



# Oklahoma City Water Utilities Trust

A discrete component unit of The City of Oklahoma City, Oklahoma  
Annual Financial Report | for the Fiscal Year ended June 30, 2021



# **OKLAHOMA CITY WATER UTILITIES TRUST**

Consolidated Operations of the Oklahoma City Water Utilities Trust,  
A Discrete Component Unit of Oklahoma City, Oklahoma,  
And McGee Creek Authority of Farris, Oklahoma,  
A Blended Component Unit Enterprise Fund of the  
Oklahoma City Water Utilities Trust

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## ***Management***

Chris Browning, General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2021

Prepared by The Oklahoma City Finance Department, Accounting Services Division  
Alex E. Fedak, CPA, Controller



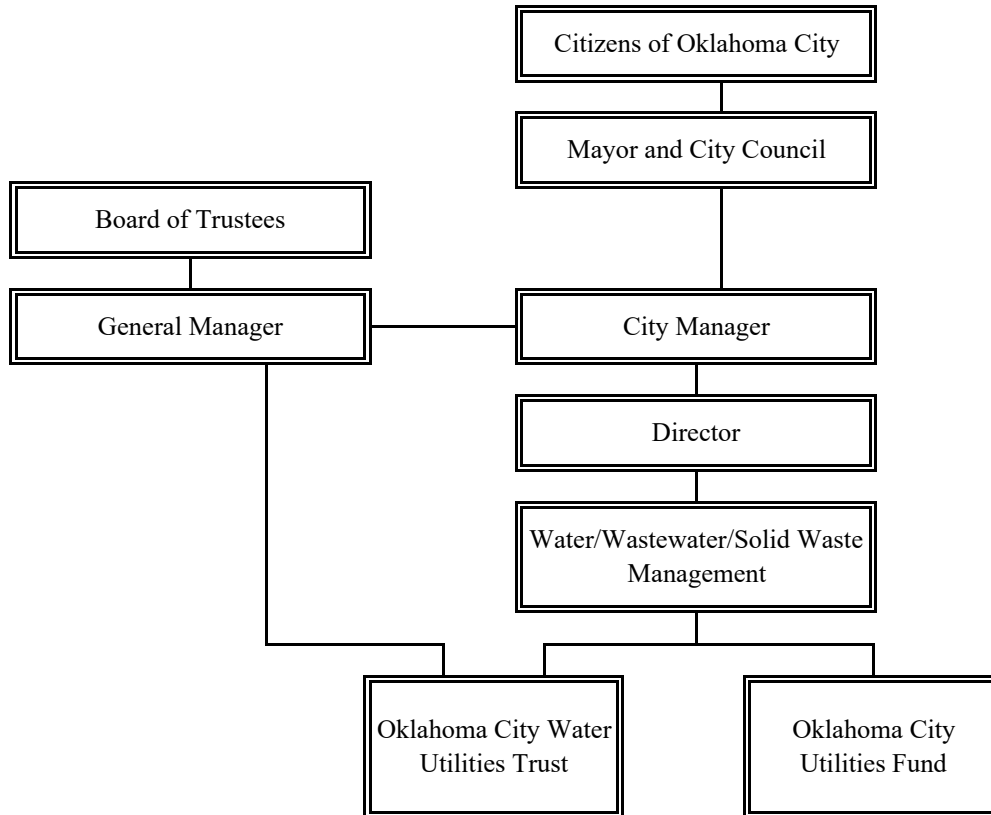
**OKLAHOMA CITY WATER UTILITIES TRUST**

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# Oklahoma City Water Utilities Trust Organization Chart



# **Introductory Section**







November 19, 2021

The Board of Trustees  
Oklahoma City Water Utilities Trust

The Oklahoma City Water Utilities Trust (Consolidated Trust) annual financial report (annual report) provides a comprehensive overview of the Consolidated Trust financial position and the results of operations during the fiscal year ended June 30, 2021. It complies with reporting requirements specified by Oklahoma State Statutes. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Consolidated Trust's management.

The Consolidated Trust's annual report includes the report of independent auditors, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Consolidated Trust for the fiscal year ended June 30, 2021, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and required supplementary information. The Consolidated Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Consolidated Trust. The Consolidated Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Annual Comprehensive Financial Report (ACFR).

The Consolidated Trust includes the blended operations of the Oklahoma City Water Utilities Trust (OCWUT) and McGee Creek Authority (MCA).

OCWUT was created on April 17, 1990, by renaming and replacing the Oklahoma City Municipal Improvement Authority (OCMIA) that had been established on August 1, 1960. The City operated the water system and separately operated the sewer system as City departments prior to signing lease agreements with the OCMIA. The water system was leased from the City by the OCMIA on August 1, 1960. The sewer system was leased from the City on July 1, 1986. Both leases were modified on April 17, 1990, to be leases of the water and sewer system by OCWUT. The solid waste management system was leased from the City on March 31, 2021. OCWUT is an enterprise fund and does not receive tax funding.

The purpose of OCWUT is to operate and maintain the City water, wastewater and solid waste management utility systems and to provide financing, through loans and the issuance of revenue bonds or other debt instruments, for the construction and acquisition of water and wastewater facilities and other general improvements to and for the repair, replacement, and extension of the water, wastewater and solid waste management systems serving the City. The provisions of the trust indenture, as amended, provide that OCWUT will lease or otherwise manage the related water, wastewater and solid waste management systems. OCWUT will receive all revenues generated from the water, wastewater and solid waste management systems to pay the debt service requirements on the revenue bonds or other debt instruments issued by OCWUT, plus costs and expenses incidental to operations and maintenance. The City is the sole beneficiary of OCWUT. On March 2, 2021, a resolution was approved to effectuate the consolidation of the solid waste management system, which was previously operated and maintained by the Oklahoma City Environmental Assistance Trust, with the water and wastewater systems under OCWUT. The merger became effective July 1, 2020. OCWUT now provides services and on behalf of Oklahoma City (City) that include financing and operating of the City's solid waste management activities relating to solid waste management collection and waste disposal. The City Manager, the Mayor, one Council person, and two citizens of the City who are appointed by the City Council serve as trustees of OCWUT.

MCA was established on August 1, 1977, to develop, operate and maintain the McGee Creek Reservoir (Reservoir) and to provide a municipal and industrial water supply for participants of MCA (Participants) in central and southern Oklahoma, including OCWUT, the City of Oklahoma City (City), the City of Atoka, Atoka County, and the Southern Oklahoma Development Trust. MCA is a blended component of OCWUT because OCWUT is expected to fund the debt of MCA due to an agreement of support (OCWUT Agreement) between OCWUT and MCA dated December 1, 1992. The OCWUT Agreement details OCWUT's pledge of water utility revenues, not otherwise pledged or required by OCWUT.

The coronavirus pandemic has cast a large shadow over the economic outlook for Oklahoma City and the country as a whole. The economic contraction in the U.S. was unprecedented as local, state and federal leaders worked through impacts of the contraction caused by the measures designed to suppress the transmission of coronavirus.

Dr. Russell Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, provides an annual economic outlook to City leaders in February. This year's forecast was marked by hope that Oklahoma City and the state could exit from the economic effects of the pandemic and get past the bottom of the current energy cycle. The forecast was that both of those factors would provide support for the economy in 2021 and a return to growth and pre-pandemic levels of economic activity in 2022. His baseline expectations were that economic activity holds steady through some challenging months early in the calendar year. From there the expectation was for a slow transition to pre-pandemic levels of activity. The unprecedented levels of fiscal stimulus led to a significant growth in per-capita personal income in Oklahoma City. A return to pre-pandemic per capita income of \$48,567 was projected. The forecast for nonfarm employment in Oklahoma City was for 3.2% growth in the number of people employed. Dr. Evans' forecast sales tax growth of 4.1% for fiscal year 2022.

In August 2021, Dr. Evans provided a mid-year update that took into account the continuing fiscal stimulus provided by the federal government. With gross domestic product (GDP) growing at 6.4% in the first quarter of the year and 6.5% in the second quarter, the U.S. economic expansion continues unabated and many economic forecasters are expecting continued strong growth through the remainder of 2021. At the state level Dr. Evans projects employment to return to pre-pandemic levels by 2022 and for Oklahoma City that is expected to occur by late 2021. While there is uncertainty about the underlying strength of the economy, Dr. Evans updated models project sales tax growth of up to 6.1% for fiscal year 2022.

Going forward, Oklahoma City has a number of factors in its favor for continued economic growth. The cost of living and the cost of doing business are consistently rated among the best in the country. In addition, low commuting times, convenient airline travel, and excellent entertainment and sports opportunities make Oklahoma City a great place for businesses and residents. Oklahoma City has dedicated a significant portion of the CARES Act funds the City received to supporting small businesses and even carved out a portion for live performance venues in an effort to support local businesses and continued quality of life.

OCWUT specifically has not experienced significant financial or operational impacts from the coronavirus pandemic. Water and wastewater operating service charge revenues increased from \$278.5 million in fiscal year 2020 to \$290.9 million in fiscal year 2021. Service demands increased from 28.7 billion gallons in fiscal year 2020 to 30.6 billion gallons in fiscal year 2021. Solid waste management operating service charge revenues remained consistent from \$61.63 million in fiscal year 2020 to \$61.55 million in fiscal year 2021. Service demands increased slightly from 1,307 tons of refuse collected per day in fiscal year 2020 to 1,328 tons of refuse collected per day in fiscal year 2021.

OCWUT and MCA participate in the City's comprehensive accounting and budgetary system. Semi-annual financial statements provide OCWUT and MCA management and other interested readers with regular financial analysis. Additionally, OCWUT and MCA management maintain budgetary controls to ensure compliance with legal provisions.

By City Council resolution, public trusts of which the City is the beneficiary are encouraged to use the independent auditors competitively selected by the City. In compliance with that resolution the Consolidated Trust engaged AGH, L.C. to conduct its annual audit. The Consolidated Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted,

  
Chris Browning  
General Manager  
City of Oklahoma City  
Utilities Department Director

  
Bret Weingart  
City of Oklahoma City  
Utilities Department Assistant Director

  
Alex E. Fedak, CPA  
City of Oklahoma City  
Controller

## **Financial Section**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
**Oklahoma City Water Utilities Trust**  
Oklahoma City, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Oklahoma City Water Utilities Trust (Trust), a discrete component unit of The City of Oklahoma City, Oklahoma (City), as of and the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Trust'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Trust as of June 30, 2021, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in *Note 1.B*, the financial statements present only the Oklahoma City Water Utilities Trust, a discrete component unit of the City, and do not purport to, and do not present fairly the financial position of the Oklahoma City Water Department as of June 30, 2021, the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in *Note III.I*, to the financial statements, in 2021, the Oklahoma City Environmental Assistance Trust was merged with the Oklahoma City Water Utilities Trust. Our opinions are not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis 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.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The combining financial statements and introductory section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2021  
Wichita, KS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Water Utilities Trust (Consolidated Trust) annual financial report, the Consolidated Trust's management provides narrative discussion and analysis of the financial activities of the Consolidated Trust for the fiscal year ended June 30, 2021. The Consolidated Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Consolidated Trust reports services for which customers are charged a fee. Services are provided to customers external to the Consolidated Trust consisting primarily of water, wastewater and solid waste management utility services provided to the public, and water storage and supply services. The Consolidated Trust is a discrete component unit of the City of Oklahoma City (City).

### *Financial Summary*

- Consolidated Trust assets and deferred outflows of resources exceeded liabilities by \$1,258,294,650 (net position) for 2021. This compares to the previous year when assets exceeded liabilities by \$1,116,606,011.
- Total assets for the Consolidated Trust increased \$179,724,654 to \$2,160,946,194 during the fiscal year. This compares to the previous year when liabilities increased \$112,386,046 to \$1,981,221,540.
- Total liabilities for the Consolidated Trust increased \$38,608,727 to \$913,631,863 during the fiscal year. This compares to the previous year when liabilities increased \$26,013,051 to \$875,023,136.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets, of \$847,480,541 and \$789,775,177 for the years ended June 30, 2021 and 2020, respectively, includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Restricted net position in the amount of \$32,150,360 and \$39,632,070 for the years ended June 30, 2021 and 2020, respectively, is restricted for capital projects and by debt service constraints imposed by debt covenants.
  - (3) Unrestricted net position of \$378,663,749 and \$287,198,764 is reported for the years ended June 30, 2021 and 2020, respectively.
- On March 2, 2021, a resolution was approved to effectuate the consolidation of the solid waste management system, which was previously operated and maintained by the Oklahoma City Environmental Assistance Trust, with the water and wastewater systems under OCWUT (merger). The merger became effective July 1, 2020. The merger is reported as a special item in 2021.

### *Overview of the Financial Statements*

This discussion and analysis introduces the Consolidated Trust's basic financial statements. The basic financial statements include: (1) statement of net position, (2) statement of revenues, expenses, and changes in net position, (3) statement of cash flows, and (4) notes to financial statements.

### **Financial Statements**

The Consolidated Trust's annual financial report includes three financial statements. These statements provide both long-term and short-term information about the overall status of the Consolidated Trust, and are presented to demonstrate the extent to which the Consolidated Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Consolidated Trust can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first basic financial statement is the statement of net position. This statement presents all of the Consolidated Trust's assets and deferred outflows less liabilities resulting in net position. Increases or decreases in net position may indicate whether the financial position of the Consolidated Trust, as a whole, is improving or deteriorating, identify financial strengths and weaknesses, and be used to assess liquidity.

The second statement is the statement of revenues, expenses, and changes in net position which reports how the Consolidated Trust's net position changed during the fiscal year. This statement can be used to assess the Consolidated Trust's operating results and analyze how the Consolidated Trust's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

The third statement is the statement of cash flows that reports the inflows and outflows of the Consolidated Trust's cash.

### Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to gain a full understanding of the Consolidated Trust financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### Financial Analysis

The Consolidated Trust's net position at June 30, 2021, is \$1,258,294,650. This is an increase of \$141,688,639 over fiscal year 2020 net position of \$1,116,606,011. The overall financial position of the Consolidated Trust improved during the 2021 fiscal year.

	Summary of Net Position		2021 - 2020	2021 - 2020
	2021	2020	Amount of Change	% Change
<b>Assets</b>				
Current assets	\$440,637,480	\$338,692,750	\$101,944,730	30.1%
Capital assets, net	1,617,510,352	1,535,602,888	81,907,464	5.3
Other non-current assets	<u>102,798,362</u>	<u>106,925,902</u>	<u>(4,127,540)</u>	(3.9)
<b>Total assets</b>	<b><u>2,160,946,194</u></b>	<b><u>1,981,221,540</u></b>	<b><u>179,724,654</u></b>	9.1
<b>Deferred Outflows of Resources</b>	<b><u>11,280,068</u></b>	<b><u>10,407,607</u></b>	<b><u>872,461</u></b>	8.4
<b>Liabilities</b>				
Current liabilities	98,041,408	130,619,811	(32,578,403)	(24.9)
Non-current liabilities	<u>815,590,455</u>	<u>744,403,325</u>	<u>71,187,130</u>	9.6
<b>Total liabilities</b>	<b><u>913,631,863</u></b>	<b><u>875,023,136</u></b>	<b><u>38,608,727</u></b>	4.4
<b>Deferred Inflows of Resources</b>	<b><u>299,749</u></b>	<b><u>-</u></b>	<b><u>299,749</u></b>	100.0
<b>Net position</b>				
Net investment in capital assets	847,480,541	789,775,177	57,705,364	7.3
Restricted	32,150,360	39,632,070	(7,481,710)	(18.9)
Unrestricted	<u>378,663,749</u>	<u>287,198,764</u>	<u>91,464,985</u>	31.8
<b>Total net position</b>	<b><u>\$1,258,294,650</u></b>	<b><u>\$1,116,606,011</u></b>	<b><u>\$141,688,639</u></b>	12.7



Current assets increased by \$101.94 million in 2021, of which \$78.98 million was due to the merger. Investments increased \$48.75 million, offset by a decrease in cash of \$21.26 million, a decrease in accounts receivable of \$1.34 million and a decrease in intergovernmental receivables of \$3.84 million.

