



## **McGee Creek Authority**

A blended component unit of The Oklahoma City Water Utilities Trust

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Annual Financial Report | for the Fiscal Years ended June 30, 2023 and 2022

# **MCGEE CREEK AUTHORITY**

Farris, Oklahoma

A Blended Component Unit Enterprise Fund of  
the Oklahoma City Water Utilities Trust

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## ***Management***

Chris Browning, General Manager  
Charity Robertson, Secretary

Annual Financial Report for the Fiscal Years Ended June 30, 2023 and 2022

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

**MCGEE CREEK AUTHORITY**

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# **Introductory Section**





# McGee Creek Authority

December 5, 2023

The Board of Trustees  
McGee Creek Authority  
Farris, Oklahoma

The McGee Creek Authority (Authority) audited annual financial report (annual report) provides a comprehensive overview of the Authority's financial position and the results of operations during the fiscal years ended June 30, 2023 and 2022. It complies with reporting requirements specified by Oklahoma Statutes and the dictates of effective financial management practices. 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 Authority's management.

The Authority's annual report includes the reports of independent auditors, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Authority for the fiscal years ended June 30, 2023 and 2022, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and required supplementary information. The Authority's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Authority. The Authority is a blended component unit of the Oklahoma City Water Utilities Trust (OCWUT) and, as such, is included within the funds of OCWUT's annual financial report. OCWUT is a discretely presented component unit of the City of Oklahoma City (City) and the blended financial activities of OCWUT and the Authority are presented in aggregate in the City's Annual Comprehensive Financial Report.

The Authority 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 the Authority (Participants) in central and southern Oklahoma. The Participants in the Authority are the City of Atoka, the County of Atoka, the Southern Oklahoma Development Trust, the City, and OCWUT.

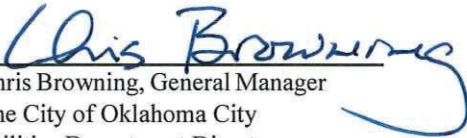
The Authority operates and maintains the Reservoir and associated facilities, including an attached water pipeline, a surge tank, a regulating tank, a maintenance complex, and land easements surrounding these facilities. The U.S. Department of Interior, Bureau of Reclamation (Bureau) financed the construction of the Authority water system and granted the Authority operational use of the project office, aqueduct, appurtenances, and other operation and maintenance related facilities on September 1, 1990. In November 1992, the Authority issued revenue bonds to purchase water storage rights and specific assets at the Reservoir for an amount equal to the Bureau's construction costs for the McGee Creek Dam (Dam), Reservoir, and related assets. The revenue bonds were paid off in fiscal year 2023. The Authority does not own the Dam or Reservoir.


The trust indenture of the Authority details the aliquot share requirements of the Participants. Aliquot share revenues and payments from the OCWUT representing the aliquot share requirements of the City are collected to fund cash requirements for debt service and operations. OCWUT, through an agreement of support (OCWUT Agreement), has pledged water revenues, not otherwise obligated, to supplement aliquot share revenue collections as needed.


The City includes the Authority in its comprehensive accounting and budgetary system. Interim financial statements provide Authority management and other interested readers with regular financial analysis. Additionally, the Authority's management maintains budgetary controls to ensure effective financial oversight.

In compliance with statutory requirements, the Authority engaged Allen, Gibbs, and Houlik, L.C. to conduct its annual audit. The Authority acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:

  
Chris Browning, General Manager  
The City of Oklahoma City  
Utilities Department Director

  
Bret Weingart  
The City of Oklahoma City  
Utilities Department Assistant Director

  
Alex Fedak, CPA  
The City of Oklahoma City  
Controller

# **Financial Section**



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
**McGee Creek Authority**  
Farris, Oklahoma

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the McGee Creek Authority (Authority), a blended component unit of The City of Oklahoma City Water Utilities Trust, as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and 2022, and the 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.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

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

Wichita, KS  
December 5, 2023

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the McGee Creek Authority (Authority) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2023 and 2022. The Authority'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 Authority reports services for which the Authority charges customers a fee. Services are provided to customers external to the Authority and consist primarily of water storage and supply services. The Authority is a blended component unit of the Oklahoma City Water Utilities Trust (OCWUT).

