

**REGIONAL METROPOLITAN
UTILITY AUTHORITY**

FINANCIAL REPORT
June 30, 2021 and 2020

REGIONAL METROPOLITAN UTILITY AUTHORITY
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June 30, 2021 and 2020

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Regional Metropolitan Utility Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Regional Metropolitan Utility Authority (the Authority), as of and for the years ended June 30, 2021 and 2020, and the related notes to the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

RSM US LLP

Kansas City, Missouri

November 23, 2021

REGIONAL METROPOLITAN UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2021 and 2020

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, 2021 and 2020. 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 \$75,284. Of this amount, \$6,258 is unrestricted and may be used to meet the Authority's ongoing obligations.
- The Authority's net position increased from \$65,636 at June 30, 2020 to \$75,284 at June 30, 2021. During 2021, the Authority had an increase in net position of \$9,648 compared to a \$10,361 increase in net position during 2020.
- The Authority's cash and cash equivalents increased to \$3,759 at June 30, 2021, from \$0 at June 30, 2020.
- Accounts receivable decreased to \$2,501 at June 30, 2021, from \$8,919 at June 30, 2020.

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, 2021 and 2020

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 \$75,284 at June 30, 2021, from \$65,636 at June 30, 2020, and \$55,275 at June 30, 2019. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 6,260	\$ 8,919	\$ 4,884
Capital assets, net	<u>72,233</u>	<u>61,851</u>	<u>51,364</u>
Total assets	<u>78,493</u>	<u>70,770</u>	<u>56,248</u>
Current liabilities	<u>3,209</u>	<u>5,134</u>	<u>973</u>
Net investment in capital assets	69,026	57,268	50,391
Unrestricted	<u>6,258</u>	<u>8,368</u>	<u>4,884</u>
Total net position	<u>\$ 75,284</u>	<u>\$ 65,636</u>	<u>\$ 55,275</u>

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. 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.

In 2020, current assets increased \$4,035. The increase was the result of an increase in receivables of \$4,094 due for capital contributions on construction expenditures offset by a net decrease in cash of \$59. Capital assets additions of \$12,069 were offset by the \$1,582 annual provision for depreciation.

REGIONAL METROPOLITAN UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
Years Ended June 30, 2021 and 2020

Net Position, continued

The net increase in net investment in capital assets of \$6,877 is due to increase in capital improvements offset by related liabilities. Unrestricted net position increased \$3,484 due primarily to an increase in current assets.

SUMMARY OF CHANGES IN NET POSITION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 3,080	\$ 3,209	\$ 3,276
Total revenues	<u>3,080</u>	<u>3,209</u>	<u>3,276</u>
Depreciation expense	1,742	1,582	1,557
Other operating expense	2,679	2,794	2,849
Nonoperating expense	<u>19</u>	<u>23</u>	<u>168</u>
Total expenses	<u>4,440</u>	<u>4,399</u>	<u>4,574</u>
Loss before contributions	(1,360)	(1,190)	(1,298)
Capital contributions	<u>11,008</u>	<u>11,551</u>	<u>4,972</u>
Change in net position	9,648	10,361	3,674
Net position, beginning of year	<u>65,636</u>	<u>55,275</u>	<u>51,601</u>
Net position, end of year	<u>\$ 75,284</u>	<u>\$ 65,636</u>	<u>\$ 55,275</u>

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.

In 2020, the Authority's operating revenues decreased \$67 and other operating expense decreased \$55. The operating and maintenance contract allow for billing operator expenses plus 15%. Nonoperating expense decreased \$145 related to a decrease in investment loss. The Authority recognized \$11,551 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, 2021 and 2020**

Capital Assets

The Authority’s investment in capital assets as of June 30, 2021 and 2020 was \$72,233 and \$61,851, respectively (net of accumulated depreciation). This investment in capital assets includes infrastructure, buildings, and construction-in-progress.

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.