Capital assets increased by \$81.91 million in 2021 of which \$21.79 million was due to the merger. The net \$60.12 million increase in capital assets for fiscal year 2021 is primarily a result of continued construction and purchases of capital assets of \$129.04 million, offset by normal depreciation of \$68.91 million.

Other non-current assets decreased \$4.13 million during 2021, of which \$1.32 million was an increase due to the merger. The net \$5.45 million decrease was primarily due to a decrease in investments of \$9.90 million, offset by an increase in non current receivables of \$2.69 million and an increase aliquot share receivable of \$1.83 million related to increased cash requirements.

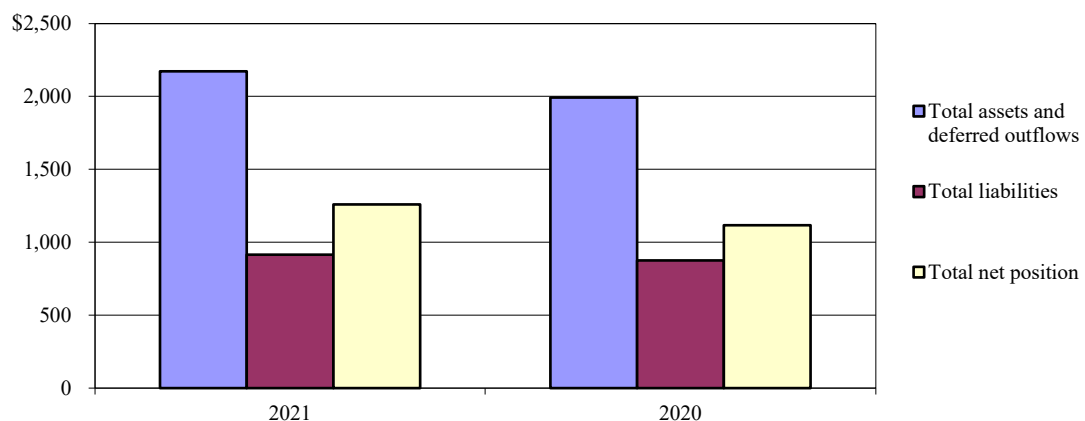
Deferred outflows of resources increased by \$872 thousand at June 30, 2021, of which \$15 thousand was due to the merger. The increase of \$857 thousand was due to the deferred amount on the issuance of the Oklahoma Water Resources Boards (OWRB) Financial Assistance Program (FAP) Series 2020D loan of \$1.38 million offset by \$508 thousand due to normal amortization of deferred amounts on refunding.

Current liabilities decreased at June 30, 2021 by \$32.58 million, of a which \$7.78 million increase was due to the merger. Commercial paper decreased \$31.00 million, bonds payable decreased \$6.91 due to the defeasance of the 2009A, 2009B, and 2011 bonds and accounts payable decreased \$4.99 million due to timing of vendor payments, offset by an increase of \$4.64 million in notes payable and a \$1.12 million increase in interest payable.

At June 30, 2021, non-current liabilities increased by \$71.19, of which \$22.04 million was due to the merger. Notes payable increased \$145.57 million which was due to the issuance of the of the 2020C and 2020D OWRB FAP loans and loan draws of the 2018 drinking water, 2018C clean water and 2019 clean water notes, offset by a decrease of \$100.41 million related to the defeasance of the 2009A, 2009B, and 2011 bonds and regularly scheduled bond payments.

Deferred inflows of resources at June 30, 2021 increased by \$300 thousand due to the deferred amount on the issuance of the OWRB FAP Series 2020C loan of \$397 thousand offset by \$97 thousand due to normal amortization of deferred amounts on refunding.

**Summary of Net Position**  
(dollars are in millions)  
as of June 30,



Summary of Changes in Net Position

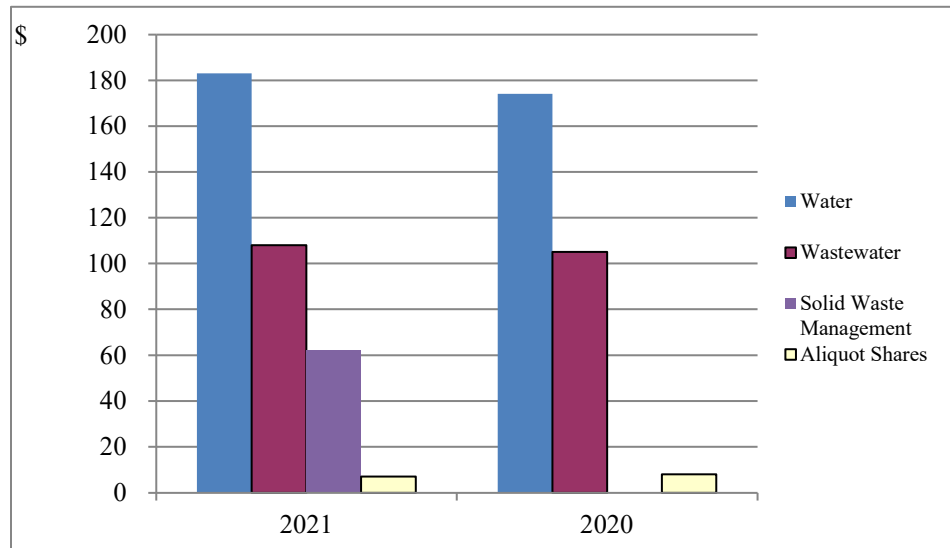
	<u>2021</u>	<u>2020</u>	2021 - 2020 Amount of <u>Change</u>	2021 - 2020 % <u>Change</u>
<b>Operating revenues</b>				
Charges for services:				
Water	\$182,760,372	\$173,851,562	\$8,908,810	5.1%
Wastewater	108,131,580	104,680,128	3,451,452	3.3
Solid waste management	61,547,730	-	61,547,730	100.0
Aliquot share charges	7,143,424	7,506,581	(363,157)	(4.8)
Other charges for services and other revenues	<u>2,719,141</u>	<u>4,895,048</u>	<u>(2,175,907)</u>	(44.5)
<b>Total operating revenues</b>	<b>362,302,247</b>	<b>290,933,319</b>	<b>71,368,928</b>	24.5
<b>Operating expenses</b>	<b><u>275,757,915</u></b>	<b><u>195,341,575</u></b>	<b><u>80,416,340</u></b>	41.2
<b>Operating income</b>	<b>86,544,332</b>	<b>95,591,744</b>	<b>(9,047,412)</b>	(9.5)
<b>Net non-operating expenses</b>	<b>(17,153,128)</b>	<b>(9,680,711)</b>	<b>(7,472,417)</b>	(77.2)
<b>Special item</b>	<b><u>72,297,435</u></b>	<b>-</b>	<b><u>72,297,435</u></b>	100.0
<b>Changes in net position</b>	<b>141,688,639</b>	<b>85,911,033</b>	<b>55,777,606</b>	64.9
Beginning net position	<u>1,116,606,011</u>	<u>1,030,694,978</u>	<u>85,911,033</u>	8.3
<b>Ending net position</b>	<b><u>\$1,258,294,650</u></b>	<b><u>\$1,116,606,011</u></b>	<b><u>\$141,688,639</u></b>	12.7

Operating revenues were \$362.30 million at June 30, 2021, compared to \$290.93 million at June 30, 2020, for an increase of 24.5% or \$71.37 million, of which \$61.56 million was due to the merger. Water and wastewater service charges increased \$12.36 million resulting from a rate increase and increased water consumption.

For the fiscal year ended June 30, 2021, operating expenses increased \$80.42 million or 41.2%, of which \$71.96 million was due to the merger. Depreciation expense increased \$7.20 million, and reimbursement to the City for operating expenses increased \$4.88 million.

During 2021 net non-operating expenses increased \$7.47 million or 71.4%, of which \$520 thousand was due to the merger. The was primarily due to a decrease in investment income of \$8.87 million related to market rate fluctuations and decreased investments, offset by a decrease in bond interest of \$2.31 million and \$1.05 million for payments from the City for capital improvement projects.

**Charges for Services**  
(dollars are in millions)  
as of June 30,



**Capital Assets**

The Consolidated Trust's investment in capital assets, net of accumulated depreciation, as of June 30, 2021 and 2020, was \$1,617,510,352 and \$1,535,602,888, respectively.

In fiscal year 2003 the water master plan was completed, which included a 50-year plan for water supply availability. In 2009 the wastewater system master plan was completed, which included plans for capital improvements through 2051. In 2014 the Southeast Oklahoma Raw Water Supply System Plan and the Hefner/Draper System Interconnection study were completed. These two studies enhance the water master plan and provide guidance for capital improvements for the next 40 years.

**Capital Assets**  
**Net of Accumulated Depreciation**

	<u>2021</u>	<u>2020</u>	2021 - 2020 Amount of <u>Change</u>	2021 - 2020 %
<b>Non-Depreciable Assets</b>				
Land and water storage rights	\$122,596,148	\$122,567,449	\$28,699	0.0%
Construction in progress	<u>374,126,115</u>	<u>312,925,977</u>	<u>61,200,138</u>	19.6
<b>Total non-depreciable assets</b>	<b><u>496,722,263</u></b>	<b><u>435,493,426</u></b>	<b><u>61,228,837</u></b>	14.1
<b>Depreciable Assets</b>				
Buildings	50,308,231	48,701,191	1,607,040	3.3
Improvements other than buildings	992,134,565	982,075,429	10,059,136	1.0
Furniture, machinery, and equipment	<u>78,345,293</u>	<u>69,332,842</u>	<u>9,012,451</u>	13.0
<b>Total depreciable assets</b>	<b><u>1,120,788,089</u></b>	<b><u>1,100,109,462</u></b>	<b><u>20,678,627</u></b>	1.9
	<b><u>\$1,617,510,352</u></b>	<b><u>\$1,535,602,888</u></b>	<b><u>\$81,907,464</u></b>	5.3

Capital assets, net of accumulated depreciation, increased by \$81.91 million or 5.3% during 2021 due to OCWUT's construction and improvement projects for the water utilities system. Depreciation expense increased by \$11.87 million or 20.81%, of which \$4.67 million was due to the merger. In 2021, depreciation expense increased \$7.20 million due to construction projects completed during 2020. Major construction projects completed during 2021 include: Deer Creek Wastewater Treatment Plant improvements and upgraded various lift stations around the city. Major construction projects in progress at June 30, 2021, included the 10 million gallon clearwell project at Draper Water Treatment Plant, improvements at the Hefner Water Treatment Plant, and the Atoka dam and spillway rehabilitation. See Note II. F. for more information regarding capital assets.

***Long-term Liabilities***

At the end of the 2021 and 2020 fiscal years, the Consolidated Trust had total debt outstanding of \$773,425,709 and \$717,494,915, respectively.

**OWRB Notes Payable**

The OWRB provided a portion of the debt funded capital through several clean water and drinking water programs since 2009. These agreements provided up to \$604.33 million in loans, of which \$429.52 million and \$279.31 million remained outstanding at June 30, 2021 and 2020, respectively. See Note III. D. for more information regarding notes payable.

**Revenue Bonds**

At June 30, 2021 and 2020, the Consolidated Trust had total revenue bond debt outstanding of \$343.87 million and \$438.15 million, respectively. See Note III. F. for more information regarding revenue bonds.

OCWUT

At June 30, 2021 and 2020, OCWUT had total revenue bond debt outstanding of \$331.70 million and \$420.42 million, respectively. This debt is supported by pledged water, wastewater and solid waste management revenues generated by OCWUT's utility services.

MCA

MCA issued Series 1992 Water Revenue Bonds to purchase water storage rights and related assets, which in effect, repaid construction costs to the Bureau of Reclamation for the McGee Creek Reservoir. These bonds are secured by aliquot share revenues from participants of MCA and an agreement of support with OCWUT. At June 30, 2021 and 2020, MCA had total revenue bond debt outstanding of \$12.17 million and \$17.73 million, respectively.

	<b>Outstanding Long Term Debt</b>			
			2021 - 2020	2021 - 2020
			Amount of	%
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Change</u>
Intergovernmental payable	\$28,201	\$32,371	(\$4,170)	(12.9%)
OWRB notes payable	429,522,555	279,311,804	150,210,751	53.8
Revenue bonds	<u>343,874,953</u>	<u>438,150,740</u>	<u>(94,275,787)</u>	(21.5)
	<b><u>\$773,425,709</u></b>	<b><u>\$717,494,915</u></b>	<b><u>\$55,930,794</u></b>	7.8

OWRB notes payable increased \$150.21 million at June 30, 2021 primarily as a result of the issuance of the 2020C and 2020D FAP loans of \$102.62 million and draws on OWRB notes payable of \$58.41 million, offset by regularly scheduled payments of \$10.82 million.

#### Bond Ratings

On the OCWUT's bonded debt, as of June 30, 2021 and 2020, Standard and Poor's Rating Services reported a credit rating of AAA and Moody's Rating Services reported a credit rating of Aaa.

On the MCA's debt, as of June 30, 2021 and 2020, Moody's Rating Services reported a credit rating of Baa2. The MCA bonds are fully insured and the rating represents the credit rating of the insurer of the bonds.

#### Commercial Paper ratings

As of June 30, 2021 and 2020, respectively, OCWUT's short-term credit rating for its commercial paper program is A-1+ and P1 from Standard & Poor's and Moody's, these are the highest credit ratings available for commercial paper from each firm.

#### *Economic Factors and Rates*

##### **Economic Factors**

The primary factor that affects OCWUT's revenues is the weather. In years of heavy rain the system doesn't have to produce as much water. Conversely, when the weather is hot or dry, the system requires higher usage. Significant weather events can lead to significant increases in repairs and maintenance to the system. Tornadoes and ice storms are examples of two weather events that can lead to significant damage to treatment plants as well as pump and lift stations.

##### **Utility Rates**

In November 2017, the City Council approved an ordinance for a 4-year tiered rate plan for residential and commercial customers that went into effect January 2018. The four-year approved rate plan provided an average annual revenue adjustment of 5.4% and 3.8% for water and wastewater, respectively. The adjustment included two additional inclining block conservation-oriented rates. For residential customers, the first block is defined as water usage for the first 2,000 gallons. The second block is defined as the next 8,000 gallons. The third block is defined as the next 20,000 gallons, and the fourth block is defined as water usage over 30,000 gallons. For non-residential customers, the first block is for water usage up to the customer's average winter consumption (AWC), the second block is for water usage of 100% through 250% of the customer's AWC, and the third block is for water usage of over 250% of the customer's AWC.

