

**REGIONAL METROPOLITAN
UTILITY AUTHORITY**

FINANCIAL REPORT
June 30, 2022 and 2021

REGIONAL METROPOLITAN UTILITY AUTHORITY
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June 30, 2022 and 2021

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Regional Metropolitan Utility Authority

Opinion

We have audited the financial statements of the Regional Metropolitan Utility Authority (the Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Kansas City, Missouri
November 23, 2022

REGIONAL METROPOLITAN UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2022 and 2021

As management of the Regional Metropolitan Utility Authority (the "Authority"), 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, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements. All amounts in Management's Discussion and Analysis, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent year by \$76,625. Of this amount, \$3,728 is unrestricted and may be used to meet the Authority's ongoing obligations.
- The Authority's net position increased from \$75,284 at June 30, 2021 to \$76,625 at June 30, 2022. During 2022, the Authority had an increase in net position of \$1,341 compared to a \$9,648 increase in net position during 2021.
- The Authority's cash and cash equivalents decreased to \$3,023 at June 30, 2022, from \$3,759 at June 30, 2021.
- Accounts receivable decreased to \$703 at June 30, 2022, from \$2,501 at June 30, 2021.

Overview of the Financial Statements

The Authority is a joint venture among the Cities of Tulsa (Tulsa Metropolitan Utility Authority, a component unit of the City of Tulsa), Broken Arrow, Jenks, Bixby, and Owasso. The purpose of the Authority is to provide, operate, and maintain water supply, wastewater, and pollution control facilities for the benefit of various governmental entities. Currently, the Authority is operating a wastewater treatment facility (Haikey Creek Wastewater Treatment Plant).

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. This audit report consists of two parts: 1) management's discussion and analysis and 2) basic financial statements. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

REGIONAL METROPOLITAN UTILITY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2022 and 2021

Financial Statements

The basic financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Authority’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net 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. This statement allows financial statement users to assess whether the Authority’s current cash flows are sufficient to pay its obligations. 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 cash came from, what was cash used for, and what was the change in cash balance during the period.

Net Position

The Authority’s net position increased to \$76,625 at June 30, 2022, from \$75,284 at June 30, 2021, and \$65,636 at June 30, 2020. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 3,730	\$ 6,260	\$ 8,919
Capital assets, net	<u>74,492</u>	<u>72,233</u>	<u>61,851</u>
Total assets	<u>78,222</u>	<u>78,493</u>	<u>70,770</u>
Current liabilities	<u>1,597</u>	<u>3,209</u>	<u>5,134</u>
Net investment in capital assets	72,897	69,028	57,268
Unrestricted	<u>3,728</u>	<u>6,256</u>	<u>8,368</u>
Total net position	<u>\$ 76,625</u>	<u>\$ 75,284</u>	<u>\$ 65,636</u>

In 2022, current assets decreased \$2,530. The decrease was the result of a decrease in receivables of \$1,797 due for capital contributions on construction expenditures and a net decrease in cash of \$737, offset by an increase in interest receivable of \$4. Capital assets additions of \$4,369 were offset by the \$2,110 annual provision for depreciation. The net increase in net investment in capital assets of \$3,869 is due to increase in capital improvements offset by related liabilities. Unrestricted net position decreased \$2,528 due primarily to a decrease in current assets.

In 2021, current assets decreased \$2,659. The decrease was the result of a decrease in receivables of \$6,418 due for capital contributions on construction expenditures offset by a net increase in cash of \$3,759.

REGIONAL METROPOLITAN UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2022 and 2021

Net Position, continued

Capital assets additions of \$12,124 were offset by the \$1,742 annual provision for depreciation. The net increase in net investment in capital assets of \$11,758 is due to increase in capital improvements offset by related liabilities. Unrestricted net position decreased \$2,110 due primarily to a decrease in current assets.

