended June 30, 2015. The Authority is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceeds the 11.5 percent of payroll. Actual contributions to the pension plan from the Authority were $3,631 for the year ended June 30, 2015.

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

At June 30, 2015, the Authority reported a liability of $35,290 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension liability to June 30, 2015. 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, 2015, the Authority's proportion was 28.1749 percent, which was an increase of .6411 from its proportion measured as of June 30, 2014.

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

	Deferred Outflows of Resources		
	Water Fund	Sewer Fund	Business-type Activities Total
Net difference between projected and actual plan earnings on pension plan investments	$ 2,691	$ 2,277	$ 4,968
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	351	638	989
Total	$ 3,042	$ 2,915	$ 5,957

	Deferred Inflows of Resources		
	Water Fund	Sewer Fund	Business-type Activities Total
Differences between expected and actual plan experience	$ (1,180)	$ (998)	$ (2,178)
Changes of assumptions	(6,559)	(5,548)	(12,107)
Net difference between projected and actual plan earnings on pension plan investments	(2,945)	(2,491)	(5,436)
Total	$ (10,684)	$ (9,037)	$ (19,721)

Note: Changes of assumptions – In 2014 amounts reported as changes in assumptions resulted primarily from the change in the single discount rate from 6.56% to 7.75%.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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:

	Water Fund	Sewer Fund	Business-type Activities Total
Year ended June 30:			
2016	$ (2,684)	$ (2,178)	$ (4,862)
2017	(2,684)	(2,178)	(4,862)
2018	(2,684)	(2,178)	(4,862)
2019	410	412	822
Thereafter	-	-	-
	$ (7,642)	$ (6,122)	$ (13,764)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25	percent
Salary increases	4.25 to 13.70	percent, including inflation
Investment rate of return	7.75	percent

Mortality rates were based on the 1994 Group Annuity Mortality Tables, set forward 2 years for males and one year for females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the four-year period ending December 31, 2009.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	34%	1.75%
Domestic equity	31%	7.04%
International equity	21%	7.10%
Real estate	7%	5.15%
Commodities	3%	0.50%
Timber	4%	4.65%
	100%	

Discount rate - The discount rate used to measure the total pension liability was 7.75 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 Authority will be made at specified in the MERP funding policy. Based on those assumptions, the pension plan'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 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the net pension liability	$ 51,836	$ 35,290	$ 21,184

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.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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, 2014, 2013 and 2012 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability which was approximately $12,180, $14,216 and $28,539 for the City as of June 30, 2015, 2014 and 2013, respectively. The Authority's portion of the unfunded actuarially accrued liability has not been separately determined. The Authority's OPEB information is presented below:

Annual OPEB Cost Information - City				
Year	Actuarially Required Contributions	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2015	$ 1,207	$ 618	51%	$ 5,710
2014	1,376	1,332	97%	5,599
2013	2,880	1,685	59%	5,624

The Authority's OPEB obligation is based on the number of active eligible employees of 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.

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 to repay $141,110 of outstanding Utility Revenue Bonds. The bonds are to be paid solely from water net revenues and are payable through 2034. Annual principal and interest payments on the bonds required 29 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $178,478. Principal and interest paid for the current year and water net revenues for the current year were $14,490 and $49,287, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

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

June 30, 2015

Bonds, Series and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utility Revenue Bonds,							
Series 2007, 2027	$27,815	4.00-4.50%	$ 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
			$134,225	$ 27,765	$ (20,880)	$141,110	$ 9,810

June 30, 2015	Beginning Balance as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Other long-term liabilities					
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	$ 49,055	$ 7,347	$ (3,792)	$ 52,610	$ 3,071

During the year ended June 30, 2015, the Authority issued the Utility Revenue Bonds, Series 2014, for $17,825. The Utility Revenue Bonds, Series 2014, were issued October 2, 2014.

During the year ended June 30, 2015, the Authority issued the Utility Revenue Bonds, Refunding Series 2015, for $9,940 to refund Series 2007. The Utility Revenue Bonds, Refunding Series 2015, were issued May 1, 2015.

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 $245,383 and $3,164 of promissory notes respectively. The promissory notes are to be paid from sewer and water net revenues and are payable through 2035. Annual principal and interest payments on the promissory notes required 24 percent of net revenues. The total principal and interest remaining to be paid on the promissory notes is $330,341. Principal and interest paid for the current year and sewer and water net revenues for the current year were $22,323 and $93,898, 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, 2015, the Authority issued the Series 2014C promissory note for $17,735. The promissory note was issued December 1, 2014.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

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

Promissory Notes and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer:							
Series 1997A - 2016	$ 4,035	0.50%	$ 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
			230,674	28,243	(13,534)	245,383	14,688
Water:							
Series 2009C - 2031	5,225	3.32%	3,304	-	(140)	3,164	146
			$ 233,978	$ 28,243	$ (13,674)	$ 248,547	$ 14,834

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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 2015 was as follows:

Bonds and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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
			$35,307	$ 4,652	$ (10,349)	$29,610	$ 5,174