##### **Aliquot Shares**

Aliquot share revenue may be generated by payments from surrogates or designees of Participants. MCA uses OCWUT's rate study information as a basis for determining these charges. In October 2014, a new tiered rate structure went into effect with rates based on meter size and usage volume. These rates were updated during the 2017 cost of service study and were implemented January 1, 2018.

#### *Contacting the Consolidated Trust's Financial Management*

This financial report is designed to provide a general overview of the Consolidated Trust's finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

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# **Basic Financial Statements**





## ***Proprietary Fund Financial Statements***

*Provide both long-term and short-term information about the Trust's overall status using full accrual accounting.*

*Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.*

**STATEMENT OF NET POSITION**  
**June 30, 2021**

**OKLAHOMA CITY**  
**WATER UTILITIES TRUST**

	<u>Water</u>	<u>McGee Creek</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>Utilities Trust</u>	<u>Authority</u>		
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Non-pooled cash-----	\$13,684,868	\$195,591	\$ -	\$13,880,459
Investments-----	371,528,836	4,094,371	-	375,623,207
Accounts receivable, net-----	44,166,891	41,841	-	44,208,732
Interest, dividends, and royalties receivable-----	1,260,639	384,968	-	1,645,607
Receivable from City of Oklahoma City-----	2,486,012	40,683	-	2,526,695
Intergovernmental receivables-----	1,244,914	140,818	-	1,385,732
Inventories-----	798,004	-	-	798,004
Prepays-----	555,287	13,757	-	569,044
Total current assets-----	<u>435,725,451</u>	<u>4,912,029</u>	<u>-</u>	<u>440,637,480</u>
<b>NON-CURRENT ASSETS</b>				
Investments-----	27,056,966	7,089,325	-	34,146,291
Advance to McGee Creek Authority-----	63,747,498	-	(63,747,498)	-
Intergovernmental aliquot share receivable-----	-	62,794,151	-	62,794,151
Other non-current assets-----	5,837,330	-	-	5,837,330
Prepays-----	19,166	1,424	-	20,590
Capital assets:				
Land, water storage rights				
and construction in progress-----	433,271,595	63,450,668	-	496,722,263
Other capital assets, net of				
accumulated depreciation-----	1,110,368,714	10,419,375	-	1,120,788,089
Total capital assets-----	<u>1,543,640,309</u>	<u>73,870,043</u>	<u>-</u>	<u>1,617,510,352</u>
Total non-current assets-----	<u>1,640,301,269</u>	<u>143,754,943</u>	<u>(63,747,498)</u>	<u>1,720,308,714</u>
<b>Total assets-----</b>	<b><u>2,076,026,720</u></b>	<b><u>148,666,972</u></b>	<b><u>(63,747,498)</u></b>	<b><u>2,160,946,194</u></b>
<b>DEFERRED OUTFLOWS</b>				
<b>OF RESOURCES-----</b>	<b><u>11,280,068</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>11,280,068</u></b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses-----	36,534,931	555,517	-	37,090,448
Wages and benefits payable-----	-	9,014	-	9,014
Payable to City of Oklahoma City-----	4,118,421	5,884	-	4,124,305
Interest payable-----	3,353,460	-	-	3,353,460
Compensated absences-----	-	19,102	-	19,102
Commercial paper-----	7,000,000	-	-	7,000,000
Notes payable-----	15,318,627	-	-	15,318,627
Unearned revenue-----	111,147	-	-	111,147
Bond interest payable-----	6,732,440	365,850	-	7,098,290
Bonds payable-----	7,885,000	5,920,000	-	13,805,000
Intergovernmental payable-----	10,112,015	-	-	10,112,015
Total current liabilities-----	<u>91,166,041</u>	<u>6,875,367</u>	<u>-</u>	<u>98,041,408</u>
<b>NON-CURRENT LIABILITIES</b>				
Compensated absences-----	-	109,939	-	109,939
Payable to City of Oklahoma City-----	71,178,434	-	-	71,178,434
Intergovernmental payable-----	-	28,201	-	28,201
Notes payable-----	414,203,928	-	-	414,203,928
Advance from OCWUT-----	-	63,747,498	(63,747,498)	-
Bonds payable, net-----	323,818,944	6,251,009	-	330,069,953
Total non-current liabilities-----	<u>809,201,306</u>	<u>70,136,647</u>	<u>(63,747,498)</u>	<u>815,590,455</u>
<b>Total liabilities-----</b>	<b><u>900,367,347</u></b>	<b><u>77,012,014</u></b>	<b><u>(63,747,498)</u></b>	<b><u>913,631,863</u></b>
<b>DEFERRED INFLOWS</b>				
<b>OF RESOURCES-----</b>	<b><u>299,749</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>299,749</u></b>
<b>NET POSITION</b>				
Net investment in capital assets-----	784,272,079	63,208,462	-	847,480,541
Restricted for:				
Capital projects-----	392	-	-	392
Debt service-----	22,099,654	10,050,314	-	32,149,968
Unrestricted-----	380,267,567	(1,603,818)	-	378,663,749
<b>Total net position-----</b>	<b><u>\$1,186,639,692</u></b>	<b><u>\$71,654,958</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,258,294,650</u></b>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**

**OKLAHOMA CITY  
WATER UTILITIES TRUST**

**For the Year Ended June 30, 2021**

	<u>Water</u> <u>Utilities Trust</u>	<u>McGee Creek</u> <u>Authority</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b><u>OPERATING REVENUES</u></b>				
<b><u>CHARGES FOR SERVICES</u></b>				
Water charges-----	\$182,760,372	\$ -	\$ -	\$182,760,372
Wastewater charges-----	108,131,580	-	-	108,131,580
Solid waste management charges-----	61,547,730	-	-	61,547,730
Aliquot share charges-----	-	7,143,424	-	7,143,424
Other charges-----	1,395,952	-	-	1,395,952
Total charges for services-----	<u>353,835,634</u>	<u>7,143,424</u>	-	<u>360,979,058</u>
Lease and rental income-----	707,991	-	-	707,991
Other-----	614,808	390	-	615,198
<b>Total operating revenues-----</b>	<b><u>355,158,433</u></b>	<b><u>7,143,814</u></b>	-	<b><u>362,302,247</u></b>
<b><u>OPERATING EXPENSES</u></b>				
Personal services-----	62,345,813	423,828	-	62,769,641
Maintenance, operations, and contractual services-----	126,566,056	435,704	-	127,001,760
Materials and supplies-----	17,044,420	36,332	-	17,080,752
Depreciation-----	68,173,615	732,147	-	68,905,762
<b>Total operating expenses-----</b>	<b><u>274,129,904</u></b>	<b><u>1,628,011</u></b>	-	<b><u>275,757,915</u></b>
<b>Operating income-----</b>	<b><u>81,028,529</u></b>	<b><u>5,515,803</u></b>	-	<b><u>86,544,332</u></b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Investment income-----	535,593	691,283	-	1,226,876
Interest on bonds-----	(11,984,332)	(926,940)	-	(12,911,272)
Bond issue costs-----	(951,806)	-	-	(951,806)
Bond insurance-----	-	(6,012)	-	(6,012)
Arbitrage-----	-	4,170	-	4,170
Oil and gas royalties-----	31,116	-	-	31,116
Payments to City of Oklahoma City-----	(6,263,727)	-	-	(6,263,727)
Payments from City of Oklahoma City-----	1,218,127	-	-	1,218,127
Other revenue (expenses)-----	421,342	78,058	-	499,400
<b>Net non-operating expenses-----</b>	<b><u>(16,993,687)</u></b>	<b><u>(159,441)</u></b>	-	<b><u>(17,153,128)</u></b>
<b>Income before special item-----</b>	<b><u>64,034,842</u></b>	<b><u>5,356,362</u></b>	-	<b><u>69,391,204</u></b>
<b><u>SPECIAL ITEM</u></b>				
Special item-----	72,297,435	-	-	72,297,435
<b>Changes in net position-----</b>	<b><u>136,332,277</u></b>	<b><u>5,356,362</u></b>	-	<b><u>141,688,639</u></b>
Total net position, beginning-----	1,050,307,415	66,298,596	-	1,116,606,011
<b>Total net position, ending-----</b>	<b><u>\$1,186,639,692</u></b>	<b><u>\$71,654,958</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,258,294,650</u></b>

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2021**

**OKLAHOMA CITY**  
**WATER UTILITIES TRUST**

	<u>Water</u> <u>Utilities Trust</u>	<u>McGee Creek</u> <u>Authority</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Cash received from customers-----	\$352,524,820	\$7,992,219	\$ -	\$360,517,039
Cash payments to suppliers for goods and services-----	(103,179,181)	(549,037)	-	(103,728,218)
Cash payments to employees and professional contractors for services-----	-	(386,554)	-	(386,554)
Cash payments for internal services-----	(7,552,118)	-	-	(7,552,118)
Cost reimbursements from (to) other funds-----	(94,293,000)	-	-	(94,293,000)
Other cash receipts-----	214,857	-	-	214,857
<b>Net cash provided by operating activities-----</b>	<b>147,715,378</b>	<b>7,056,628</b>	<b>-</b>	<b>154,772,006</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>				
Non-financing payments from City of Oklahoma City-----	117,000	-	-	117,000
Non-financing payments to City of Oklahoma City-----	(6,263,727)	-	-	(6,263,727)
<b>Net cash used by non-capital financing activities-----</b>	<b>(6,146,727)</b>	<b>-</b>	<b>-</b>	<b>(6,146,727)</b>
<b><u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u></b>				
<b><u>FINANCING ACTIVITIES</u></b>				
Proceeds from issuance of long-term debt and commercial paper-----	167,078,005	-	-	167,078,005
Payments for acquisition and construction of capital assets-----	(122,964,282)	(218,842)	-	(123,183,124)
Principal paid on long-term debt and commercial paper-----	(63,531,426)	(5,585,000)	-	(69,116,426)
Interest paid on long-term debt and commercial paper-----	(25,449,386)	(1,066,800)	-	(26,516,186)
Payments to defease bonds-----	(86,299,616)	-	-	(86,299,616)
Proceeds from sale of assets-----	2,047,896	12,349	-	2,060,245
Other capital and capital related financing activities-----	3,750,000	-	-	3,750,000
<b>Net cash used by capital financing activities-----</b>	<b>(125,368,809)</b>	<b>(6,858,293)</b>	<b>-</b>	<b>(132,227,102)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Purchase of investments-----	(761,264,041)	(23,458,250)	-	(784,722,291)
Proceeds from sale of investments-----	719,628,676	22,161,731	-	741,790,407
Investment income received-----	4,706,216	572,893	-	5,279,109
Purchased interest-----	(34,513)	-	-	(34,513)
Receipts from oil and gas royalties-----	31,116	-	-	31,116
<b>Net cash used by investing activities-----</b>	<b>(36,932,546)</b>	<b>(723,626)</b>	<b>-</b>	<b>(37,656,172)</b>
<b>Net decrease in cash-----</b>	<b>(20,732,704)</b>	<b>(525,291)</b>	<b>-</b>	<b>(21,257,995)</b>
Cash, beginning-----	34,417,572	720,882	-	35,138,454
<b>Cash, ending-----</b>	<b>\$13,684,868</b>	<b>\$195,591</b>	<b>\$ -</b>	<b>\$13,880,459</b>

**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2021**

**OKLAHOMA CITY**  
**WATER UTILITIES TRUST**

	<u>Water</u> <u>Utilities Trust</u>	<u>McGee Creek</u> <u>Authority</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b><u>RECONCILIATION OF OPERATING INCOME</u></b>				
<b><u>PROVIDED BY OPERATING ACTIVITIES TO NET CASH</u></b>				
Operating income-----	\$81,028,529	\$5,515,803	\$ -	\$86,544,332
<b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME</u></b>				
<b><u>PROVIDED BY OPERATING ACTIVITIES TO NET CASH</u></b>				
Depreciation-----	68,173,615	732,147	-	68,905,762
Non-operating revenue (expense)-----	(1,230,805)	59,699	-	(1,171,106)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable-----	1,306,991	32,694	-	1,339,685
(Increase) decrease in due from other funds-----	1,005,193	77,971	-	1,083,164
(Increase) decrease in receivable from component units-----	21,993	-	-	21,993
(Increase) decrease in receivable from City of Oklahoma City-----	(1,530,562)	(40,668)	-	(1,571,230)
(Increase) decrease in inventories-----	(1,800)	-	-	(1,800)
(Increase) decrease in prepaid assets-----	(18,569)	(3,961)	-	(22,530)
(Increase) decrease in intergovernmental receivable-----	-	(65,709)	-	(65,709)
(Increase) decrease in Intergovernmental aliquot share receivable-----	-	(1,829,155)	-	(1,829,155)
(Increase) decrease in other assets-----	(2,687,692)	-	-	(2,687,692)
Increase (decrease) in accounts payable and accrued expenses-----	197,046	(67,666)	-	129,380
Increase (decrease) in wages and benefits payable-----	-	(3,477)	-	(3,477)
Increase (decrease) in due to other funds-----	(11,321,662)	2,607,569	-	(8,714,093)
Increase (decrease) in payable to component unit-----	(5,351)	-	-	(5,351)
Increase (decrease) in payable to City of Oklahoma City-----	12,787,386	635	-	12,788,021
Increase (decrease) in compensated absences-----	-	40,746	-	40,746
Increase (decrease) in unearned revenue-----	(8,934)	-	-	(8,934)
Total adjustments-----	66,686,849	1,540,825	-	68,227,674
<b>Net cash provided by operating activities-----</b>	<b>\$147,715,378</b>	<b>\$7,056,628</b>	<b>\$ -</b>	<b>\$154,772,006</b>
<b><u>NON-CASH INVESTING, CAPITAL,</u></b>				
<b><u>AND FINANCING ACTIVITIES</u></b>				
Net increase (decrease) in fair value of investments-----	(\$4,089,567)	\$6,273	\$ -	(\$4,083,294)
Transfer of solid waste management system operations-----	69,619,995	-	-	69,619,995
<b>Total non-cash investing, capital, and financing activities-----</b>	<b>\$65,530,428</b>	<b>\$6,273</b>	<b>\$ -</b>	<b>\$65,536,701</b>

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# **Notes to Financial Statements**





## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Oklahoma City Water Utilities Trust (Consolidated Trust) financial activities for the fiscal year ended June 30, 2021.

### I. B. REPORTING ENTITY

#### *Fund Types and Major Funds*

#### **Major Proprietary Funds**

##### Oklahoma City Water Utilities Trust (OCWUT) Fund

Accounts for balances and transactions related to water, wastewater and solid waste management utilities operations, construction, contracting, related debt, and other matters requiring commitment for more than one fiscal year.