SUMMARY OF CHANGES IN NET POSITION

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 3,204	\$ 3,080	\$ 3,209
Nonoperating revenues	<u>6</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,210</u>	<u>3,080</u>	<u>3,209</u>
Depreciation expense	2,110	1,742	1,582
Other operating expense	3,005	2,679	2,794
Nonoperating expense	<u>-</u>	<u>19</u>	<u>23</u>
Total expenses	<u>5,115</u>	<u>4,440</u>	<u>4,399</u>
Loss before contributions	(1,905)	(1,360)	(1,190)
Capital contributions	<u>3,246</u>	<u>11,008</u>	<u>11,551</u>
Change in net position	1,341	9,648	10,361
Net position, beginning of year	<u>75,284</u>	<u>65,636</u>	<u>55,275</u>
Net position, end of year	<u>\$ 76,625</u>	<u>\$ 75,284</u>	<u>\$ 65,636</u>

In 2022, the Authority's operating revenues increased \$124 and other operating expense increased \$326. The operating and maintenance contract allow for billing operator expenses plus 15% from July 1, 2021 to August 31, 2021 and 5% thereafter. Nonoperating revenues increased \$6 related to an increase in investment income. The Authority recognized \$3,246 in capital contributions from the Cities of Tulsa and Broken Arrow to fund improvements to the Haikey Creek Wastewater Treatment Plant.

In 2021, the Authority's operating revenues decreased \$129 and other operating expense decreased \$115. The operating and maintenance contract allow for billing operator expenses plus 15%. Nonoperating expense decreased \$4 related to a decrease in investment loss. The Authority recognized \$11,008 in capital contributions from the Cities of Tulsa and Broken Arrow to fund improvements to the Haikey Creek Wastewater Treatment Plant.

**REGIONAL METROPOLITAN UTILITY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2022 and 2021**

Capital Assets

The Authority’s investment in capital assets as of June 30, 2022 and 2021 was \$74,492 and \$72,233, respectively (net of accumulated depreciation). This investment in capital assets includes infrastructure, buildings, and construction-in-progress.

During 2022, the Authority spent \$1,962 for the activated sludge management rehabilitation for new aeration basins, \$963 for improvements on flow equalization basins, \$515 for electrical improvements, \$298 for the maintenance building addition, \$163 for biosolid design and \$144 for grit facility rehabilitation. Infrastructure increased during 2022 while construction-in progress decreased due to the following projects placed in service during the year; \$20,392 activated sludge management rehabilitation for new aeration basins, \$1,660 sludge management improvements, \$1,189 improvements on flow equalization basins, \$884 maintenance building addition, and \$656 electric improvements.

During 2021, the Authority spent \$9,319 related to activated sludge management rehabilitation for new aeration basins, \$1,340 for grit facility rehabilitation and \$515 for the maintenance building addition. Infrastructure increased during 2021 due primarily to \$3,270 grit facility rehabilitation placed in service during the year. Construction-in progress increased during 2021 due primarily to construction costs incurred for projects which were still in progress at year end.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Infrastructure	\$ 99,913	\$ 75,630	\$ 72,090
Building	2,216	1,316	979
Construction-in-progress	<u>298</u>	<u>21,112</u>	<u>12,865</u>
	102,427	98,058	85,934
Less accumulated depreciation	<u>(27,935)</u>	<u>(25,825)</u>	<u>(24,083)</u>
Capital assets, net	<u>\$ 74,492</u>	<u>\$ 72,233</u>	<u>\$ 61,851</u>

Economic factors and next year’s budget and rates

In setting its 2023 operating budget, the Authority considered many factors which impact the Authority’s operations and delivery of services. The 2023 budgeted outlays are expected to increase approximately 7.5 percent, and revenues are expected to decrease 1.8 percent.

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 City of Tulsa, Office of the Controller, 175 E. Second Street, Suite 1570, Tulsa, Oklahoma 74103.