### *Financial Summary*

- Authority assets exceeded liabilities by \$74,767,316 (net position) for 2023. This compares to the previous year when assets exceeded liabilities by \$75,399,521 (net position).
- Total assets for the Authority decreased by \$5,941,296 (4.0%) to \$142,166,759 during 2023 and decreased by \$558,917 (0.4%) to \$148,108,055 for 2022.
- Total liabilities for the Authority decreased by \$5,309,091 (7.3%) to \$67,399,443 during 2023 and decreased by \$4,303,480 (5.6%) to \$72,708,534 during 2022.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$75,383,369 and \$69,409,079 for 2023 and 2022, respectively, includes property and equipment, net of accumulated depreciation and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net position restricted for debt service for 2023 and 2022 of \$0 and \$5,844,706, respectively, is restricted by constraints imposed by debt covenants.
  - (3) Unrestricted deficit is \$616,053 for 2023 and unrestricted net position for 2022 was \$145,736.

### *Overview of the Financial Statements*

This discussion and analysis introduces the Authority'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 the financial statements.

### **Financial Statements**

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

The first of these basic financial statements is the statement of net position. This statement presents information that includes all of the Authority's assets and liabilities, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority 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 Authority's net position changed during the fiscal year. This statement can be used to assess the Authority's operating results and analyze how the Authority'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 which reports the inflows and outflows of cash.

**Notes to the Financial Statements**

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

**Financial Analysis**

The Authority's net position at June 30, 2023 and 2022, is \$74,767,316 and \$75,399,521, respectively. The overall financial condition of the Authority deteriorated in fiscal year 2023.

	<b>Summary of Net Position</b>							
	<u>2023</u>	<u>2022</u>	2023-2022 Amount of <u>Change</u>	2023-2022 % <u>Change</u>	<u>2021</u>	2022-2021 Amount of <u>Change</u>	2022-2021 % <u>Change</u>	
<b>Assets</b>								
Current assets	\$519,889	\$9,374,999	(\$8,855,110)	(94.5%)	\$4,912,029	\$4,462,970	90.9%	
Capital assets, net	75,775,396	73,843,322	1,932,074	2.6	73,870,043	(26,721)	0.0	
Other non-current assets	<u>65,871,474</u>	<u>64,889,734</u>	<u>981,740</u>	1.5	<u>69,884,900</u>	<u>(4,995,166)</u>	(7.1)	
<b>Total assets</b>	<b><u>142,166,759</u></b>	<b><u>148,108,055</u></b>	<b><u>(5,941,296)</u></b>	(4.0)	<b><u>148,666,972</u></b>	<b><u>(558,917)</u></b>	(0.4)	
<b>Liabilities</b>								
Current liabilities	443,466	6,754,780	(6,311,314)	(93.4)	6,875,367	(120,587)	(1.8)	
Non-current liabilities	<u>66,955,977</u>	<u>65,953,754</u>	<u>1,002,223</u>	1.5	<u>70,136,647</u>	<u>(4,182,893)</u>	(6.0)	
<b>Total liabilities</b>	<b><u>67,399,443</u></b>	<b><u>72,708,534</u></b>	<b><u>(5,309,091)</u></b>	(7.3)	<b><u>77,012,014</u></b>	<b><u>(4,303,480)</u></b>	(5.6)	
<b>Net position</b>								
Net investment								
in capital assets	75,383,369	69,409,079	5,974,290	8.6	63,208,462	6,200,617	9.8	
Restricted for debt service	-	5,844,706	(5,844,706)	(100.0)	10,050,314	(4,205,608)	(41.8)	
Unrestricted	<u>(616,053)</u>	<u>145,736</u>	<u>(761,789)</u>	(522.7)	<u>(1,603,818)</u>	<u>1,749,554</u>	109.1	
<b>Total net position</b>	<b><u>\$74,767,316</u></b>	<b><u>\$75,399,521</u></b>	<b><u>(\$632,205)</u></b>	(0.8)	<b><u>\$71,654,958</u></b>	<b><u>\$3,744,563</u></b>	5.2	

Current assets decreased \$8.86 million in 2023 primarily due to a decrease in cash and investments of \$7.03 million, and a decrease in receivable from OCWUT of \$1.83 million. Current assets increased \$4.46 million in 2022 primarily due to an increase in cash and investments of \$3.08 million, an increase in receivable from OCWUT of \$1.83 million, offset by a decrease of interest receivable of \$380 thousand and a decrease in receivable from the City of \$41 thousand.

Capital assets increased \$1.93 million in 2023 due to \$2.7 million in capital improvements and equipment purchases, offset by \$765 thousand in normal depreciation. Capital assets decreased \$27 thousand in 2022 primarily due to \$715 thousand in normal depreciation, offset by an increase of \$689 thousand in capital improvements and equipment purchases.

Other non-current assets increased \$982 thousand in 2023 due to an increase in aliquot share receivable. Other non-current assets decreased \$5.00 million in 2022, primarily due to a \$7.10 million decrease in investments, offset by an increase in aliquot share receivable of \$2.10 million.