OCWUT was created as a public trust pursuant to Title 60 of the Oklahoma Statutes, section 176, et seq (Title 60). OCWUT was created on April 17, 1990, by renaming and replacing the Oklahoma City Municipal Improvement Authority (OCMIA) that had been established on August 1, 1960. The purpose of OCWUT, generally, is to provide financing, through loans and the issuance of revenue bonds or other debt instruments, for the construction and acquisition of water and wastewater facilities and other general improvements to and for the extension of the water and wastewater system serving the City. The provisions of the trust indenture, as amended, provide that OCWUT will lease or otherwise manage the related water and wastewater system. OCWUT will receive all revenues generated from the water and wastewater system to pay the debt service requirements on the revenue bonds or other debt instruments issued by OCWUT, plus costs and expenses incidental to operations and maintenance. On March 2, 2021, a resolution was approved to effectuate the consolidation of the solid waste management system, which was previously operated and maintained by the Oklahoma City Environmental Assistance Trust (OCEAT), with the water and wastewater systems under OCWUT (merger). The merger became effective July 1, 2020. OCWUT now provides services and on behalf of Oklahoma City (City) that include financing and operating of the City's solid waste activities relating to solid waste management collection and waste disposal. See Note III. I. for additional information.

The City Manager, the Mayor, one Council person, and two citizens of the City who are appointed by the City Council serve as trustees of OCWUT. OCWUT does not have the power to levy taxes, but may, with City Council approval, fix, demand, and collect charges, rentals, and fees for the services and facilities of OCWUT. Although the City has no obligation for debt issued by OCWUT, the City must approve the issuance of debt.

##### McGee Creek Authority (MCA) Fund

Accounts for balances and transactions related to the purchase of water storage rights, related debt and operations of the McGee Creek Reservoir (Reservoir).

MCA is a public trust created pursuant to Title 60. MCA was established on August 1, 1977. The purpose of MCA is, generally, to act as the contracting party for acquiring land, constructing facilities, operating, and maintaining a water storage and transportation facility at the Reservoir. Recreation activities at the Reservoir are managed by the Oklahoma Department of Wildlife Conservation and the Oklahoma Tourism and Recreation Department. MCA does not manage recreation activities. The beneficiaries of MCA (Beneficiaries) are the City; City of Atoka, Oklahoma; Atoka County, Oklahoma; and the Southern Oklahoma Development Trust. The participants of MCA (Participants) are the Beneficiaries and OCWUT.

The Mayor of Atoka, Oklahoma; the Mayor of Oklahoma City, Oklahoma; the Chairman of the Board of County Commissioners of Atoka County, Oklahoma; the Chairman of the Board of Trustees of OCWUT; and the Chairman of the Board of the Southern Oklahoma Development Trust serve as Trustees for MCA. The Beneficiaries do not have an obligation for debt issued by MCA.

***Component Unit***

**MCA**

MCA was established to finance the purchase of water storage rights at the McGee Creek Reservoir for the benefit of the beneficiaries.

MCA meets the criteria of a blended component unit of OCWUT because OCWUT is expected to fund the debt of MCA due to an agreement of support (OCWUT Agreement) between OCWUT and MCA dated December 1, 1992. The OCWUT Agreement details OCWUT's pledge of water utility revenues, not otherwise pledged or required by OCWUT. OCWUT is required to provide cash payments as needed to MCA to fund debt service requirements, operation and maintenance, extraordinary expenses and capital improvements, as well as funding to maintain the bond fund minimum required balance reserve. Additionally, MCA is a significant source of OCWUT's water supply. Therefore, MCA's balances and transactions are blended with OCWUT's in the Consolidated Trust annual financial statements.

MCA issues separate audited financial statements. Copies of MCA's financial statements may be obtained from the City's Finance Department, Accounting Services Division, at 100 N. Walker, Suite 300, Oklahoma City, Oklahoma 73102.

**I. B. 1. RELATIONSHIP WITH THE CITY**

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing, and to provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City.

***Method of Reporting in the City's Annual Comprehensive Financial Report (ACFR)***

The Consolidated Trust is presented as a component unit because OCWUT utility rates and fees are set by City ordinance and the City must approve all debt issuances of OCWUT and MCA. The Consolidated Trust is discretely presented because the majority of the Board of Trustees of OCWUT is not the same as the voting majority of the City Council.

The Consolidated Trust is a component unit of the City and is included in the City's ACFR. Copies of the City ACFR financial statements may be obtained from the City's Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

***Trust Administration***

All administrative functions are performed by City employees. MCA employees perform operational functions at the McGee Creek Reservoir. OCWUT transfers funds to the City for the cost of these services. MCA does not reimburse OCWUT for its share of these costs.

**I. B. 2. BASIC FINANCIAL STATEMENTS**

The basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements report financial information for the Consolidated Trust as a whole.

**I. B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

***Generally Accepted Accounting Principles (U.S. GAAP)***

The financial statements of the Consolidated Trust are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income includes revenues and expenses related to the primary, continuing operations of the Consolidated Trust. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**I. C. BUDGET LAW AND PRACTICE**

***OCWUT***

Oklahoma Statutes require the submission of financial information for public trusts to the governing body. However, legal budgetary control levels are not specified. Accordingly, OCWUT's budget is submitted to its governing body for approval. Appropriations are recorded and available to pay expenses as revenue is received in cash. Budgetary control is exercised on a project-length basis. Therefore, appropriations are carried forward each year until projects are completed. Management's policy prohibits expenses to exceed appropriations. Management may transfer appropriations within OCWUT without governing body approval.

***MCA***

MCA submits financial information to its governing body, however, appropriations are not recorded. Management's policy prohibits disbursements which exceed available cash.

**I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY**

**I. D. 1. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

In 2021, the Consolidated Trust implemented the following accounting standards. The implementation of these standards did not have a material impact on the Consolidated Trust's financial statements.

Effective July 1, 2020, the Consolidated Trust implemented Governmental Accounting Standards Board (GASB) statement number 84, Fiduciary Activities. The primary purpose of this statement is to improve guidance and financial reporting of fiduciary activities. The requirements of this statement are intended to enhance the consistency and comparability of fiduciary activity to improve the usefulness of this information primarily for assessing government accountability and stewardship as a fiduciary.

Effective July 1, 2020, the Consolidated Trust implemented GASB statement number 90, Majority Equity Interests. The primary objectives of this statement are to improve the consistency and comparability of reporting majority equity interest in a legally separate organization and to improve the relevance of financial statement information by providing essential information related to presentation for certain component units.

Effective July 1, 2020, the Consolidated Trust implemented all requirements of GASB statement number 93, Replacement of Interbank Offered Rates with the exception of the removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate, which will be effective for the Consolidated Trust in fiscal year 2022. The primary purpose of this statement is to preserve the consistency and comparability of reporting hedging derivative instruments and leases after amending or replacing agreements to replace an Interbank Offered Rate. As a result of global reference rate reform, LIBOR is expected to cease to exist at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates.

The Consolidated Trust early adopted GASB statement number 98, The Annual Comprehensive Financial Report. The primary purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR. This statement was developed in response to concerns raised by stakeholders that the pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The Consolidated Trust, like the GASB, is committed to promoting inclusiveness.

#### **I. D. 2. CASH AND INVESTMENTS**

OCWUT's governing board has formally adopted an investment policy (OCWUT Investment Policy) different from the City's investment policy. Unrestricted investments are managed by the City Treasurer. Management of the restricted investments is performed in accordance with applicable bond indentures and at the direction of trustee bank trust departments.

The MCA governing board has not formally adopted deposit and investment policies other than applicable deposit and investment policies specified in the bond indenture and state law.

Investments are reported at fair value determined by quoted market prices except for guaranteed investment contracts which are carried at cost. Cash deposits are reported at carrying amount, which approximates fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable.

Level 3 - Significant unobservable prices or inputs.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### **I. D. 3. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS**

Significant receivables include amounts due from customers for utility services and amounts due from Participants and surrogates or designees of Participants for actual water usage. Unbilled accounts receivable represent amounts recognized as revenue for which invoices have not yet been sent to customers. Unbilled receivables are calculated as a ratio of days of the total billing period for water meters read after year-end. Accounts receivable are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 90 days.

### **I. D. 4. PREPAIDS**

Prepays are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Non-current prepaids benefit periods beyond the following 12 month period. Payments to vendors that are less than \$5,000 are considered de minimus and are reported with expenses/expenditures in the year of payment.

### **I. D. 5. RESTRICTED ASSETS**

Certain assets are restricted for capital projects funded through long-term debt and debt service reserves. Restricted deposits and investments are also legally restricted for the payment of currently maturing debt service and capital projects.

When both restricted and unrestricted resources are available for use, it is the Consolidated Trust's policy to use restricted resources first, then unrestricted resources as needed.

### **I. D. 6. INTERFUND BALANCES**

Balances between OCWUT and MCA that represent lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). Balances between OCWUT and MCA are eliminated on the statement of net position.

Balances between OCWUT and the City that represent amounts outstanding at the end of the fiscal year are reported as payable to the primary government and receivable from the primary government, depending on the nature of related transactions. Balances between OCWUT and component units of the City are reported as payable to component units or receivable from component units.

City employees perform certain administrative and management services for OCWUT. Reimbursements for the costs of these services, which includes salaries, pension, and other post-employment benefits are included with payments to the primary government. The payable to primary government represents the unfunded liabilities of the City Funds.

### **I. D. 7. CAPITALIZED INTEREST**

Interest costs incurred on commercial paper and tax-exempt bonds from which proceeds were used to finance the construction of assets are capitalized during the construction period.

**I. D. 8. CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION**

Capital assets are stated at cost. Generally, assets costing \$10,000 or more are capitalized as purchases and construction outlays occur. Depreciation and amortization is computed on the straight line method over the estimated useful life of the asset, as follows:

Buildings	10 - 50
Improvements	10 - 50
Mobile Equipment, Furniture, Machinery, and Equipment	5 - 20

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. Interest is capitalized as a component of capital assets constructed.

Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in non-operating revenues (expenses).

**I. D. 9. BOND DISCOUNT/PREMIUM AND DEFERRED AMOUNTS ON REFUNDING**

Bond discounts and premiums are capitalized and amortized over the term of the respective bonds using a method that approximates the effective interest method. Deferred charges on refunding of bonds results from a difference in the carrying value of refunded debt to its reacquisition price. The amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

**I. D. 10. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

**I. D. 11. COMPENSATED ABSENCES**

Compensated absences represent the accrued vested vacation and sick leave benefits attributable to full-time MCA employees based on the personnel policies of MCA.

**I. D. 12. RISK MANAGEMENT**

The Consolidated Trust's risk management activities are recorded in the City Risk Management Fund and the Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund. The purpose of these funds is to administer property and liability insurance programs of the City, in which the Consolidated Trust participates. These funds account for the risk financing activities of the Consolidated Trust and constitute a transfer of risk from the Consolidated Trust. OCVUT pays premiums through the Oklahoma City Utilities Fund and has no other costs or liabilities related to risk management activities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund and the OCMFA Services Fund.

Significant losses are covered by commercial insurance for the property and liability programs. The City offers several different employee health and life options which, except for the indemnity health plan are fully insured. The self-insured indemnity health plan is covered by stop-loss coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on OCWUT's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the operations. However if the pandemic continues to evolve, it could have a negative impact on aliquot share revenues and revenue collections from customers. The pandemic and the resulting economic constraints has resulted in an increase in the amount of unpaid accounts receivable. The allowance for doubtful accounts as a percentage of billed revenues is 7.3% and 1.9% at June 30, 2021 and 2020, respectively.

#### **I. D. 13. FUND EQUITY**

##### ***Net Position***

Net position invested in capital assets, net of related debt, and legally restricted amounts are reported separately from unrestricted net position.

##### **Net Investment in Capital Assets**

The amount reported is calculated as total capital assets less accumulated depreciation and outstanding debt used to purchase the assets, net of unspent portions. Unspent portions of bonds payable, along with any amounts used to fund debt reserves, are included with restricted net position.

##### **Restricted Net Position**

Amounts reported as restricted for debt service include those amounts held in restricted accounts as required by the debt instrument. Restricted amounts held to pay bond interest are reduced by accrued interest payable. Net position restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net position also includes purpose restrictions from enabling legislation and other external sources.

#### **I. D. 14. USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

#### **I. E. MAJOR REVENUES**

##### ***OCWUT***

The major revenues for OCWUT consist of water, wastewater and solid waste management system service charges to the residents and businesses of Oklahoma City and the metro area. Other non-utility revenues are generated by recreational facilities located at Lake Hefner, Lake Stanley Draper, and Lake Overholser reservoirs.

##### ***MCA***

Aliquot share revenues represent revenues collected by MCA or collectible from Participants. The OCWUT aliquot share payments are reported as transfers to the MCA. The MCA trust indenture assigns the aliquot shares of the Participants and details the requirements of the Participants to fund MCA cash requirements based on the aliquot share ratio.

## **I. F. TAX STATUS**

OCWUT and MCA are exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code for any trade or business related to the tax-exempt purpose or function.

## **I. G. RETAINAGES**

It is the policy of the Consolidated Trust to retain a percentage of construction contracts until a completed project has been accepted by the Trustees. Contractors may request to opt out of this retainage by providing a certificate of deposit to the City. The City holds the certificate of deposit and the Consolidated Trust retains the risk of incurring costs related to a contractor's failure to perform. However, in the event of non-performance, the City would call the certificate and pay the proceeds to the Consolidated Trust to cover any costs incurred. The Consolidated Trust does not record the effect of holding the certificates of deposit.

## **II. ASSETS AND DEFERRED OUTFLOWS**

### **II. A. DEPOSITS AND INVESTMENTS**

#### ***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank failure, Consolidated Trust deposits may not be returned or the Consolidated Trust will not be able to recover collateral securities in the possession of an outside party. The OCWUT Investment Policy requires deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Treasurer. The Trust utilizes the list created by the City. Custodial credit risk for deposits is not addressed by bond indentures. Bond indentures require that restricted deposits be maintained by the trustee bank specified in the indenture.

At June 30, 2021, the Consolidated Trust's cash, less the amount of Federal deposit insurance, is insured or collateralized with securities held by OCWUT, MCA, or the City.

#### ***Investments***

The Consolidated Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Consolidated Trust's financial position. Because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.



**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**OKLAHOMA CITY**  
**WATER UTILITIES TRUST**

2021								
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Federal obligations	\$73,074,216	\$73,411,354	\$ -	\$73,411,354	\$ -	\$ -	AA/Aaa	15.92
Money market (4)(5)	100,755,589	100,755,589	100,755,589	-	-	-	AAA/Aaa	1.26
Fannie Mae	6,816,904	7,131,907	-	7,131,907	-	-	AA/Aaa	12.80
Housing Urban Development	490,829	496,044	-	496,044	-	-	N/A	1.07
U.S. Treasury bills	1,162,282	1,186,972	-	1,186,972	-	-	N/A	5.17
U.S. Treasury notes	220,164,584	220,135,132	-	220,135,132	-	-	N/A	17.97
Guaranteed investment contract (4)	<u>6,652,500</u>	<u>6,652,500</u>	-	-	-	-	A/A1	18.37
<b>Total investments</b>	<b><u>\$409,116,904</u></b>	<b><u>\$409,769,498</u></b>	<b><u>\$100,755,589</u></b>	<b><u>\$302,361,409</u></b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>		

- (1) The net asset value (NAV) is a practical expedient to estimate fair value.
- (2) Ratings are provided where applicable to indicate associated credit risk.
- (3) Interest rate risk is estimated using weighted average months to maturity.
- (4) Cost approximates fair value.
- (5) Consists solely of U.S. Treasury securities.