REGIONAL METROPOLITAN UTILITY AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,022,562	\$ 3,759,404
Accounts receivable - related parties	703,323	2,500,800
Interest receivable	4,279	-
	<u>3,730,164</u>	<u>6,260,204</u>
Noncurrent assets:		
Nondepreciable capital assets	297,699	21,112,265
Depreciable capital assets, net	74,194,650	51,121,206
	<u>74,492,349</u>	<u>72,233,471</u>
Total noncurrent assets	<u>74,492,349</u>	<u>72,233,471</u>
Total assets	<u>78,222,513</u>	<u>78,493,675</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	291,865	2,082,521
Retainage payable	1,305,033	1,127,303
	<u>1,596,898</u>	<u>3,209,824</u>
Total liabilities	<u>1,596,898</u>	<u>3,209,824</u>
<u>NET POSITION</u>		
Net investment in capital assets	72,896,951	69,026,059
Unrestricted	3,728,664	6,257,792
	<u>76,625,615</u>	<u>75,283,851</u>
Total net position	<u>\$ 76,625,615</u>	<u>\$ 75,283,851</u>

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

REGIONAL METROPOLITAN UTILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Wastewater services	\$ 3,204,426	\$ 3,080,114
Operating expenses:		
Plant operations	3,004,695	2,679,177
Depreciation	2,109,925	1,742,179
Total operating expenses	<u>5,114,620</u>	<u>4,421,356</u>
Operating loss	<u>(1,910,194)</u>	<u>(1,341,242)</u>
Nonoperating revenues (expenses):		
Investment income (loss)	<u>5,576</u>	<u>(19,690)</u>
Loss before capital contributions	(1,904,618)	(1,360,932)
Capital contributions:		
Capital contributions - City of Broken Arrow	1,623,191	5,504,159
Capital contributions - City of Tulsa	<u>1,623,191</u>	<u>5,504,159</u>
Total capital contributions	<u>3,246,382</u>	<u>11,008,318</u>
Change in net position	1,341,764	9,647,386
Net position, beginning of year	<u>75,283,851</u>	<u>65,636,465</u>
Net position, end of year	<u>\$ 76,625,615</u>	<u>\$ 75,283,851</u>

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

REGIONAL METROPOLITAN UTILITY AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from customers	\$ 3,147,187	\$ 3,141,819
Payments to suppliers of goods and services	<u>(3,003,195)</u>	<u>(2,679,177)</u>
Net cash provided by operating activities	<u>143,992</u>	<u>462,642</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(5,983,229)	(14,048,041)
Capital contributions - City of Broken Arrow	3,187,917	9,779,015
Capital contributions - City of Tulsa	<u>1,913,181</u>	<u>7,585,478</u>
Net cash (used) provided by capital and related financing activities	<u>(882,131)</u>	<u>3,316,452</u>
Cash flows from investing activities:		
Investment income (loss)	<u>1,297</u>	<u>(19,690)</u>
Net (decrease) increase in cash and cash equivalents	(736,842)	3,759,404
Cash and cash equivalents, beginning of year	<u>3,759,404</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 3,022,562</u>	<u>\$ 3,759,404</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (1,910,194)	\$ (1,341,242)
Adjustments:		
Depreciation	2,109,925	1,742,179
Change in accounts receivable	(57,239)	61,705
Change in accounts payable	<u>1,500</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 143,992</u>	<u>\$ 462,642</u>
Noncash capital and investing activities:		
Capital asset additions included in accounts payable and retainage payable	<u>\$ 1,595,398</u>	<u>\$ 3,209,824</u>
Capital contributions included in accounts receivable	<u>\$ 443,595</u>	<u>\$ 2,298,311</u>

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

REGIONAL METROPOLITAN UTILITY AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

NATURE OF BUSINESS – The purpose of the Regional Metropolitan Utility Authority (the “Authority”), as set out in the declaration of trust, is to provide, operate and maintain water supply, wastewater, and pollution control facilities for the benefit of various governmental entities. Currently, the Authority owns a sewage treatment facility (Haikey Creek Wastewater Treatment Plant).