During 2020, the Authority spent \$9,110 related to activated sludge management rehabilitation for new aeration basins, \$1,630 for grit facility rehabilitation, \$252 related to sludge management center improvements and \$64 for electrical upgrades still in in progress at year end. Infrastructure increased during 2020 due primarily to \$8,407 of lift station improvements and \$679 of plant capital placed in service during the year. Construction-in progress increased during 2020 due primarily to construction costs incurred for projects which were still in progress at year end.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Infrastructure	\$ 75,630	\$ 72,090	\$ 62,950
Building	1,316	979	979
Construction-in-progress	<u>21,112</u>	<u>12,865</u>	<u>9,936</u>
	98,058	85,934	73,865
Less accumulated depreciation	<u>(25,825)</u>	<u>(24,083)</u>	<u>(22,501)</u>
Capital assets, net	<u>\$ 72,233</u>	<u>\$ 61,851</u>	<u>\$ 51,364</u>

Economic factors and next year’s budget and rates

In setting its 2022 operating budget, the Authority considered many factors which impact the Authority’s operations and delivery of services. The 2022 budgeted outlays are expected to increase approximately 4.8 percent, and revenues are expected to increase 4.8 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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,759,404	\$ -
Accounts receivable - related parties	<u>2,500,800</u>	<u>8,918,680</u>
Total current assets	<u>6,260,204</u>	<u>8,918,680</u>
Noncurrent assets:		
Nondepreciable capital assets	21,112,265	12,865,109
Depreciable capital assets, net	<u>51,121,206</u>	<u>48,986,274</u>
Total noncurrent assets	<u>72,233,471</u>	<u>61,851,383</u>
Total assets	<u>78,493,675</u>	<u>70,770,063</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	2,082,521	4,202,360
Retainage payable	<u>1,127,303</u>	<u>931,238</u>
Total liabilities	<u>3,209,824</u>	<u>5,133,598</u>
<u>NET POSITION</u>		
Net investment in capital assets	69,026,059	57,268,556
Unrestricted	<u>6,257,792</u>	<u>8,367,909</u>
Total net position	<u>\$ 75,283,851</u>	<u>\$ 65,636,465</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Wastewater services	\$ 3,080,114	\$ 3,209,389
Operating expenses:		
Plant operations	2,679,177	2,794,144
Depreciation	1,742,179	1,582,144
Total operating expenses	4,421,356	4,376,288
Operating loss	(1,341,242)	(1,166,899)
Nonoperating expenses:		
Investment loss	(19,690)	(22,817)
Loss before capital contributions	(1,360,932)	(1,189,716)
Capital contributions:		
Capital contributions - City of Broken Arrow	5,504,159	5,775,693
Capital contributions - City of Tulsa	5,504,159	5,775,693
Total capital contributions	11,008,318	11,551,386
Change in net position	9,647,386	10,361,670
Net position, beginning of year	65,636,465	55,274,795
Net position, end of year	\$ 75,283,851	\$ 65,636,465

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

REGIONAL METROPOLITAN UTILITY AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$ 3,141,819	\$ 3,257,121
Payments to suppliers of goods and services	<u>(2,679,177)</u>	<u>(2,794,144)</u>
Net cash provided by operating activities	<u>462,642</u>	<u>462,977</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,048,041)	(7,908,977)
Capital contributions - City of Broken Arrow	9,779,015	3,210,700
Capital contributions - City of Tulsa	<u>7,585,478</u>	<u>4,199,472</u>
Net cash provided by (used for) capital and related financing activities	<u>3,316,452</u>	<u>(498,805)</u>
Cash flows from investing activities:		
Investment loss	<u>(19,690)</u>	<u>(22,817)</u>
Net increase (decrease) in cash and cash equivalents	3,759,404	(58,645)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>58,645</u>
Cash and cash equivalents, end of year	<u>\$ 3,759,404</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (1,341,242)	\$ (1,166,899)
Adjustments:		
Depreciation	1,742,179	1,582,144
Decrease in receivables	<u>61,705</u>	<u>47,732</u>
Net cash provided by operating activities	<u>\$ 462,642</u>	<u>\$ 462,977</u>
Noncash capital and investing activities:		
Capital asset additions included in accounts payable and retainage payable	<u>\$ 3,209,824</u>	<u>\$ 5,133,598</u>
Capital contributions included in accounts receivable	<u>\$ 2,298,311</u>	<u>\$ 8,654,486</u>

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

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, the Authority maintained balances of \$3,759,404 and \$0 respectively, in the City's pooled portfolio which represented 0.35% and 0.0%, respectively of the City's pooled portfolio. At June 30, 2020, the Authority had overdrawn pooled cash in the City's pooled portfolio by \$544,627 and the balance was reflected in accounts payable.