**Fair Value Measurement**

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above. There have been no changes in the methodologies used at June 30, 2021.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Federal obligations consist of Federal Home Loan Bank, Freddie Mac, and Fannie Mae notes. These securities use pricing models that maximize the use of observable inputs for similar securities and are valued at level 2. U.S. Treasury notes use similar pricing models and are also valued at level 2.

MCA's guaranteed investment contracts securities are valued at cost. They are considered nonparticipating contracts with redemption terms that do not consider market rates.

Money market funds are reported at cost which approximates fair value, are traded on active markets at quoted prices, and are valued at level 1.

**OCWUT Investment Policy**

OCWUT Trustees adopted a separate investment policy in addition to the investment provisions of bond indentures. OCWUT funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities, the payment of which the full faith and credit of the U.S. government is pledged; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in the City when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of obligations of the U.S. government, its agencies, and instrumentalities; and (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law.

OCWUT may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to OCWUT's desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown in items (1) and (2) above.

The OCWUT Investment Policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of OCWUT's investments in a single issuer. Cumulatively, portfolios may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the OCWUT's total portfolio may be placed with any single financial institution with the exception of repurchase agreements and money market funds. U.S. government securities, State and Local Government Series (SLGS), and City judgments are excluded from these restrictions.

Portfolio Structure (1)

	Investment Type Limitations	Maturity Limitations	
	Percentage of Total Invested Principal	Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100%	0-1 year	100%
U.S. Treasury securities (3)	100	1-3 years	90
Certificates of deposit	50	3-5 years	90
Money market funds	100		
Savings accounts	100		

- (1) Specifically matched cash flows are excluded.
- (2) For investments listed, there is no minimum percentage specified under the policy.
- (3) Includes SLGS.
- (4) For maturities limited to 0-1 year, the minimum percentages allowed under the policy are 5-25%.

OCWUT's investment policy also allows surplus cash, certificates of deposit, and repurchase agreements to be collateralized with securities with longer maturities if such maturity does not exceed ten years.

### **Bond Indenture Restrictions**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general bond indentures of OCWUT and MCA prescribe investing in (1) direct obligations unconditionally guaranteed by the U.S.; (2) bonds or debentures payable in cash issued by the following Federal agencies: (a) Export Import Bank of the U.S., (b) Federal Financing Bank, (c) Farmer's Home Administration, (d) Federal Housing Administration, (e) Maritime Administration, (f) Public Housing Authorities, and (g) Government National Mortgage Association; (3) investments fully insured by Federal deposit insurance: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, and (d) depository receipts; (4) certificates of deposit in excess of Federal deposit insurance properly secured by collateral security consisting of obligations described in (1) and (2) above; (5) commercial paper; (6) money market funds; (7) shares of mutual funds; and (8) investment agreements.

### OCWUT

Concentration of credit risk is the risk of loss attributed to the magnitude of OCWUT's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The bond indenture provides that investments mature not later than the respective dates, as estimated, when the monies in said funds and accounts shall be required for the purposes intended, but in no event more than six months for the interest account, twelve months for the principal account and sixty months for the renewal and replacement account and the bond reserve account.

The general bond indenture for the OCWUT revenue bonds requires the use of trust accounts. The interest and principal bond accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The bond reserve account is used for proceeds of revenue bond issuances set aside to pay the final year of debt service.

### MCA

Concentration of credit risk is the risk of loss attributed to the magnitude of the MCA's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The bond indenture provides that investments mature in no more than twelve months, depending on the purpose of the funds and the requirements of the account in which funds are deposited. This provision does not apply to the reserve fund which includes a guaranteed investment contract that is 105% collateralized with government backed securities.

The general bond indenture for the MCA Water Revenue Bonds requires the use of trust accounts. The interest and principal bond accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The bond reserve account is used for proceeds of revenue bond issuances set aside to pay the final year of debt service.

### **Investments Held by Others**

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, OCWUT and MCA will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The OCWUT Investment Policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in OCWUT's or the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma. Investments are insured or registered with securities held by OCWUT. MCA has not adopted policies addressing custodial credit risk, concentration of credit risk, or interest rate risk for deposits or investments other than restrictions specified in the bond indenture applicable to restricted accounts.

### **Compliance with State Requirements**

OCWUT and MCA investment practices are more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act defined by Title 60 of the Oklahoma Statutes. These statutes require public trusts to consider the purposes, terms, distribution requirements, and other circumstances of the Consolidated Trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

**Restricted Deposits and Investments**

Bond indentures require the use of trust accounts. The bond accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The bond operating revenue account is used to receive gross revenues. The construction accounts are used for proceeds of commercial paper that is restricted for use in construction and new projects funded by initial bond proceeds. The bond reserve account is used for proceeds of revenue bond issuances set aside to make up potential future deficiencies in the bond accounts, or to make the final bond principal and interest payments.

	<u>2021</u>	
	<u>OCWUT</u>	<u>MCA</u>
Commercial paper construction account	\$212,873	\$ -
Debt principal and interest accounts	19,821,026	4,094,371
Bond reserve	27,056,966	7,089,325
State revolving fund project account	392	-
	<u>\$47,091,257</u>	<u>\$11,183,696</u>

**II. B. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS**

*OCWUT*

	<u>2021</u>
<u>Accounts receivable</u>	\$70,118,923
Less: allowance for uncollectible accounts	<u>(25,952,032)</u>
<b>Net accounts receivable</b>	<b><u>\$44,166,891</u></b>
<b>Affect on revenues for change in uncollectibles</b>	<b><u>(\$8,688,010)</u></b>

*MCA*

Receivables of \$41,841 at June 30, 2021, respectively, include billings for aliquot share services provided by MCA to surrogates and designees of the Participants and non-operating revenues. These receivables are due in less than one year. Since there are no delinquencies associated with these accounts, no allowance for uncollectible amounts has been accrued at June 30, 2021.

**II. C. PREPAIDS**

Prepays are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. As of June 30, 2021, the Consolidated Trust had prepaid items totaling \$589,634, respectively.

	<u>2021</u>
Memberships and dues	\$17,311
Software licenses and support	297,002
Other	<u>275,321</u>
	<b><u>\$589,634</u></b>

## II. D. INTERGOVERNMENTAL RECEIVABLE

### *Receivable from the Federal Emergency Management Agency (FEMA)*

A FEMA award was applied for in connection to a severe ice storm that occurred in November 2015 by solid waste management and an award was applied for due to flooding in May 2015 by the Consolidated Trust. In connection to these awards, OCWUT applied for assistance from the Oklahoma Emergency Management Agency to supplement matching fund requirements. The state match receivable balance was \$967,924 at June 30, 2021.

### *Receivable from the United States Department of the Interior Bureau of Reclamation (Bureau)*

Every year MCA performs minimal maintenance tasks for the Bureau. Charges to the Bureau for these services are based on agreed upon rates. MCA had amounts receivable from the Bureau for services provided in 2021 of \$140,818.

### *Receivable from the Oklahoma Department of Transportation (ODOT)*

OCWUT prefunds engineering costs for several ODOT constructed projects. Once the project is complete, ODOT reimburses OCWUT for the engineering costs. OCWUT reported a receivable balance of \$276,991 at June 30, 2021.

### *Aliquot Share Receivable*

In August 1992 the MCA trust indenture was amended to define the relationship between MCA and Participants including OCWUT. Payment of the aliquot share of the costs affords the Participants the right to store and transport water they are permitted to use. The portion of funds paid or transferred to MCA by the Participants for aliquot shares are a period cost. Unpaid aliquot share balances from the Participants are cumulative and recorded as non-current receivables in MCA. Payments to MCA from Participants reduce the amounts receivable from Participants for outstanding aliquot share payments receivable.

## II. E. OTHER ASSETS

### *Advance Funded Costs*

#### **OCWUT Tinker Air Force Base Advance Funded Costs**

On May 8, 2014, the Trust contracted with MWH Americas, Inc. to provide consulting services for the municipalization of Tinker Air Force Base's water and wastewater utilities. This contract was subsequently assigned to C.H. Guernsey & Company. The consulting services were ongoing at June 30, 2021. The balance at June 30, 2021 was \$5,550,378, which includes consulting services and other transitional costs, of which \$353 thousand is considered a current asset.

### *Non-Current Receivables*

#### **OCWUT Receivable From Gaillardia Golf Course, LLC**

An agreement between the Trust and Gaillardia Golf Course, LLC (Gaillardia) to construct, operate and maintain a recycled water system to irrigate the Gaillardia Golf Course was entered into in 1996. Prior to completing the construction, the agreement was amended to a recycled water sales contract and the related asset, valued at \$617,688, was donated to the City and OCWUT. A new agreement was entered into in 2008 between Gaillardia and the Trust to recover the additional costs to the Trust for constructing ultraviolet and chlorination treatment facilities needed to comply with changes in the environmental regulations. A note receivable was recorded to recognize the unreimbursed costs. At June 30, 2021, an agreement between OCWUT and Gaillardia Golf Course, LLC is still in negotiations.

**OCWUT Security Deposit for 500 West Main Building Rental**

On June 19, 2018, OCWUT entered into an agreement with 500 West Main LLC to lease commercial office space at 500 West Main Street to meet the office space requirements of the Utilities Department from June 19, 2018 through June 30, 2023. The lease required a security deposit of \$9,806 that was paid in fiscal year 2019, and is refundable when the lease expires.

**Non-Current Prepaids**

Prepaids are recorded when purchased and expensed when used. Prepaids consist of memberships and dues, subscriptions, bond insurance, and maintenance support agreements. Non-current prepaids will be expensed in periods beyond the twelve month period subsequent to the reporting date. As of June 30, 2021, the non-current prepaid balances were \$20,590.

**II. F. CAPITAL ASSETS**

**Changes in Capital Assets**

	2021							
	Capital Assets, not depreciated			Capital Assets, depreciated				Total Capital Assets, net
	Land and Water Storage Rights	Construction In Progress	Total	Improvements Other Than Buildings	Furniture, Machinery, & Equipment	Total	Total	
<b>CAPITAL ASSETS</b>								
Balance, June 30, 2020	\$122,567,448	\$312,925,978	\$435,493,426	\$101,225,190	\$1,529,976,288	\$162,014,922	\$1,793,216,400	\$2,228,709,826
Increases	28,700	115,746,881	115,775,581	2,034	4,508,947	8,754,186	13,265,167	129,040,748
Decreases	-	-	-	(373,370)	(31,762)	(1,765,661)	(2,170,793)	(2,170,793)
Transfers	-	(54,546,744)	(54,546,744)	4,189,895	57,453,064	38,223,457	99,866,416	45,319,672
Balance, June 30, 2021	<u>122,596,148</u>	<u>374,126,115</u>	<u>496,722,263</u>	<u>105,043,749</u>	<u>1,591,906,537</u>	<u>207,226,904</u>	<u>1,904,177,190</u>	<u>2,400,899,453</u>
<b>ACCUMULATED DEPRECIATION</b>								
Balance, June 30, 2020				52,523,999	547,900,859	92,682,080	693,106,938	693,106,938
Increases				1,926,916	50,017,531	16,961,313	68,905,760	68,905,760
Decreases				(373,370)	(23,903)	(1,751,139)	(2,148,412)	(2,148,412)
Transfers				657,973	1,877,485	20,989,357	23,524,815	23,524,815
Balance, June 30, 2021				<u>54,735,518</u>	<u>599,771,972</u>	<u>128,881,611</u>	<u>783,389,101</u>	<u>783,389,101</u>
Capital Assets, net	<u>\$122,596,148</u>	<u>\$374,126,115</u>	<u>\$496,722,263</u>	<u>\$50,308,231</u>	<u>\$992,134,565</u>	<u>\$78,345,293</u>	<u>\$1,120,788,089</u>	<u>\$1,617,510,352</u>

**Depreciation Expense**

Depreciation expense of \$68,905,762 in fiscal year 2021 was charged to the Consolidated Trust's utilities function.

**Capitalized Interest**

**OCWUT**

2021	
Total Interest Costs Incurred	Capitalized Interest
<u>\$25,790,273</u>	<u>\$10,828,997</u>

**MCA**

MCA had interest costs in 2021 of \$926,940. MCA has no investments restricted for construction and there was no capitalized interest.

**II. G. DEFERRED OUTFLOW**

*Deferred Amount on Bond Refunding*

Deferred charges on refunding of bonds results from a difference in the carrying value of refunded debt to its reacquisition price. The amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

<u>Original Bond Issue</u>	<u>Refunding Bond Issue</u>	<u>2021</u>
OCWUT Series 2009A Bonds	OCWUT Series 2016 Bonds	\$6,549,578
OCWUT Series 2004 and 2008 Bonds	OCWUT Series 2013 Bonds	3,396,067
OCWUT Series 2011 Bonds	OCWUT Series 2020D FAP Note	<u>1,334,423</u>
		<b><u>\$11,280,068</u></b>

**III. LIABILITIES**

**III. A. UNEARNED REVENUES**

*Unearned Revenues*

<u>CURRENT</u>	<u>2021</u>
Land and Property Rentals	\$45,569
Tower Rentals	<u>65,578</u>
	<b><u>\$111,147</u></b>

**III. B. COMMERCIAL PAPER**

*Commercial Paper*

On January 17, 2006, OCWUT established a commercial paper program authorizing the issuance of tax-exempt and taxable commercial paper notes with letter of credit security. On May 26, 2020 OCWUT approved a resolution authorizing the commercial paper program to an amount not to exceed \$350 million in principal of tax-exempt and taxable commercial paper notes at any one time and not to exceed \$700 million in total aggregate principal amount issued. The commercial paper program provides interim financing for OCWUT's ongoing capital program. Maturity of commercial paper may range from 1 to 270 days, depending on market conditions at the time of issue.

During fiscal year 2021 new commercial paper issuances totaled \$7,000,000. In July 2020, \$38,000,000 of the outstanding commercial paper was paid off with the issuance of the OCWUT Promissory Note, FAP 2020C. The total outstanding balance at June 30, 2021, was \$7,000,000, and the weighted average interest rate for the year was 0.12%.

*Commercial Paper Changes in Short-Term Debt*

	<u>Date</u>	<u>Total Amount</u>	<u>Outstanding Balance</u>	<u>Remaining</u>
	<u>Authorized</u>	<u>Authorized</u>	<u>as of 06/30/2021</u>	<u>Authorized</u>
Commercial paper	5/26/2020	<b><u>\$350,000,000</u></b>	<b><u>\$7,000,000</u></b>	<b><u>\$343,000,000</u></b>

### III. C. INTERGOVERNMENTAL PAYABLE

#### *Payable to Atoka and Sardis Conservation Projects Fund*

During 2017, OCWUT entered into an agreement with the Chickasaw Nation, the Choctaw Nation and the State of Oklahoma to create the Atoka and Sardis conservation projects fund for the benefit of Atoka and Sardis Lake areas. OCWUT is acting as the escrow agent. At June 30, 2021, the amount in the Atoka and Sardis Lake conservation projects fund consists of \$10,000,000 deposited by OCWUT, the Chickasaw Nation and the Choctaw Nation.