Current liabilities decreased \$6.31 million in 2023, primarily due to \$6.27 million of regularly scheduled bond payments, and \$188 thousand decrease in bonds interest payable. Current liabilities decreased \$121 thousand in 2022, primarily due to a decrease of \$338 thousand in accounts payable and accrued expenses and a decrease of \$178 thousand in bond interest payable, offset by a \$348 thousand increase in bonds payable.

Non-current liabilities increased \$1.00 million in 2023, primarily due to an increase of \$982 thousand in advances from OCWUT. Non-current liabilities decreased \$4.18 million in 2022, primarily due to a decrease in bonds payable due to the reclassification of \$6.28 million to current liabilities for regularly scheduled debt service and an increase of \$2.10 million in advances from OCWUT for amounts received in excess of aliquot share requirements to fund operating costs and debt service.

**Summary of Revenues, Expenses, and Changes in Net Position**

			2023-2022	2023-2022			2022-2021	2022-2021
			Amount of	%			Amount of	%
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>	
<b>Operating revenues</b>								
Charges for services	\$1,177,140	\$5,647,027	(\$4,469,887)	(79.2%)	\$7,143,424	(\$1,496,397)		(20.9%)
Other operating revenue	1,208	997	211	21.2	390	607		155.6
<b>Total operating revenues</b>	<b><u>1,178,348</u></b>	<b><u>5,648,024</u></b>	<b><u>(4,469,676)</u></b>	<b>(79.1)</b>	<b><u>7,143,814</u></b>	<b><u>(1,495,790)</u></b>		<b>(20.9)</b>
<b>Operating expenses</b>	<b><u>1,755,020</u></b>	<b><u>1,628,730</u></b>	<b><u>126,290</u></b>	<b>7.8</b>	<b><u>1,628,011</u></b>	<b><u>719</u></b>		<b>0.0</b>
<b>Net operating income (loss)</b>	<b><u>(576,672)</u></b>	<b><u>4,019,294</u></b>	<b><u>(4,595,966)</u></b>	<b>(114.3)</b>	<b><u>5,515,803</u></b>	<b><u>(1,496,509)</u></b>		<b>(27.1)</b>
<b>Net non-operating expenses</b>	<b><u>(55,533)</u></b>	<b><u>(274,731)</u></b>	<b><u>219,198</u></b>	<b>79.8</b>	<b><u>(159,441)</u></b>	<b><u>(115,290)</u></b>		<b>(72.3)</b>
<b>Changes in net position (deficit)</b>	<b><u>(632,205)</u></b>	<b><u>3,744,563</u></b>	<b><u>(4,376,768)</u></b>	<b>(116.9)</b>	<b><u>5,356,362</u></b>	<b><u>(1,611,799)</u></b>		<b>(30.1)</b>
<b>Beginning net position</b>	<b><u>75,399,521</u></b>	<b><u>71,654,958</u></b>	<b><u>3,744,563</u></b>	<b>5.2</b>	<b><u>66,298,596</u></b>	<b><u>5,356,362</u></b>		<b>8.1</b>
<b>Ending net position</b>	<b><u>\$74,767,316</u></b>	<b><u>\$75,399,521</u></b>	<b><u>(\$632,205)</u></b>	<b>(0.8)</b>	<b><u>\$71,654,958</u></b>	<b><u>\$3,744,563</u></b>		<b>5.2</b>

Charges for services decreased by \$4.47 million in 2023 and decreased by \$1.50 million in 2022, due to aliquot share revenues related to changes in cash requirements needed for debt service. Operating expenses increased by \$126 thousand in 2023 primarily due to an increase in personal services of \$46 thousand, an increase in maintenance, operations, and contractual services of \$47 thousand, and an increase in depreciation of \$50 thousand. Operating expenses remained consistent in 2022.

Net non-operating expenses increased by \$219 thousand in 2023. During 2023 interest on bonds increased \$377 thousand and investment income decreased \$207 thousand. Net non-operating expenses decreased by \$115 thousand in 2022. During 2022 interest on bonds decreased \$355 thousand, investment income decreased \$391 thousand, and arbitrage decreased \$4 thousand.

**Capital Assets and Long-term Debt**

**Capital Assets**

The Authority's investment in capital assets, net of accumulated depreciation, as of June 30, 2023 and 2022, is \$75,775,396 and \$73,843,322, respectively.