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, 2021 and 2020.

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, 2021 and 2020

3. CAPITAL ASSETS

Capital asset activity for the years ended is as follows:

2021:	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Construction-in-progress	<u>\$ 12,865,109</u>	<u>\$ 11,515,043</u>	<u>\$ (3,267,887)</u>	<u>\$ 21,112,265</u>
Depreciable capital assets:				
Infrastructure	72,090,387	609,224	2,930,330	75,629,941
Buildings	<u>979,061</u>	<u>-</u>	<u>337,557</u>	<u>1,316,618</u>
	<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	<u>(206,367)</u>	<u>(29,724)</u>	<u>-</u>	<u>(236,091)</u>
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>
2020:	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable capital assets:				
Construction-in-progress	<u>\$ 9,936,026</u>	<u>\$ 11,390,513</u>	<u>\$ (8,461,430)</u>	<u>\$ 12,865,109</u>
Depreciable capital assets:				
Infrastructure	62,950,343	678,614	8,461,430	72,090,387
Buildings	<u>979,061</u>	<u>-</u>	<u>-</u>	<u>979,061</u>
	<u>63,929,404</u>	<u>678,614</u>	<u>8,461,430</u>	<u>73,069,448</u>
Less accumulated depreciation for:				
Infrastructure	(22,319,554)	(1,557,253)	-	(23,876,807)
Buildings	<u>(181,476)</u>	<u>(24,891)</u>	<u>-</u>	<u>(206,367)</u>
Total accumulated depreciation	<u>(22,501,030)</u>	<u>(1,582,144)</u>	<u>-</u>	<u>(24,083,174)</u>
Total depreciable capital assets, net	<u>41,428,374</u>	<u>(903,530)</u>	<u>8,461,430</u>	<u>48,986,274</u>
Total capital assets, net	<u>\$ 51,364,400</u>	<u>\$ 10,486,983</u>	<u>\$ -</u>	<u>\$ 61,851,383</u>

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2021 and 2020

4. JOINT VENTURE EQUITY INTERESTS

The equity owners' interests at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
City of Tulsa	\$ 37,710,283	\$ 32,885,969
City of Broken Arrow	<u>37,573,568</u>	<u>32,750,496</u>
	<u>\$ 75,283,851</u>	<u>\$ 65,636,465</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 \$11,008,318 and \$11,551,386 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, accounts receivable included \$2,298,311 and \$8,654,486, 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 will automatically renew for a one-year term on June 30th of each year unless 90 days' notice is given by either party to cancel. The agreement provides for capital costs to be billed to the equity owners. 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.

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.

REGIONAL METROPOLITAN UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2021 and 2020

6. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, the Authority conducted the following transactions with the City of Tulsa and the City of Broken Arrow:

	<u>2021</u>	<u>2020</u>
Plant operator fees paid under operating agreement - City of Tulsa	\$ 2,671,229	\$ 2,784,233
Accounts receivable - City of Tulsa	\$ 319,090	\$ 2,400,397
Accounts receivable - City of Broken Arrow	\$ 2,181,710	\$ 6,518,283
Revenue from the user fees charged to the City of Broken Arrow	\$ 1,267,507	\$ 1,409,456
Revenue from the user fees charged to the City of Tulsa	\$ 1,812,607	\$ 1,799,933

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, 2021, and 2020, 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, 2021, the Authority had open commitments for construction projects of approximately \$2,900,000 all of which will be reimbursed by the equity owners.

9. CONTINGENCIES

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. Further, financial markets have experienced significant volatility attributed to coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which the coronavirus impacts the Authority's results will depend on future developments as well as the impact to equity owners, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Authority, but such an impact could have an effect on the financial condition of the Authority.

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10. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87 – Leases – issued June 2017, will be effective for the Authority beginning with its year ending June 30, 2022.

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority's management does not expect this statement to have a material impact on the Authority's financial statements.