#### *Payable to the Oklahoma Department of Transportation (ODOT)*

During 2017, ODOT took over the bidding and construction of the Oklahoma City Boulevard. OCWUT agreed to reimburse ODOT for the construction costs once the project was completed. OCWUT reported a payable balance of \$112,015 at June 30, 2021.

#### *Arbitrage Compliance*

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Consolidated Trust invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. For MCA, arbitrage liability was \$28,201 at June 30, 2021.

### III. D. NOTES PAYABLE

#### *Notes Payable Revolving Loans*

The Consolidated Trust borrows funds from time to time for water and wastewater improvements from the Oklahoma Water Resources Board (OWRB) utilizing the Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF). Upon completion of the construction projects allocated to each loan, the final loan amounts are determined and closed to a long-term debt schedule. The term of the loans are 30 years, except for the 2009 CWSRF and the 2021 CWSRF, which is 20 years. Principal and interest payments are semi-annual on September 15 and March 15.

Additionally the 2009 DWSRF and CWSRF loans each had a provision for a \$2,000,000 match in the form of principal forgiveness from the American Recovery and Reinvestment Act (ARRA) of 2009. This amount was deducted from those loan amounts for calculation of their respective debt repayment schedules.

On May 26, 2020, the Consolidated Trust approved a FAP loan for a maximum of \$43,565,000 to refund the 2009A and 2009B series bonds, as well as the series A commercial paper notes. The interim effective interest rate for the 2020D FAP loan varies from 2.27% to 4.15%, payable on March 15 and September 15. Principal payments will commence on September 15, 2021, and will continue annually for the term of the loan. The loan expires on September 15, 2049.

On September 29, 2020, the Consolidated Trust approved a FAP loan for a maximum of \$52,935,000 to refund the 2011 series bonds. The interim effective interest rate for the 2020C FAP loan varies from .42% to 2.90%, payable on March 15 and September 15. Principal payments will commence on September 15, 2021, and will continue semiannually for the term of the loan. The loan expires on September 15, 2040.

On May 25, 2021, the Consolidated Trust approved a CWSRF loan for a maximum of \$55,000,000. The 2021 Clean Water OWRB note will finance an automated meter reading project. The interim effective interest rate for the 2021 CWSRF loan is 1.43%, payable on March 15 and September 15. Principal payments will commence the March 15 or September 15 following the date the project is completed or on September 15, 2024, and will continue semiannually for the term of the loan. There were no draws on the 2021 Clean Water loan as of June 30, 2021.



NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

OKLAHOMA CITY  
WATER UTILITIES TRUST

Agreement Date	Loan Name	Loan Amount	Interest Rate	Maturity Date	2021
11/1/2009	2009 CWSRF (1)	\$6,167,735	2.86	3/15/2031	\$3,525,175
3/1/2015	2015 DWSRF	35,838,000	2.93	3/15/2046	31,854,249
6/1/2015	2015 CWSRF	611,235	2.71	3/15/2046	540,744
4/1/2016	2016 DWSRF	65,550,000	2.55	9/15/2047	59,562,443
11/1/2016	2017 DWSRF	57,300,000	2.98	9/15/2049	54,779,176
12/1/2017	2018A CWSRF	15,550,000	2.43	3/15/2043	14,040,031
12/1/2017	2018B CWSRF	15,550,000	2.50	3/15/2043	15,018,900
12/1/2017	2018C CWSRF (2)	37,700,000	2.50	3/15/2043	30,054,000
1/1/2018	2018 DWSRF	52,500,000	2.78	9/15/2049	49,875,000
1/1/2019	2019 DWSRF	20,000,000	3.00	3/15/2050	19,583,770
1/1/2019	2019 CWSRF (2)	34,150,000	2.65	9/15/2050	32,544,709
10/9/2019	2020 DWSRF (2)	21,750,014	2.78	9/15/2051	729,715
10/9/2019	2020 CWSRF (2)	1,947,000	2.51	3/15/2050	6,654,757
6/17/2020	2020A CWSRF (2)	4,650,000	1.80	9/15/2051	2,051,656
6/17/2020	2020B DWSRF (2)	74,000,000	2.03	9/15/2052	6,505,850
7/8/2020	2020C FAP Loan (4)	43,565,000	2.27 - 4.15	9/15/2049	49,267,380
11/1/2020	2020D FAP Loan	52,935,000	0.42 - 2.90	9/15/2040	52,935,000
6/1/2021	2021 CWSRF (3)	55,000,000	1.43	9/15/2039	-
					<b><u>\$429,522,555</u></b>

- (1) The 2009 DWSRF and CWSRF loan amounts are net of the \$2,000,000 ARRA Grant for each loan.
- (2) Financing is not finalized.
- (3) There are no draws on this loan as of June 30, 2021.
- (4) Balance as of June 30, 2021 includes an unamortized premium of \$5,702,380.

**Notes Payable Requirements to Maturity**

OCWUT's outstanding notes payable related to the state revolving fund loans of \$429,522,555 contain a provision that in the event of a default, all payments payable to the end of the agreement become immediately due if OCWUT is unable to make a payment.

	Notes Payable (1)	
	Principal	Interest
2022	\$15,318,627	\$10,074,958
2023	22,995,705	11,201,682
2024	19,560,271	10,909,398
2025	19,944,422	10,490,300
2026	15,319,129	10,075,900
2027-2031	78,778,853	45,140,615
2032-2036	73,096,691	33,484,329
2037-2041	76,505,900	22,295,789
2042-2046	67,079,145	12,001,383
2047-2051	<u>40,923,812</u>	<u>2,685,506</u>
	<b><u>\$429,522,555</u></b>	<b><u>\$168,359,860</u></b>

- (1) All notes payable are from private placements.

**III. E. COMPENSATED ABSENCES**

MCA compensated absences balances changed from 2020 to 2021 by accruals of \$58,490 and usages of \$17,744.

**III. F. REVENUE BONDS**

*Unamortized Bond Discount/Premium*

	<u>2021</u>	
	<u>OCWUT</u>	<u>MCA</u>
Bonds payable	\$298,005,000	\$12,195,000
Unamortized bond premium (discount)	<u>33,698,944</u>	<u>(23,991)</u>
Bonds payable, net	<u><b>\$331,703,944</b></u>	<u><b>\$12,171,009</b></u>

*Revenue Bond Indentures and Covenants*

**OCWUT**

OCWUT has at various times issued bonds for the purpose of financing the acquisition, construction, and equipping of the City’s water, wastewater and solid waste management systems. The bonds are collateralized by a lien on all facilities constructed with the bond proceeds and by the OCWUT’s leasehold interest in the presently existing water, wastewater and solid waste management systems of the City, including lease rentals, water revenues, wastewater revenues, solid waste management revenues, and other revenues derived from these systems.

The general bond indenture and its supplements require the use of revenue, bond, operations and maintenance, reserve, construction, and renewal and replacement accounts, which have been combined for financial reporting purposes. These accounts are held in trust by banks and managed pursuant to terms of the indenture agreement. The indenture provides that gross revenues from operations will be deposited into the revenue account and transfers will be made to the other accounts for current requirements on a monthly basis.

However, if the payments and deposits required by the general bond indenture are made on or before the 20th day of the month, then during the subsequent month, the gross revenues may be deposited as received directly into OCWUT’s operating fund, which is not subject to the lien of the indenture. For the year ended June 30, 2021, required accounts were maintained in accordance with the bond indenture.

The bonds are generally subject to prior redemption, in part or in whole, at the option of the Trustees. Certain bonds are subject to a redemption premium of up to 2% of par value, as described in the various bond indentures, if redeemed prior to scheduled dates.

The general bond indenture provides the OCWUT Trustees will fix, maintain, charge, and collect a schedule of rates for use of the facilities of the Trust estate that will provide, in every year, net revenues which provide at least 120% of the maximum amount required for debt service. For the year ended June 30, 2021, the schedule of rates in effect provided revenues in excess of the minimum requirements.

Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

**MCA**

In fiscal year 1993 MCA issued Series 1992 Water Revenue Bonds in the amount of \$91,860,000. The bonds are secured by the OCWUT Agreement, dated December 1, 1992, which details OCWUT's pledge of water utility revenues not otherwise pledged or required by OCWUT. OCWUT is required to provide cash payments as needed to MCA. Pursuant to the OCWUT Agreement, OCWUT granted a security interest in its revenues, which are not required for debt service, reserves, other outstanding requirements, and operations and maintenance expenses. OCWUT is required to transfer the funds necessary for MCA to pay the principal and interest on the bonds annually, net of funds available from MCA. MCA has recorded an advance from OCWUT to recognize the amount due under the OCWUT Agreement.

The general bond indenture provides the Trustees of MCA will generate an amount annually to equal 100% of the annual principal and interest requirements on the bonds for the year, plus generate an amount necessary to comply in all respects with the terms and provisions of the bond indenture. The MCA trust indenture details how the revenues will be generated from aliquot share payments from Participants for this purpose. Amounts received from Participants and OCWUT are considered in determining the amount needed to comply with the indenture requirements.

The bond indenture and its supplement require the use of bond proceeds, project, revenue, and bond accounts. These accounts are held in trust by banks and managed pursuant to terms of the indenture agreement. The indenture provides that gross revenues from operations will be deposited in the revenue account and transfers will be made to the other accounts for current requirements on a monthly basis. However, if the payments and deposits required by the bond indenture are made on or before the 25th day of the month, then during the subsequent month, the gross revenues may be deposited as received directly into MCA's operating fund, which is not subject to the lien of the indenture. For the year ended June 30, 2021, required accounts were maintained in accordance with the bond indenture.

***Bonded Debt Service to Maturity***

Fiscal Year	OCWUT		
	Principal	Interest	Total
2022	\$7,885,000	\$13,267,757	\$21,152,757
2023	8,190,000	12,865,882	21,055,882
2024	11,805,000	12,366,007	24,171,007
2025	13,900,000	11,723,382	25,623,382
2026	12,000,000	11,109,657	23,109,657
2027-2031	67,005,000	46,560,335	113,565,335
2032-2036	75,510,000	30,585,700	106,095,700
2037-2041	61,110,000	15,601,181	76,711,181
2042-2046	37,540,000	4,738,275	42,278,275
2047-2051	<u>3,060,000</u>	<u>61,200</u>	<u>3,121,200</u>
	<b><u>\$298,005,000</u></b>	<b><u>\$158,879,376</u></b>	<b><u>\$456,884,376</u></b>

Fiscal Year	MCA		
	Principal	Interest	Total
2022	\$5,920,000	\$731,700	\$6,651,700
2023	<u>6,275,000</u>	<u>376,500</u>	<u>6,651,500</u>
	<b><u>\$12,195,000</u></b>	<b><u>\$1,108,200</u></b>	<b><u>\$13,303,200</u></b>

**Revenue Bonds Outstanding**

Water and Sewer System Bonds	Original Amount Issued	Interest Rate	Issue Date	Final Maturity	Principal Balance
OCWUT Series 2013	\$167,760,000	3.25% to 5.00%	3/14/2013	2042	\$139,540,000
OCWUT Series 2015	67,650,000	3.00% to 5.00%	2/4/2015	2045	63,900,000
OCWUT Series 2016	97,135,000	3.04% to 5.00%	11/17/2016	2046	94,565,000
MCA Series 1992	91,860,000	3.00% to 6.00%	12/1/1992	2023	<u>12,195,000</u>
					<b><u>\$310,200,000</u></b>

**Bond Defeasance**

**Current Year Defeasance**

On July 1, 2020, OCWUT placed \$6.91 million of the proceeds from the Oklahoma Water Resources Board Series 2020 C FAP Promissory Note and \$1.93 million of bond reserve funds in an irrevocable escrow account to officially defease the outstanding maturities of the Water and Sewer System Revenue Refunding Bonds Series 2009A. As a result, series 2009A are considered to be defeased and the liability for those bonds removed from the financial statement in the period of defeasance. This achieved a cash flow savings of approximately \$2.78 million and an economic gain of approximately \$767 thousand.

On July 1, 2020, OCWUT placed \$4.27 million of the proceeds from the Oklahoma Water Resources Board Series 2020 C FAP Promissory Note and \$2.33 million of bond reserve funds in an irrevocable escrow account to officially defease the outstanding maturities of the Water and Sewer System Revenue Refunding Bonds Series 2009B. As a result, Series 2009B are considered to be defeased and the liability for those bonds removed from the financial statement in the period of defeasance. This achieved a cash flow savings of approximately \$2.94 million and an economic gain of approximately \$509 thousand.

On November 5, 2020 OCWUT placed \$52.48 million of the proceeds from the Oklahoma Water Resources Board Series 2020 D FAP Promissory Note and \$5.98 million of debt service funds on hand in an irrevocable escrow account to officially defease the outstanding maturities of the Water and Sewer Revenue Refunding Bonds Series 2011. As a result, Series 2011 are considered to be defeased and the liability for those bonds removed from the financial statement in the period of defeasance. This achieved a cash flow savings of approximately \$22.93 million and an economic gain of approximately \$12.95 million.

On March 17, 2021, the now consolidated OCWUT trust placed \$12.89 million in an irrevocable escrow account to officially defease the outstanding maturities of its Solid Waste Management System Revenue Refunding and Improvement Bonds Series 2017A and Solid Waste Management System Revenue Bonds, Series 2017B. As a result, series 2017A&B are considered to be defeased and the liability for those bonds removed from the financial statements in the period of the defeasance.

**Prior Years Defeasance**

OCWUT defeased certain outstanding revenue bonds by placing proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. This resulted in a transfer of the liability to the irrevocable escrow account. Accordingly, the trust accounts and the defeased bonds are not included in the Consolidated Trust's financial statements.

**Bond Coverage**

	2021	
	<u>OCWUT</u>	<u>MCA</u>
Gross revenue, including non-operating revenues and transfers in	\$357,364,611	\$7,913,155
Expenses and transfers, excluding depreciation and amortization	<u>213,171,822</u>	<u>895,864</u>
<b>Net revenue available for debt service</b>	<b><u>\$144,192,789</u></b>	<b><u>\$7,017,291</u></b>
Principal amounts	\$13,900,000	\$5,585,000
Interest amounts	<u>11,723,382</u>	<u>1,066,800</u>
<b>Total debt service requirements</b>	<b><u>\$25,623,382</u></b>	<b><u>\$6,651,800</u></b>
<b>Revenue bond coverage (1)</b>	<b><u>5.63</u></b>	<b><u>1.05</u></b>

(1) Per the agreement of support between the Authority and OCWUT, the bond coverage is always 1.0 and any difference above or below the required coverage is attributed to the timing of transfers received from OCWUT.

The OCWUT bond indentures require the payment of principal and interest before any other expenditures may be made. In addition, depreciation and amortization expenses are excluded from the direct expenses as they do not affect funds available for debt service. Per the bond indenture, principal and interest amounts are derived from the highest aggregate annual principal and interest amounts outstanding. The required revenue bond coverage for OCWUT is 1.2.