	<b>Capital Assets</b>						
	<b>Net of Accumulated Depreciation</b>						
			2023 - 2022	2023 - 2022		2022 - 2021	2022 - 2021
		Amount of	%		Amount of	%	
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>
<b>Non-Depreciable Assets</b>							
Land and water storage rights	\$61,528,696	\$61,528,696	\$ -	0.0%	\$61,528,696	\$ -	0.0%
Construction in progress	<u>2,411,653</u>	<u>1,218,107</u>	<u>1,193,546</u>	98.0	<u>1,921,972</u>	<u>(703,865)</u>	(36.6)
Total non-depreciable assets	<u>63,940,349</u>	<u>62,746,803</u>	<u>1,193,546</u>	1.9	<u>63,450,668</u>	<u>(703,865)</u>	(1.1)
<b>Depreciable Assets</b>							
Buildings	2,600,108	1,773,867	826,241	46.6	1,880,846	(106,979)	(5.7)
Improvements other than buildings	8,857,187	8,963,492	(106,305)	(1.2)	8,244,313	719,179	8.7
Furniture, machinery, and equipment	<u>377,752</u>	<u>359,160</u>	<u>18,592</u>	5.2	<u>294,216</u>	<u>64,944</u>	22.1
Total depreciable assets	<u>11,835,047</u>	<u>11,096,519</u>	<u>738,528</u>	6.7	<u>10,419,375</u>	<u>677,144</u>	6.5
<b>Totals</b>	<b><u>\$75,775,396</u></b>	<b><u>\$73,843,322</u></b>	<b><u>\$1,932,074</u></b>	2.6	<b><u>\$73,870,043</u></b>	<b><u>(\$26,721)</u></b>	0.0

Capital assets increased by \$1.93 million in 2023. Construction in progress increased \$1.19 million primarily due to an increase in facility road improvements of \$1.76 million offset by the completion of the Headquarters Equipment Building of \$858 thousand. Total depreciable assets increased \$739 thousand primarily due to the completion of the Headquarters Equipment Building, McGee Creek Dam Gate Improvements of \$462 thousand, and equipment purchases of \$96 thousand, offset by normal depreciation of \$765 thousand.

Capital assets decreased \$27 thousand in 2022. Construction in progress decreased \$704 thousand primarily related to the facilities condition assessment completion in 2021. Total depreciable assets increased \$677 thousand primarily due to the pump pipeline assessment, offset by \$715 thousand in normal depreciation. See Note II. E. for more information regarding capital assets.

### ***Long-term Debt***

At the end of the 2023 and 2022 fiscal years, the Authority had total debt outstanding of \$66,824,823 and \$72,118,082, respectively.

### **Payable to OCWUT**

On December 1, 1992, OCWUT and the Authority entered into an agreement (OCWUT Agreement) in conjunction with the issuance of the Series 1992 Water Revenue Bonds. 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 the Authority to fund debt service requirements, operation and maintenance, extraordinary expenses and capital improvements, as well as maintain the bond fund minimum required reserve balance. Payments from OCWUT reported as payable to OCWUT include amounts paid on behalf of the other participants of the Authority. Series 1992 Revenue Bonds were paid off in fiscal year 2023. See Note V. B. for more information regarding interfund balances.

**Revenue Bonds**

The McGee Creek Authority Water Revenue Bonds, Series 1992 Revenue Bonds were issued to purchase water storage rights and related assets, which in effect, repaid construction costs to the Bureau of Reclamation (Bureau) for the McGee Creek Reservoir. These bonds were secured by aliquot share revenues from participants of the Authority. In addition, the OCWUT Agreement provided OCWUT would advance the Authority funds as necessary. Should the Authority not have had adequate funds, OCWUT was required under the terms of the OCWUT Agreement to transfer the funds necessary for the Authority to pay the principal and interest due annually. The Series 1992 Revenue Bonds were paid off during fiscal year 2023.

The General Bond Indenture provides that the trustees of the Authority will generate revenue annually to equal 100% of the annual principal and interest requirements on the bonds for the year, plus an amount necessary to comply in all respects with the terms and provisions of the General Bond Indenture. Amounts received from Participants and from OCWUT under the OCWUT Agreement are considered in determining the amount needed to comply with the indenture requirements. The Authority met this obligation for fiscal years 2023 and 2022. See Note III. C. for more information regarding revenue bonds.

**Outstanding Long-term Debt**

	2023 - 2022		2023 - 2022		2022 - 2021		2022 - 2021	
	Amount of		%		Amount of		%	
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>	
Payable to OCWUT	\$66,824,823	\$65,843,082	\$981,741	1.5%	\$63,747,498	\$2,095,584	3.3%	
Revenue bonds	-	<u>6,275,000</u>	<u>(6,275,000)</u>	(100.0)	<u>12,195,000</u>	<u>(5,920,000)</u>	(48.5)	
	<b><u>\$66,824,823</u></b>	<b><u>\$72,118,082</u></b>	<b><u>(\$5,293,259)</u></b>	(7.3)	<b><u>\$75,942,498</u></b>	<b><u>(\$3,824,416)</u></b>	(5.0)	

The change in outstanding debt for both 2023 and 2022 is the result of amounts received under the OCWUT Agreement and scheduled principal bond debt service payments. The Water Revenue Bonds, Series 1992 Revenue Bonds were paid off in fiscal year 2023. See Note III. D. for more information on changes in long-term debt.