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, 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 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.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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
2016	$ 9,810	$ 4,294	$ 14,834	$ 8,987	$ 5,174	$ 1,020
2017	9,140	4,055	15,586	8,548	4,945	841
2018	9,315	3,823	15,616	8,078	2,929	666
2019	9,480	3,579	14,891	7,573	2,898	570
2020	9,635	3,325	15,103	7,064	2,264	467
2021-2025	52,125	12,351	78,313	26,888	8,726	1,322
2026-2030	31,655	5,117	65,924	12,330	2,674	219
2031-2035	9,950	824	28,280	2,326	-	-
	$ 141,110	$ 37,368	$ 248,547	$ 81,794	$ 29,610	$ 5,105

Variable Rate Terms – At June 30, 2015 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, 2015, is computed as follows:

	2015
Levies for principal to June 30	$ 24,997
Bond maturities to June 30	23,032
Bond reserve	1,965
Interest reserve	656
Final interest reserve	87
Total general obligation bonds reserve	$ 2,708

The Authority established reserves for the retirement of Revenue Bond Debt, the assets of which are held by the trustee and totaled $20,673 at June 30, 2015. Further, the Authority established reserves for the retirement of the Promissory Notes, the assets of which are held by the trustee and totaled $21,126 at June 30, 2015.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

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:

	Principal	Interest	Operating Expense	Total
2016	$ 194	$ 128	$ 324	$ 646
2017	200	122	324	646
2018	206	116	324	646
2019	213	109	324	646
2020	220	102	324	646
2021-2025	1,214	400	1,621	3,235
2026-2030	1,423	191	1,621	3,235
2031-2035	312	10	324	646
	$ 3,982	$ 1,178	$ 5,186	$ 10,346

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

13. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2015, the Authority conducted the following transactions with related entities:

	2015
Indirect cost reimbursement paid to the City of Tulsa	$ 5,745
Payment in lieu of taxes to the City of Tulsa	$ 11,836
Capital contributions from the City of Tulsa	$ 2,894
Charges for utility services paid by the City of Tulsa	$ 1,628
Charges for maintenance of equipment paid to the City of Tulsa	$ 3,565

The Authority has outstanding advances of unspent bonds proceeds in the amount of $207 as of June 30, 2015, 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, 2015, the Authority had open commitments for construction projects of approximately $37,618.

15. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 72, *Fair Value Measurement and Application,* issued February 2015, will be effective for the Authority beginning with its year ending June 30, 2016.

This Statement provides guidance for determining a fair value measurement for financial reporting purposes, and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

15. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS, continued

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* issued June 2015, will be effective for the Authority beginning with its year ending June 30, 2016. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measure of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

GASB Statement No. 75, *Accounting and Financial Reporting for PostEmployment Benefits Other Than Pensions*, issued June 2015, will be effective for the Authority beginning with its year ending June 30, 2017. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* established new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

16. RESTATEMENT

The Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the fiscal year 2014 financial statements is as follows:

Water Fund:	2014 Previously Presented	Restatement	2014 Restated
Net pension obligation	$ 700	$ (700)	$ -
Net pension liability	-	16,799	16,799
Deferred inflows of pension related resources	-	12,631	12,631
Net position, unrestricted	51,357	(28,730)	22,627
Net position, beginning of year	481,995	(28,730)	453,265

Sewer Fund:	2014 Previously Presented	Restatement	2014 Restated
Net pension obligation	$ 583	$ (583)	$ -
Net pension liability	-	13,962	13,962
Deferred inflows of pension related resources	-	10,499	10,499
Net position, unrestricted	51,359	(23,878)	27,481
Net position, beginning of year	439,714	(23,878)	415,836

Business-type Activities Total:	2014 Previously Presented	Restatement	2014 Restated
Net pension obligation	1,283	(1,283)	-
Net pension liability	-	30,761	30,761
Deferred inflows of pension related resources	-	23,130	23,130
Net position, unrestricted	102,716	(52,608)	50,108
Net position, beginning of year	921,709	(52,608)	869,101

The impact of GASB 68 implementation increased 2014 change in net position by $4,144.

17. SUBSEQUENT EVENTS

Promissory Note - On November 19, 2015 the Authority issued the Series 2015A promissory note in the amount of $28,330. The note matures in 2037 and requires annual principal payments and semiannual interest payments at a rate of 2.46%. Proceeds will be used to fund necessary improvements to the waste water utility system.

REQUIRED SUPPLEMENTAL INFORMATION (In thousands of dollars)

Schedule of the Authority's Proportionate Share of the Net Pension Liability:

	2015	2014
Authority's proportion of the net pension liability	28.17%	27.53%
Authority's proportionate share of the net pension liability	$ 35,290	$ 30,761
Authority's covered-employee payroll	$ 29,197	$ 30,525
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	120.87%	100.77%
Plan fiduciary net position as a percentage of the total pension liability	77.13%	79.29%

The amounts presented were determined as of year end.

Schedule of the Authority's Contributions:

Measurement Year Ending June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Authority's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$ 3,572	$ (3,572)	$ -	$ 31,064	11.50%
2014	3,056	(3,056)	-	30,564	10.00%
2013	3,073	(3,073)	-	30,732	10.00%
2012	2,851	(2,851)	-	30,658	9.30%
2011	1,856	(1,856)	-	29,454	6.30%
2010	1,674	(1,674)	-	26,573	6.30%
2009	1,914	(1,914)	-	30,374	6.30%
2008	1,660	(1,660)	-	26,352	6.30%
2007	1,721	(1,721)	-	27,321	6.30%
2006	1,626	(1,626)	-	25,803	6.30%

RSM