The MCA bond indenture requires the payment of principal and interest before any other expenditures may be made. Gross revenue includes operating and non-operating revenues and transfers. In addition, depreciation and amortization expenses are excluded from the direct expenses as they do not affect funds available for debt service. The required revenue bond coverage for MCA is 1.0.

**III. G. CHANGES IN LONG-TERM LIABILITIES**

	2021					
	Balance July 1, 2020	Issued	Retired	Balance June 30, 2021	Due Within One Year	Due After One Year
Intergovernmental payable (1)	\$32,371	\$ -	\$4,170	\$28,201	\$ -	\$28,201
Compensated absences	88,295	58,490	17,744	129,041	19,102	109,939
Notes payable (2)	279,311,804	161,029,812	10,819,061	429,522,555	15,318,627	414,203,928
OCWUT revenue bonds	433,470,667	-	101,766,723	331,703,944	7,885,000	323,818,944
MCA revenue bonds	<u>17,728,319</u>	<u>-</u>	<u>5,557,310</u>	<u>12,171,009</u>	<u>5,920,000</u>	<u>6,251,009</u>
	<b><u>\$730,631,456</u></b>	<b><u>\$161,088,302</u></b>	<b><u>\$118,165,008</u></b>	<b><u>\$773,554,750</u></b>	<b><u>\$29,142,729</u></b>	<b><u>\$744,412,021</u></b>

(1) Intergovernmental payable does not include amounts payable within one year.

(2) All notes payable are from private placements.

**III. H. SEGMENT INFORMATION AND PLEDGED REVENUES**

OCWUT and MCA issued revenue bonds to support their water, wastewater and solid waste management activities. The financial statements report revenue-supported debt. OCWUT recognized \$182,760,372 in water charges, \$108,131,580 in wastewater charges and \$61,547,730 in solid waste management charges in 2021. MCA recognized \$7,143,424 in aliquot share revenues in 2021.

**III. I. SPECIAL ITEM**

On March 2, 2021, a resolution was approved to effectuate the consolidation of the solid waste management system, which was previously operated and maintained by OCEAT, with the water and wastewater systems under OCWUT. The merger became effective July 1, 2020. The initial opening balances of the Trust's assets, deferred outflows of resources, liabilities, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of OCEAT and OCWUT as of July 1, 2020 as follows:

	<u>OCWUT</u>	<u>OCEAT</u>	<u>Total</u>
<b>Assets</b>			
Current assets	\$334,538,599	\$78,978,676	\$413,517,275
Capital assets, net	1,461,726,923	21,794,854	1,483,521,777
Other non-current assets	<u>100,219,469</u>	<u>1,324,621</u>	<u>101,544,090</u>
<b>Total Assets</b>	<u>1,896,484,991</u>	<u>102,098,151</u>	<u>1,998,583,142</u>
<b>Deferred Outflows of Resources</b>			
Accumulative decrease in fair value of hedging derivatives	<u>10,407,607</u>	<u>15,330</u>	<u>10,422,937</u>
<b>Liabilities</b>			
Current liabilities	124,428,938	7,779,573	132,208,511
Non-current liabilities	<u>732,156,245</u>	<u>22,036,473</u>	<u>754,192,718</u>
<b>Total Liabilities</b>	<u>856,585,183</u>	<u>29,816,046</u>	<u>886,401,229</u>
<b>Net Position</b>			
Net investment in capital assets	731,669,126	9,645,544	741,314,670
Restricted	30,630,814	1,077,917	31,708,731
Unrestricted	<u>288,007,475</u>	<u>61,573,974</u>	<u>349,581,449</u>
<b>Total Net Position</b>	<u>\$1,050,307,415</u>	<u>\$72,297,435</u>	<u>\$1,122,604,850</u>

As a result, the merger is reported as a special item as an increase in net position for OCWUT in the accompanying financial statements.

IV. NET POSITION

*Net Investment in Capital Assets*

	<u>2021</u>	
	<u>OCWUT</u>	<u>MCA</u>
Capital assets, net	\$1,543,640,309	\$73,870,043
Retainages and accounts payable	(20,066,424)	(540,150)
Notes payable	(429,522,555)	-
Commercial paper	(7,000,000)	-
Construction accounts funded with proceeds	213,265	-
Bonds payable, net	(331,703,944)	(12,171,009)
Deferred amount on refunding	10,980,319	-
Bond accounts funded with bond proceeds	14,693,280	1,152,500
Bond issuance costs paid with bond proceeds	<u>3,037,829</u>	<u>897,078</u>
	<u><b>\$784,272,079</b></u>	<u><b>\$63,208,462</b></u>

*Restricted for Capital Projects*

	<u>2021</u>	
	<u>OCWUT</u>	<u>MCA</u>
Commercial paper reserve for construction projects	\$213,265	\$ -
Commercial paper construction account funded with proceeds	(213,265)	-
State revolving fund project account	<u>392</u>	<u>-</u>
	<u><b>\$392</b></u>	<u><b>\$-</b></u>

*Restricted for Debt Service*

	<u>2021</u>	
	<u>OCWUT</u>	<u>MCA</u>
Debt principal and interest accounts	\$19,821,026	\$4,094,371
Bond reserve	27,056,966	7,089,325
Bond reserve funded with bond proceeds	(14,693,280)	(1,152,500)
Interest receivable on bond investments	842	384,968
Current bond interest payable and commercial paper	<u>(10,085,900)</u>	<u>(365,850)</u>
	<u><b>\$22,099,654</b></u>	<u><b>\$10,050,314</b></u>

*Unrestricted*

	<u>2021</u>	
	<u>OCWUT</u>	<u>MCA</u>
Unrestricted	<u><b>\$380,267,567</b></u>	<u><b>(\$1,603,818)</b></u>

**V. REVENUES AND EXPENSES**

*Special Assessments*

Water or sewer special assessments are levied against a group of homes to pay for construction or extension of service by OCWUT. OCWUT charges each homeowner for their individual share of the construction cost, amortized over a 10-year period. Amounts receivable are reported with accounts receivable. On March 27, 2018 the City Council adopted and set the assessment roll for the Water Improvement District for the Clifford Farms Subdivision. The total cost of improvements at Clifford Farms was \$445,555 to be paid equally by all residents over a 10-year period with an interest rate of 4.1%.

In fiscal year 2021, OCWUT collected special assessment revenue of \$43,730.

*Lease Revenues*

**Cancelable and Short-Term Leases**

	<u>2021</u>
<u>CURRENT</u>	
Land and property rentals	\$309,175
Communication tower rentals	<u>137,006</u>
	<b><u>\$446,181</u></b>

**Non-cancelable Leases**

OCWUT leases certain land at Lake Hefner to the Oklahoma City Boat Club for its headquarters, docks, wet stalls, etc. The current lease term began September 1, 2009 and is for 25 years. In consideration, the Boat Club paid OCWUT \$750 annually for the first 5 years. Annual payments increase by \$250 every 5 years thereafter through the end of the lease term.

OCWUT leases a section of land at Lake Stanley Draper to the Cleveland County Public Facilities Authority. The lease is in effect until 2034 with annual payments of \$250.

OCWUT leases wet and dry boat stalls at various locations with lease terms from April 1st to March 31st. Rental income in 2021 to these leases was \$267 thousand, respectively.

OCWUT allows the City to utilize an area of Southeast Park otherwise known as Kitchen Lake Park for recreational and park purposes for the benefit of its citizens for an annual lease payment of \$2,736. The current lease term continues until October 31, 2052.

**Minimum Rentals on Non-Cancelable Leases**

2022	\$197,330
2023	4,236
2024	4,236
2025	4,361
2026	4,486
Thereafter	<u>88,637</u>
	<b><u>\$303,286</u></b>
Rental Income	<b><u>\$261,810</u></b>



*Lease Expenses*

On November 3, 2009, OCWUT entered into a lease agreement with Oklahoma Property Investors II, LLC. for storage of line maintenance equipment in a climate controlled setting. On May 1, 2015 the lease was amended to add 1,735 of additional square feet. The lease may be renewed annually by written notice from OCWUT and written acceptance by Oklahoma Property Investors II, LLC and allows for an annual increase of 3%. The lease was renewed on November 4, 2020 for one year with an annual cost of \$51,171.

On June 19, 2018, OCWUT entered into a lease agreement with 500 West Main, LLC. to lease commercial office space. The term of the lease is 60 months with an annual payment of \$110,310 for the first three years and \$117,664 for the fourth and fifth year.

On December 3 ,2019, OCWUT entered into a lease agreement with Clifford Power Systems, Inc. for emergency power generator services for booster station operations. The term of the lease was six years and has an annual estimated cost of \$1,500,000. On January 7, 2020, OCWUT entered into a separate contract for emergency power generators at the Hefner Water Treatment Plant due to the plants electrical demand. The term of the lease is for three years and has an annual estimated cost of \$1,200,000.

**Minimum Rentals on Non-Cancelable Leases**

2022	\$1,423,510
2023	1,126,871
2024	612,543
2025	<u>357,317</u>
	<b><u>\$3,520,241</u></b>

**VI. INTERFUND TRANSACTIONS**

**VI. A. INTERFUND BALANCES**

*Advances Within the Consolidated Trust*

**Advance to MCA**

The McGee Creek Project is a water supply reservoir constructed by the Federal government and accepted by the MCA in fiscal year 1991. MCA was required to repay the municipal and industrial portion of the construction costs, plus interest, to the Federal government. The original amount of the obligation to the Federal government was \$129,311,452. During fiscal year 1992, the U.S. Department of Interior, in response to MCA's protest, reduced the liability for reimbursable costs to \$86,045,326, provided that the buy-out would be financed with tax-exempt debt.

In fiscal year 1993, MCA sold Series 1992 Water Revenue Bonds in the amount of \$91,860,000. Proceeds from the Series 1992 Water Revenue Bonds, supplemented by an advance in the amount of \$5,500,000 from OCWUT, funded the prepayment of MCA's obligation to the Federal government along with costs of issuance and necessary bond reserves.

In August 1992, the MCA trust indenture was amended to define the relationship between MCA and Participants, including OCWUT. Payment of the aliquot share of the costs affords the Participants the right to store and transport water they are permitted to use. The portion of funds paid to MCA by the Participants for aliquot shares are a period cost. Payments to MCA from Participants reduce the aliquot share payments receivable.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**OKLAHOMA CITY**  
**WATER UTILITIES TRUST**

Under the OCWUT Agreement, OCWUT has pledged its net revenues, which are not required for debt service, reserves, other outstanding requirements, and operations and maintenance expenses for the repayment of the Series 1992 Water Revenue Bonds.

OCWUT has transferred funds in excess of its aliquot share to MCA under the OCWUT Agreement. The amount of funds advanced to MCA was \$63,747,498 as of June 30, 2021.

***Receivable from the City***

	<b><u>Purpose</u></b>	<b><u>2021</u></b>
City General Fund	Deposits held by City	\$233,023
City General Fund	Utility billing	20,779
Capital Improvement Fund	Utility billing	117,000
City Utilities Fund	Utility billing	1,326,394
City Grant Management Fund	Grant related	441,673
City Medical Services Fund	Utility billing	127,065
City Stormwater Drainage Fund	Utility billing	<u>260,761</u>
		<b><u>\$2,526,695</u></b>

***Payable to the City***

**CURRENT**

	<b><u>Purpose</u></b>	<b><u>2021</u></b>
City General Fund	Payment in lieu of franchise fees (PILOT), mowing and utility lease	\$3,356,397
City General Fund	Procard reimbursements	880
City General Fund	Utility billing	20,621
City Fleet Service Fund	Utility billing	9,791
City Medical Services Fund	Utility billing	119,755
City Utilities Fund	Utility billing	359,190
City General Fund	Procard reimbursements	5,883
City Stormwater Drainage Fund	Utility billing	<u>251,788</u>
		<b><u>\$4,124,305</u></b>

**NON-CURRENT**

City Utilities Fund	Cost reimbursement	<b><u>\$71,178,434</u></b>
---------------------	--------------------	----------------------------

*Cost Reimbursement Receivable (Payable) From City Utilities Fund*

City employees perform all administrative and management services for OCWUT. Reimbursements for the costs of these services are included in OCWUT's expenses. The advance represents the unfunded non-current liabilities of the City Utilities Fund.

	<u>2021</u>
Beginning balance - water and wastewater	(\$58,340,973)
Beginning Balance - solid waste	(11,044,159)
Personal Services	(62,345,813)
Other services	(24,003,717)
Material and supplies	(10,930,214)
Interest income	51,475
Other non operating revenue	40,839
Reimbursement to the City	<u>95,394,128</u>
<b>Advance from City Water and Wastewater Fund</b>	<b><u>(\$71,178,434)</u></b>

**VI. B. INTERFUND PAYMENTS**

*Payments To and From the City*

<b>PAYMENTS FROM THE CITY</b>		<u>2021</u>
<u>NON-OPERATING</u>		
City Capital Improvement Fund	Capital improvement reimbursement	\$117,000
City Utilities Fund	OCWUT administration	<u>1,101,127</u>
		<b><u>\$1,218,127</u></b>

<b>PAYMENTS TO THE CITY</b>		<u>2021</u>
<u>NON-OPERATING</u>		
City General Fund	PILOT fees	<b><u>\$6,263,727</u></b>

**PILOT**

PILOT fees are paid by OCWUT to the City for the exclusive right to provide water, wastewater and solid waste management services to the citizens of the City.

**VI. C. OTHER INTERFUND TRANSACTIONS**

*Aliquot Share Payments to MCA*

Payments from OCWUT to MCA during fiscal year 2021 was \$4,824,796 for OCWUT's aliquot share requirements.

*Utility Lease Agreement*

A water lease agreement dated August 1, 1960, amended July 1, 1986, and a separate wastewater lease agreement dated July 1, 1986, between OCWUT and the City provide that all City-owned water and wastewater system assets (as of the date of the lease, as well as property acquired thereafter) be leased to the OCWUT. The lease also provides that all revenue generated by these assets will accrue to OCWUT. Pursuant to a lease extension dated May 20, 2003, the water and wastewater lease term continues until June 30, 2050, or until all bonded debt has been paid or provision has been made for it to be paid, whichever is later. In connection with the lease extension, OCWUT is required to pay an annual lease payment of one percent of gross revenue receipts from residential and commercial utilities sales.

***Solid Waste Utility Lease Agreement***

A solid waste management lease agreement dated March 31, 2021, between OCWUT and the City provide that all City-owned solid waste management assets (as of the date of the lease, as well as property acquired thereafter) be leased to the OCWUT. The lease also provides that all revenue generated by these assets will accrue to OCWUT. The solid waste management lease term continues until March 31, 2071, or until all bonded debt has been paid or provision has been made for it to be paid, whichever is later.

***OCWUT Administration***

City employees perform administrative and management services for the Consolidated Trust. OCWUT reimburses the City for the cost of services. MCA does not reimburse OCWUT for its share of these costs.

***OCWUT Parks Charges***

OCWUT pays the City Parks Department a fee based on costs incurred for services performed by the Parks Department.

***Billing Services***

In order to reduce cost and simplify payment for services by citizens, OCWUT bills the City for services provided by the City Stormwater Drainage Fund and the City Medical Services Fund. Each fund pays OCWUT a fee for the cost of these services.