**Bond Ratings**

As of June 30, 2022, Moody's Rating Services reported a credit rating of Baa2, which represents the credit rating of the insurer of the bonds.

**Economic Factors**

**Utility Rates**

Aliquot share revenue may be generated by payments from surrogates or designees of Participants. The Authority uses OCWUT's cost of service study information as a basis for determining rates and charges. These rates were updated during the 2017 cost of service study and were implemented January 1, 2018. The sixth adjustment series went into effect on June 1, 2022, with the remaining subsequent adjustments going into effect on January 1 of 2024, 2025, and 2026 with an average annual rate increase of 5%.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority'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 Avenue, 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 Authority'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.*

**STATEMENTS OF NET POSITION**  
**June 30,**

**MCGEE CREEK AUTHORITY**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Non-pooled cash-----	\$340,351	\$376,056
Investments-----	-	6,991,858
Accounts receivable, net-----	85,219	66,984
Interest receivable-----	-	5,348
Receivable from Oklahoma City Water Utilities Trust-----	-	1,829,842
Intergovernmental receivables-----	94,319	103,487
Prepays-----	-	1,424
<b>Total current assets</b> -----	<b>519,889</b>	<b>9,374,999</b>
<b><u>NON-CURRENT ASSETS</u></b>		
Intergovernmental aliquot share receivable-----	65,871,474	64,889,734
Capital assets:		
Land, water storage rights and construction in progress-----	63,940,349	62,746,803
Other capital assets, net of accumulated depreciation-----	11,835,047	11,096,519
<b>Total capital assets</b> -----	<b>75,775,396</b>	<b>73,843,322</b>
<b>Total non-current assets</b> -----	<b>141,646,870</b>	<b>138,733,056</b>
<b>Total assets</b> -----	<b>142,166,759</b>	<b>148,108,055</b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued expenses-----	409,811	217,920
Wages and benefits payable-----	8,589	16,417
Payable to City of Oklahoma City-----	8,045	8,924
Compensated absences-----	17,021	26,627
Bond interest payable-----	-	188,250
Bonds payable, net-----	-	6,268,441
Arbitrage payable-----	-	28,201
<b>Total current liabilities</b> -----	<b>443,466</b>	<b>6,754,780</b>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Compensated absences-----	131,154	110,672
Payable to Oklahoma City Water Utilities Trust-----	66,824,823	65,843,082
<b>Total non-current liabilities</b> -----	<b>66,955,977</b>	<b>65,953,754</b>
<b>Total liabilities</b> -----	<b>67,399,443</b>	<b>72,708,534</b>
<b><u>NET POSITION</u></b>		
Net investment in capital assets-----	75,383,369	69,409,079
Restricted for debt service-----	-	5,844,706
Unrestricted-----	(616,053)	145,736
<b>Total net position</b> -----	<b>\$74,767,316</b>	<b>\$75,399,521</b>

See accompanying notes to financial statements.

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**  
**For the Years Ended June 30,**

**MCGEE CREEK AUTHORITY**

	<u>2023</u>	<u>2022</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for services:		
Aliquot share charges-----	\$1,177,140	\$5,647,027
Other-----	1,208	997
<b>Total operating revenues-----</b>	<b><u>1,178,348</u></b>	<b><u>5,648,024</u></b>
<b><u>OPERATING EXPENSES</u></b>		
Personal services-----	443,483	397,791
Maintenance, operations, and contractual services-----	497,682	450,477
Materials and supplies-----	48,615	65,063
Depreciation-----	765,240	715,399
<b>Total operating expenses-----</b>	<b><u>1,755,020</u></b>	<b><u>1,628,730</u></b>
<b>Operating income (loss)-----</b>	<b><u>(576,672)</u></b>	<b><u>4,019,294</u></b>
<b><u>NET NON-OPERATING REVENUES (EXPENSES)</u></b>		
Investment income-----	93,181	299,909
Interest on bonds-----	(194,809)	(571,532)
Bond insurance-----	(1,424)	(3,785)
Other revenue (expenses)-----	47,519	677
<b>Total net non-operating revenues (expenses)-----</b>	<b><u>(55,533)</u></b>	<b><u>(274,731)</u></b>
<b>Changes in net position (deficit)-----</b>	<b><u>(632,205)</u></b>	<b><u>3,744,563</u></b>
Total net position, beginning-----	75,399,521	71,654,958
<b>Total net position, ending-----</b>	<b><u>\$74,767,316</u></b>	<b><u>\$75,399,521</u></b>

See accompanying notes to financial statements.