REPORTING ENTITY – The Authority is a public trust created under the provisions of the Oklahoma Trust Act. Ownership of the Authority’s assets is retained by the Authority for the beneficiaries of the trust. Upon termination of the trust, the net position will be distributed to the beneficiaries based upon their pro rata interest. The current beneficiaries are the cities of Tulsa, Broken Arrow, Jenks, Bixby, and Owasso; however, only the cities of Tulsa (through Tulsa Metropolitan Utility Authority, a discretely presented component unit of the City of Tulsa) and Broken Arrow currently hold equity interests in the Authority. The City of Tulsa provides staffing to and maintains the accounting records of the Authority, in addition to acting as a fiscal agent for the Authority’s cash and investment transactions.

BASIS OF ACCOUNTING – The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to business-type 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 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. Capital contributions receivable from related parties and revenue is recognized as construction costs are incurred by the Authority. Operating revenues and expenses include exchange transactions. Investment income (loss) is reported as nonoperating revenues (expenses).

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

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

CASH AND CASH EQUIVALENTS – Cash and cash equivalent balances are held within the City of Tulsa, Oklahoma (the “City”) pooled portfolio. The Authority’s cash and cash equivalents are recorded at the net asset value of their position in the City’s pooled portfolio.

The Authority is allocated interest monthly based on their average daily position in the City’s pooled portfolio. Changes in fair value of the City’s pooled portfolio are allocated annually based on the Authority’s position as of June 30.

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

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

ACCOUNTS RECEIVABLE – Accounts receivable consists of operating and capital costs that have been incurred by the Authority. These costs have not been reimbursed by the cities of Tulsa and Broken Arrow as of year-end. Management has determined that these receivables are fully collectible and therefore have not recorded an allowance for doubtful accounts.

CAPITAL ASSETS – Capital assets, with an initial cost of \$5,000 or more and a useful life of greater than one year are stated at cost. Capital assets placed in service are depreciated on a straight-line basis over the following estimated useful lives.

Infrastructure	10 – 99 years
Buildings	40 years

Cost and related accumulated depreciation are removed from the records when capital assets are sold or abandoned. The related gain or loss is recorded in the period of sale or disposal.

NET POSITION – Net position of the Authority represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by construction related payables. Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, 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 remaining assets less remaining liabilities that do not meet the definition of investment in capital assets or restricted.

INCOME TAXES – The Authority, as a political subdivision, is excluded from taxation under Section 115(1) of the Internal Revenue Code.

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

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

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 notes. Actual results could differ from those estimates.

2. CASH DEPOSITS AND CASH EQUIVALENTS

Cash deposits of the Authority are held within the City's pooled portfolio. The City's pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2022 and 2021, the Authority maintained balances of \$3,022,562 and \$3,759,404 respectively, in the City's pooled portfolio which represented 0.25% and 0.35%, respectively of the City's pooled portfolio.

The City's pooled portfolio is collateralized by securities held by the City or its agent in the City's name as of June 30, 2022 and 2021.

Please refer to the City's Annual Comprehensive Financial Report for additional information on the City's pooled portfolio, including required disclosures of risks and fair value measurement techniques. A copy of the City's separately-issued report can be obtained at www.cityoftulsa.org.

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

3. CAPITAL ASSETS

Capital asset activity for the years ended is as follows:

2022:	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Construction-in-progress	\$ 21,112,265	\$ 4,109,824	\$ (24,924,390)	\$ 297,699
Depreciable capital assets:				
Infrastructure	75,629,941	258,979	24,024,482	99,913,402
Buildings	1,316,618	-	899,908	2,216,526
	<u>76,946,559</u>	<u>258,979</u>	<u>24,924,390</u>	<u>102,129,928</u>
Less accumulated depreciation for:				
Infrastructure	(25,589,262)	(2,066,332)	-	(27,655,594)
Buildings	(236,091)	(43,593)	-	(279,684)
Total accumulated depreciation	<u>(25,825,353)</u>	<u>(2,109,925)</u>	<u>-</u>	<u>(27,935,278)</u>
Total depreciable capital assets, net	<u>51,121,206</u>	<u>(1,850,946)</u>	<u>24,924,390</u>	<u>74,194,650</u>
Total capital assets, net	<u>\$ 72,233,471</u>	<u>\$ 2,258,878</u>	<u>\$ -</u>	<u>\$ 74,492,349</u>
2021:	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Construction-in-progress	\$ 12,865,109	\$ 11,515,043	\$ (3,267,887)	\$ 21,112,265
Depreciable capital assets:				
Infrastructure	72,090,387	609,224	2,930,330	75,629,941
Buildings	979,061	-	337,557	1,316,618
	<u>73,069,448</u>	<u>609,224</u>	<u>3,267,887</u>	<u>76,946,559</u>
Less accumulated depreciation for:				
Infrastructure	(23,876,807)	(1,712,455)	-	(25,589,262)
Buildings	(206,367)	(29,724)	-	(236,091)
Total accumulated depreciation	<u>(24,083,174)</u>	<u>(1,742,179)</u>	<u>-</u>	<u>(25,825,353)</u>
Total depreciable capital assets, net	<u>48,986,274</u>	<u>(1,132,955)</u>	<u>3,267,887</u>	<u>51,121,206</u>
Total capital assets, net	<u>\$ 61,851,383</u>	<u>\$ 10,382,088</u>	<u>\$ -</u>	<u>\$ 72,233,471</u>

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

4. JOINT VENTURE EQUITY INTERESTS

The equity owners' interests at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
City of Tulsa	\$ 38,380,008	\$ 37,710,283
City of Broken Arrow	<u>38,245,607</u>	<u>37,573,568</u>
	<u>\$ 76,625,615</u>	<u>\$ 75,283,851</u>

The Authority recognized capital contributions from the City of Broken Arrow and the City of Tulsa to purchase capital improvements for the Haikey Creek Wastewater Treatment Plant of \$3,246,382 and \$11,008,318 for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, accounts receivable included \$443,595 and \$2,298,311, respectively, in connection with these capital contributions.

5. OPERATING AGREEMENTS

The equity owners entered into an operations and maintenance contract in 2010 with the City of Tulsa. The contract went into effect July 1, 2010 and automatically renewed for a one-year term on June 30th of each year unless 90 days' notice is given by either party to cancel. A new agreement was executed on September 8, 2021 effective for five years. Both agreements provide for capital costs to be billed to the equity owners. In the new agreement, operating costs are shared between the City of Broken Arrow and the City of Tulsa in relation to their measured flow of wastewater into the facility with a 5% markup replacing the 15% in the previous contract.

The Authority and the City of Tulsa entered into a 50-year lease agreement in 1973 for the Haikey Creek land. The Authority agreed to use the land for a lift station, forced main and treatment plant. The lease is renewable for an additional 50 years under the original terms and conditions. There is no financial obligation to the City under the terms of the lease.

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6. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2022 and 2021, the Authority conducted the following transactions with the City of Tulsa and the City of Broken Arrow:

	<u>2022</u>	<u>2021</u>
Plant operator fees paid under operating agreement - City of Tulsa	\$ 2,989,692	\$ 2,671,229
Accounts receivable - City of Tulsa	\$ 30,022	\$ 319,090
Accounts receivable - City of Broken Arrow	\$ 673,301	\$ 2,181,710
Revenue from the user fees charged to the City of Broken Arrow	\$ 1,291,425	\$ 1,267,507
Revenue from the user fees charged to the City of Tulsa	\$ 1,913,001	\$ 1,812,607

7. 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. As of June 30, 2022, and 2021, no amounts require loss recognition for these risks. The City purchases commercial insurance for general liability and property damage. The Authority is included in the City's insurance policies and would be 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.

8. COMMITMENTS

As of June 30, 2022, the Authority had open commitments for construction projects of approximately \$644,000 all of which will be reimbursed by the equity owners.