**VII. DEFINED CONTRIBUTION PENSION**

MCA employees participate in a deferred compensation, defined contribution plan (Plan) administered by Nationwide Retirement Systems and established through the U.S. Conference of Mayors and approved by MCA. Participants of the Plan are comprised of all eligible employees of MCA. All full-time employees are eligible. At June 30, 2021, all eligible employees were participating in the Plan.

MCA and participants contribute 8% and 6%, respectively, to the Plan. Plan provisions and contribution requirements are established and amended by the Board of Trustees.

<u>Fiscal Year</u>	<u>Contributions</u>	
	<u>Employer</u>	<u>Employee</u>
2021	\$20,934	\$15,526
2020	14,549	10,831
2019	14,025	10,494
2018	13,029	9,760
2017	12,272	9,203

The Plan annual financial report, which includes financial statements and required supplementary information for the Plan, may be obtained from Nationwide Retirement Solutions, P.O. Box 182787, Columbus, Ohio 43218-2797.

**VIII. COMMITMENTS**

	<u>2021</u>
Construction projects - system improvements	\$53,191,426
Contracted wastewater treatment services	<u>931,283</u>
	<b><u>\$54,122,709</u></b>

Construction projects are funded with commercial paper, utility charges, and OWRB loans.

*Service Contract Commitments*

Significant service contract commitments at June 30, 2021, include \$199.14 million for OCWUT solid waste management service contracts funded by charges to users.

Fiscal Year	Refuse Collection	Landfill	Recycling	Street Sweeping	Fleet Maintenance	Total
2022	\$18,560,000	\$7,100,000	\$7,373,000	\$725,000	\$3,304,000	\$37,062,000
2023	19,228,000	7,356,000	7,638,000	751,000	3,423,000	\$38,396,000
2024	19,920,000	7,621,000	7,913,000	778,000	3,546,000	\$39,778,000
2025	20,637,000	7,895,000	8,198,000	806,000	3,674,000	\$41,210,000
2026	<u>21,380,000</u>	<u>8,179,000</u>	<u>8,493,000</u>	<u>835,000</u>	<u>3,806,000</u>	<u>\$42,693,000</u>
	<b><u>\$99,725,000</u></b>	<b><u>\$38,151,000</u></b>	<b><u>\$39,615,000</u></b>	<b><u>\$3,895,000</u></b>	<b><u>\$17,753,000</u></b>	<b><u>\$199,139,000</u></b>

**IX. CONTINGENCIES**

*Litigation*

At June 30, 2021, OCWUT was party to legal proceedings which normally occur in utility operations. These legal proceedings are not likely to have a material adverse impact on OCWUT's financial position. OCWUT has not accrued any amounts related to pending litigation.

MCA is not party to any legal proceedings at June 30, 2021.

**X. RELATED PARTY TRANSACTIONS**

*Lake Atoka Reservation Association (LARA) - Jointly Governed Organizations*

LARA was formed under the provisions of an interlocal agreement. The agreement provides that OCWUT will reimburse LARA for the budgeted or actual expenditures. The Trust reimbursed LARA for actual expenditures in fiscal year 2021 in the amount of \$260,298.

**XI. SUBSEQUENT EVENT**

*OCWUT FEMA Award*

On August 30, 2021, the Federal Emergency Management Agency awarded OCWUT \$11.13 million for storm debris removal due to a winter storm that occurred from October 26, 2020 through October 29, 2020.

*Other Assets*

On November 1, 2021, a bill of sale was made by the United States of America, acting through the Secretary of the Air Force, to OCWUT to transfer title and interest of The Tinker Air Force Base water and wastewater systems. The trust has assumed full responsibility for the ownership, operation and maintenance of the systems.

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# **Combining Financial Statements**





## ***Combining Statements for OCWUT***

- \* ***Water*** – Established to account for the water utilities operations.
- \* ***Wastewater*** – Established to account for wastewater utilities operations.
- \* ***Solid Waste Management*** – Established to account for solid waste management utilities operations.
- \* ***McGee Creek*** – Established to account for advances made to the McGee Creek Authority for debt service requirements, operation and maintenance, minimum required bond reserves and capital improvements.
- \* ***Tinker*** – Established to account for Tinker Air Force Base's water and wastewater utilities operations.
- \* ***Debt*** – Established to account for debt financing through loans, issuance of revenue bonds and issuance of commercial paper.

COMBINING STATEMENT OF NET POSITION

OKLAHOMA CITY  
WATER UTILITIES TRUST

June 30, 2021

	OCWUT							Total
	Water	Waste Water	Solid Waste Management	McGee Creek	Tinker	Debt	Eliminations	
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Non-pooled cash-----	\$ -	\$ -	\$ -	\$ -	\$1,007,362	\$12,677,506	-	\$13,684,868
Investments-----	174,234,274	130,267,531	59,185,245	-	-	7,841,786	-	371,528,836
Accounts receivable, net-----	22,003,053	12,437,764	9,706,902	-	19,172	-	-	44,166,891
Interest, dividends, and royalties receivable-----	649,352	430,629	180,271	-	-	387	-	1,260,639
Due from other funds-----	(3,703,687)	14,425,205	(13,146,453)	-	-	2,424,935	-	-
Receivable from City of Oklahoma City-----	1,133,669	763,202	589,141	-	-	-	-	2,486,012
Intergovernmental receivables-----	349,818	94,278	800,818	-	-	-	-	1,244,914
Inventories-----	-	-	798,004	-	-	-	-	798,004
Prepays-----	390,984	164,303	-	-	-	-	-	555,287
<b>Total current assets-----</b>	<b>195,057,463</b>	<b>158,582,912</b>	<b>58,113,928</b>	<b>-</b>	<b>1,026,534</b>	<b>22,944,614</b>	<b>-</b>	<b>435,725,451</b>
<b>NON-CURRENT ASSETS</b>								
Investments-----	-	-	-	-	-	27,056,966	-	27,056,966
Advance to McGee Creek Authority-----	-	-	-	63,747,498	-	-	-	63,747,498
Other non-current assets-----	1,269,257	1,546,401	-	-	3,021,672	-	-	5,837,330
Prepays-----	19,166	-	-	-	-	-	-	19,166
Capital assets:								
Land and construction in progress-----	314,089,094	119,178,888	3,613	-	-	-	-	433,271,595
Other capital assets, net of accumulated depreciation-----	816,690,253	269,545,220	20,269,282	-	-	3,863,959	-	1,110,368,714
Capital assets, net-----	1,130,779,347	388,724,108	20,272,895	-	-	3,863,959	-	1,543,640,309
<b>Total non-current assets-----</b>	<b>1,132,067,770</b>	<b>390,270,509</b>	<b>20,272,895</b>	<b>63,747,498</b>	<b>3,021,672</b>	<b>30,920,925</b>	<b>-</b>	<b>1,640,301,269</b>
<b>Total assets-----</b>	<b>1,327,125,233</b>	<b>548,853,421</b>	<b>78,386,823</b>	<b>63,747,498</b>	<b>4,048,206</b>	<b>53,865,539</b>	<b>-</b>	<b>2,076,026,720</b>
<b>DEFERRED OUTFLOWS</b>								
<b>OF RESOURCES-----</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,280,068</b>	<b>-</b>	<b>11,280,068</b>
<b>LIABILITIES</b>								
<b>CURRENT LIABILITIES</b>								
Accounts payable and accrued expenses-----	20,238,471	10,287,765	5,262,489	-	746,206	-	-	36,534,931
Payable to City of Oklahoma City-----	2,862,515	974,598	281,308	-	-	-	-	4,118,421
Interest payable-----	-	-	-	-	-	3,353,460	-	3,353,460
Commercial paper-----	-	-	-	-	-	7,000,000	-	7,000,000
Notes payable-----	-	-	-	-	-	15,318,627	-	15,318,627
Unearned revenue-----	107,006	4,141	-	-	-	-	-	111,147
Bond interest payable-----	-	-	-	-	-	6,732,440	-	6,732,440
Bonds payable-----	-	-	-	-	-	7,885,000	-	7,885,000
Intergovernmental payable-----	10,124,814	(12,799)	-	-	-	-	-	10,112,015
<b>Total current liabilities-----</b>	<b>33,332,806</b>	<b>11,253,705</b>	<b>5,543,797</b>	<b>-</b>	<b>746,206</b>	<b>40,289,527</b>	<b>-</b>	<b>91,166,041</b>
<b>NON-CURRENT LIABILITIES</b>								
Payable to City of Oklahoma City-----	34,817,997	24,924,345	11,436,092	-	-	-	-	71,178,434
Notes payable-----	-	-	-	-	-	414,203,928	-	414,203,928
Bonds payable, net-----	-	-	-	-	-	323,818,944	-	323,818,944
<b>Total non-current liabilities-----</b>	<b>34,817,997</b>	<b>24,924,345</b>	<b>11,436,092</b>	<b>-</b>	<b>-</b>	<b>738,022,872</b>	<b>-</b>	<b>809,201,306</b>
<b>Total liabilities-----</b>	<b>68,150,803</b>	<b>36,178,050</b>	<b>16,979,889</b>	<b>-</b>	<b>746,206</b>	<b>778,312,399</b>	<b>-</b>	<b>900,367,347</b>
<b>DEFERRED INFLOWS</b>								
<b>OF RESOURCES-----</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>299,749</b>	<b>-</b>	<b>299,749</b>
<b>NET POSITION</b>								
Net investment in capital assets-----	1,118,367,952	381,076,534	20,265,439	-	-	(735,437,846)	-	784,272,079
Capital projects-----	-	-	-	-	-	392	-	392
Debt service-----	-	-	455	-	-	22,099,199	-	22,099,654
Unrestricted-----	140,606,478	131,598,837	41,141,040	63,747,498	3,302,000	(128,286)	-	380,267,567
<b>Total net position-----</b>	<b>\$1,258,974,430</b>	<b>\$512,675,371</b>	<b>\$61,406,934</b>	<b>\$63,747,498</b>	<b>\$3,302,000</b>	<b>(\$713,466,541)</b>	<b>\$ -</b>	<b>\$1,186,639,692</b>

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
June 30, 2021**

**OKLAHOMA CITY  
WATER UTILITIES TRUST**

	OCWUT							Total
	Water	Waste Water	Solid Waste Management	McGee Creek	Tinker	Debt	Eliminations	
<b>OPERATING REVENUES</b>								
Water charges-----	\$182,760,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$182,760,372
Wastewater charges-----	-	108,131,580	-	-	-	-	-	108,131,580
Solid waste management charges-----	-	-	61,547,730	-	-	-	-	61,547,730
Concessions-----	-	-	-	-	-	-	-	-
Other charges-----	2,766,968	2,355,988	-	-	-	-	(3,727,004)	1,395,952
Total charges for services-----	185,527,340	110,487,568	61,547,730	-	-	-	(3,727,004)	353,835,634
Lease and rental income-----	707,991	-	-	-	-	-	-	707,991
Other-----	487,634	118,664	8,510	-	-	-	-	614,808
<b>Total operating revenues-----</b>	<b>186,722,965</b>	<b>110,606,232</b>	<b>61,556,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,727,004)</b>	<b>355,158,433</b>
<b>OPERATING EXPENSES</b>								
Personal services-----	32,619,894	20,657,449	9,068,470	-	-	-	-	62,345,813
Maintenance, operations, and contractual services-----	37,891,931	34,289,432	53,910,341	4,824,798	-	-	(4,350,446)	126,566,056
Materials and supplies-----	10,748,979	2,553,054	3,742,387	-	-	-	-	17,044,420
Depreciation-----	42,602,648	20,787,299	4,673,546	-	-	110,122	-	68,173,615
<b>Total operating expenses-----</b>	<b>123,863,452</b>	<b>78,287,234</b>	<b>71,394,744</b>	<b>4,824,798</b>	<b>-</b>	<b>110,122</b>	<b>(4,350,446)</b>	<b>274,129,904</b>
<b>Operating income (loss)-----</b>	<b>62,859,513</b>	<b>32,318,998</b>	<b>(9,838,504)</b>	<b>(4,824,798)</b>	<b>-</b>	<b>(110,122)</b>	<b>623,442</b>	<b>81,028,529</b>
<b>REVENUES (EXPENSES)</b>								
Investment income-----	230,725	206,853	92,040	-	-	5,975	-	535,593
Interest on bonds-----	7,632,263	3,196,734	-	-	-	(22,813,329)	-	(11,984,332)
Bond issue costs-----	-	-	-	-	-	(951,806)	-	(951,806)
Oil and gas royalties-----	31,116	-	-	-	-	-	-	31,116
Payments to City of Oklahoma City-----	(3,153,448)	(2,049,702)	(1,060,577)	-	-	-	-	(6,263,727)
Payments from City of Oklahoma City-----	617,024	435,978	165,125	-	-	-	-	1,218,127
Other revenue (expenses)-----	670,148	(10,603)	759,189	-	-	(373,950)	(623,442)	421,342
<b>Net non-operating expenses--</b>	<b>6,027,828</b>	<b>1,779,260</b>	<b>(44,223)</b>	<b>-</b>	<b>-</b>	<b>(24,133,110)</b>	<b>(623,442)</b>	<b>(16,993,687)</b>
<b>Income (loss) before     contributions and transfers-----</b>	<b>68,887,341</b>	<b>34,098,258</b>	<b>(9,882,727)</b>	<b>(4,824,798)</b>	<b>-</b>	<b>(24,243,232)</b>	<b>-</b>	<b>64,034,842</b>
<b>CONTRIBUTIONS AND TRANSFERS</b>								
Transfers from other funds-----	4,222,313	2,457,158	-	7,432,366	3,302,000	-	-	17,413,837
Transfers to other funds-----	-	-	(11,654,740)	-	-	(5,759,097)	-	(17,413,837)
<b>Total contributions     and transfers-----</b>	<b>4,222,313</b>	<b>2,457,158</b>	<b>(11,654,740)</b>	<b>7,432,366</b>	<b>3,302,000</b>	<b>(5,759,097)</b>	<b>-</b>	<b>-</b>
<b>SPECIAL ITEM</b>								
Special item-----	-	-	82,944,401	-	-	(10,646,966)	-	72,297,435
<b>Total special item-----</b>	<b>-</b>	<b>-</b>	<b>82,944,401</b>	<b>-</b>	<b>-</b>	<b>(10,646,966)</b>	<b>-</b>	<b>72,297,435</b>
<b>Changes in net position-----</b>	<b>73,109,654</b>	<b>36,555,416</b>	<b>61,406,934</b>	<b>2,607,568</b>	<b>3,302,000</b>	<b>(40,649,295)</b>	<b>-</b>	<b>136,332,277</b>
Total net position, beginning-----	1,185,864,776	476,119,955	-	61,139,930	-	(672,817,246)	-	1,050,307,415
<b>Total net position, ending-----</b>	<b>\$1,258,974,430</b>	<b>\$512,675,371</b>	<b>\$61,406,934</b>	<b>\$63,747,498</b>	<b>\$3,302,000</b>	<b>(\$713,466,541)</b>	<b>\$ -</b>	<b>\$1,186,639,692</b>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Board of Trustees  
**Oklahoma City Water Utilities Trust**  
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Oklahoma City Water Utilities Trust (Trust), a discrete component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 19, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2021  
Wichita, Kansas

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