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30,**

**MCGEE CREEK AUTHORITY**

	<u>2023</u>	<u>2022</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers-----	\$2,989,955	\$3,833,722
Cash payments to suppliers for goods and services-----	(560,131)	(516,820)
Cash payments to employees and professional contractors for services-----	(440,434)	(382,130)
Other cash receipts-----	56,687	38,008
<b>Net cash provided by operating activities-----</b>	<b><u>2,046,077</u></b>	<b><u>2,972,780</u></b>
<b><u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u></b>		
Payments for acquisition and construction of capital assets-----	(2,520,666)	(1,011,982)
Principal paid on long-term debt-----	(6,275,000)	(5,920,000)
Interest paid on long-term debt-----	(376,500)	(731,700)
<b>Net cash used by capital and capital related financing activities-----</b>	<b><u>(9,172,166)</u></b>	<b><u>(7,663,682)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Payments for purchase of investments-----	(6,439,118)	(21,096,054)
Proceeds from sale of investments-----	13,430,975	25,205,943
Investment income received-----	98,527	761,478
<b>Net cash provided by investing activities-----</b>	<b><u>7,090,384</u></b>	<b><u>4,871,367</u></b>
<b>Net increase (decrease) in cash-----</b>	<b><u>(35,705)</u></b>	<b><u>180,465</u></b>
Cash, beginning-----	376,056	195,591
<b>Cash, ending-----</b>	<b><u>\$340,351</u></b>	<b><u>\$376,056</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Operating income (loss)-----	(\$576,672)	\$4,019,294
<b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Depreciation-----	765,240	715,399
Other revenue (expense)-----	46,095	(3,108)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable-----	(18,235)	(25,143)
(Increase) decrease in receivable from Oklahoma City Water Utilities Trust-----	1,829,842	(1,829,842)
(Increase) decrease in receivable from City of Oklahoma City-----	-	40,683
(Increase) decrease in prepaid assets-----	1,424	13,757
(Increase) decrease in intergovernmental receivable-----	9,168	37,331
(Increase) decrease in intergovernmental aliquot share receivable-----	(981,740)	(2,095,583)
Increase (decrease) in accounts payable-----	15,246	(14,293)
Increase (decrease) in wages and benefits payable-----	(7,828)	7,403
Increase (decrease) in payable to the Oklahoma City Water Utilities Trust-----	981,741	2,095,584
Increase (decrease) in payable to City of Oklahoma City-----	(879)	3,040
Increase (decrease) in compensated absences-----	10,876	8,258
Increase (decrease) in intergovernmental payable-----	(28,201)	-
Total adjustments-----	<u>2,622,749</u>	<u>(1,046,514)</u>
<b>Net cash provided by operating activities-----</b>	<b><u>\$2,046,077</u></b>	<b><u>\$2,972,780</u></b>
<b><u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u></b>		
Net increase (decrease) in fair value of investments-----	\$ -	(\$81,950)
<b>Total non-cash investing, capital, and financing activities-----</b>	<b><u>\$ -</u></b>	<b><u>(\$81,950)</u></b>

See accompanying notes to financial statements.

# **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 is organized to provide explanations, including required disclosures, of the McGee Creek Authority (Authority) financial activities for the fiscal years ended June 30, 2023 and 2022.

### I. B. REPORTING ENTITY AND RELATIONSHIP TO THE OKLAHOMA CITY WATER UTILITIES TRUST (TRUST) AND THE CITY OF OKLAHOMA CITY (CITY)

#### *Reporting Entity*

The Authority is a public trust created pursuant to Title 60 of the Oklahoma Statutes, sections 176 to 180.4 inclusive, et seq. The Authority was established on August 1, 1977. The purpose of the Authority is, generally, to act as the contracting party for acquiring land, constructing facilities, and operating and maintaining a water storage and transportation facility at the McGee Creek Reservoir (Reservoir). The beneficiaries of the Authority (Beneficiaries) are the City; City of Atoka, Oklahoma; Atoka County, Oklahoma; and Southern Oklahoma Development Trust. The participants of the Authority (Participants) are the Beneficiaries and Oklahoma City Water Utilities Trust (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 the Authority. The Beneficiaries do not have an obligation for debt issued by the Authority.

Recreation activities at the Reservoir are managed by the Oklahoma Department of Wildlife Conservation and the Oklahoma Tourism and Recreation Department. The Authority does not manage recreation activities.

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

The Authority is presented as a blended component unit of OCWUT and is presented with OCWUT's financial reporting entity. The Authority meets the requirements for blending because OCWUT is expected to fund the repayment of the Authority's debt. The financial activities of the Authority are blended and presented in the OCWUT annual statement. The blended financial activities of OCWUT and the Authority are presented in aggregate in the City's ACFR. The OCWUT annual statement and the City ACFR may be obtained online at [okc.gov/departments/finance](http://okc.gov/departments/finance).

#### *Authority Administration*

All administrative functions are performed by City employees. OCWUT transfers funds to the City for the cost of these services. The Authority does not reimburse OCWUT for its share of these costs. Authority employees perform operational functions.



## **I. B. 1. 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 Authority as a whole.

## **I. B. 2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

The financial statements of the Authority are prepared in accordance with U.S. GAAP. The Authority applies all relevant GASB pronouncements.

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

The Authority reports 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 Authority. 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**

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, financial information for the Authority is submitted to its governing body. 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 2023, the Authority implemented the following accounting principles. The implementation of these standards did not have a material impact on the Authority's financial statements.

The Authority implemented GASB statement number 91, Conduit Debt Obligations. The objective of this Statement is to eliminate diversity in practice and provide a single method of reporting conduit debt obligations and improving related required note disclosures. This standard did not have a material impact on the Authority's financial statements.

The Authority implemented GASB statement number 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objectives of this statement are to better meet the information needs of financial statement users by improving the comparability of financial statements among governments by addressing issues related to public-private and public-public partnership arrangements and also provide guidance for accounting and financial reporting for availability payment arrangements. This standard has been applied retroactively and the implementation of this standard did not have a material impact on the Authority's financial statements.

The Authority implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The Statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments and requires note disclosures regarding a SBITA. This standard has been applied retroactively and the implementation of this standard did not have a material impact on the Authority's financial statements.

The Authority implemented GASB statement number 99, Omnibus 2022. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. There was no effect of adopting GASB Statement No. 99 on the financial statements.

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

### ***Cash and Investments***

The Authority's governing board has not formally adopted deposit and investment policies other than applicable deposit and investment policies specified in the bond indenture.

Investments are carried at fair value, generally 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 on 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 Participants and surrogates or designees of Participants for actual water usage. Accounts receivable are reported net of an allowance for uncollectible accounts and revenues are reported net of uncollectible amounts. 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 minimis and are reported with expenses 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 legally restricted for the payment of currently maturing debt service.

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

**I. D. 6. CAPITAL ASSETS AND DEPRECIATION**

Property and equipment are valued at cost and presented net of accumulated depreciation. The Authority generally capitalizes assets with a cost of \$10,000 or more. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When the Authority disposes of property and equipment, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 50
Infrastructure and improvements other than buildings	10 - 50
Equipment, furniture, and machinery	5 - 20

**I. D. 7. BOND DISCOUNT**

Bond discounts related to the issuance of revenue bonds are capitalized and amortized over the term of the respective bonds using a method that approximates the effective interest method.

**I. D. 8. COMPENSATED ABSENCES**

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

#### **I. D. 9. RISK MANAGEMENT**

The Authority'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 Authority participates. These funds account for the risk financing activities of the Authority and constitute a transfer of risk from the Authority.

The Authority has no costs or liabilities related to risk management activities. Costs and liabilities for commercial insurance, stop-loss insurance, and related claims paid are recorded in the City Risk Management Fund and the OCMFA Services Fund.

#### **I. D. 10. 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 including accounts payable and retainages payable, 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 includes unspent debt proceeds legally restricted for capital outlays. Restricted net position also includes purpose restrictions from enabling legislation and other external sources.

#### **I. D. 11. 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 reported estimates.

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

Aliquot share revenues represent revenues collected or collectible from Participants. OCWUT aliquot share payments are reported as payments from OCWUT. The Authority Trust Indenture assigns the aliquot shares of the Participants and details the requirements of the Participants to fund the Authority cash requirements based on the aliquot share ratio.

**I. F. TAX STATUS**

The Authority is exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code for any trade or business related to the Authority’s tax-exempt purpose or function.

**I. G. RETAINAGES**

It is the policy of the Authority 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 with the City. The City holds the certificate of deposit and the Authority retains the risk of incurring costs related to a contractor’s failure to perform. However, in the event of non-performance, the City calls the certificate and pays the proceeds to the Authority to cover any costs incurred. The Authority does not record the effect of holding the certificates of deposit.

**II. ASSETS**

**II. A. DEPOSITS AND INVESTMENTS**

*Deposits*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority’s deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority has not adopted a policy addressing custodial credit risk.

At June 30, 2023 and 2022, the Authority’s cash is collateralized with securities held by the pledging financial institution in the name of the Authority or the City, less the Federal depository insurance.

*Investments*

The Authority 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 Authority’s financial position. However, 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. The Authority did not hold any investments as of June 30, 2023.

		2022						
	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)
Money market (4)(5)	\$6,991,858	\$6,991,858	\$6,991,858	\$-	\$-	\$-	AAA/Aaa	0.77

- (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, 2023 and 2022.

An investment's categorization within the valuation hierarchy is based on 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.

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

**Bond Indenture Restrictions**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's bond indenture prescribes 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, (g) Government National Mortgage Association; (3) investments fully insured by Federal deposit insurance: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, (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.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority'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 investment of the reserved funds matured on May 31, 2022, prior to the final year of debt service.

The general bond indenture 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, which occurred in fiscal year 2023.

**Restricted Deposits and Investments**

	<u>2023</u>	<u>2022</u>
Bond principal and interest accounts	\$ -	\$308,229
Bond reserve	-	<u>6,871,879</u>
	<u>\$ -</u>	<u>\$7,180,108</u>

### **Compliance with State Requirements**

Authority bond indenture practice is 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. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the Authority portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Authority.

## **II. B. ACCOUNTS RECEIVABLE AND UNCOLLECTIBLE AMOUNTS**

Receivables include billings for aliquot share services provided by the Authority 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, 2023 and 2022.

## **II. C. INTERGOVERNMENTAL RECEIVABLES**

### ***Intergovernmental Receivable - Current***

Each year the Authority performs minimal maintenance tasks for the Bureau of Reclamation (Bureau). Charges to the Bureau for these services are based on agreed upon allocation rates of specifically identified costs. The Authority recorded unbilled amounts receivable from the Bureau at June 30, 2023 and 2022 for services provided of \$94,319 and \$103,487, respectively.

### ***Intergovernmental Aliquot Share Receivable***

In August 1992 the trust indenture was amended to define the relationship between the Authority 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 the Authority by the Participants for aliquot shares is a period cost. Unpaid aliquot share balances from the Participants are cumulative and recorded as non-current receivables. Payments to the Authority from Participants reduce the amounts receivable from Participants for outstanding aliquot share payments receivable.

## **II. D. PREPAIDS**

As of June 30, 2023, the Authority did not have prepaid bond insurance. As of June 30, 2022 the Authority had prepaid bond insurance of \$1,424 related to the issuance of McGee Creek Authority Water Revenue Bonds Series 1992.

II. E. CAPITAL ASSETS

*Changes in Capital Assets*

	<b>2023</b>							
	Capital Assets, Not Depreciated			Capital Assets, Depreciated				Total
	Land and Water	Construction	Total	Improvements	Furniture,		Total	
	Storage Rights	In Progress		Buildings	Other Than	Machinery, &		Equipment
							Capital	
							Assets, net	
<b>CAPITAL ASSETS</b>								
Balance, June 30, 2022	\$61,528,696	\$1,218,107	\$62,746,803	\$5,118,077	\$24,397,644	\$1,223,787	\$30,739,508	\$93,486,311
Increases	-	2,577,415	2,577,415	24,140	-	95,759	119,899	2,697,314
Decreases	-	-	-	-	-	(119,899)	(119,899)	(119,899)
Transfers	-	(1,383,869)	(1,383,869)	921,755	462,114	-	1,383,869	-
Balance, June 30, 2023	<u>61,528,696</u>	<u>2,411,653</u>	<u>63,940,349</u>	<u>6,063,972</u>	<u>24,859,758</u>	<u>1,199,647</u>	<u>32,123,377</u>	<u>96,063,726</u>
<b>ACCUMULATED DEPRECIATION</b>								
Balance, June 30, 2022				3,344,210	15,434,152	864,627	19,642,989	19,642,989
Increases				119,654	568,419	77,167	765,240	765,240
Decreases				-	-	(119,899)	(119,899)	(119,899)
Balance, June 30, 2023				<u>3,463,864</u>	<u>16,002,571</u>	<u>821,895</u>	<u>20,288,330</u>	<u>20,288,330</u>
<b>Capital assets, net</b>	<b><u>\$61,528,696</u></b>	<b><u>\$2,411,653</u></b>	<b><u>\$63,940,349</u></b>	<b><u>\$2,600,108</u></b>	<b><u>\$8,857,187</u></b>	<b><u>\$377,752</u></b>	<b><u>\$11,835,047</u></b>	<b><u>\$75,775,396</u></b>
<b>2022</b>								
	Capital Assets, Not Depreciated			Capital Assets, Depreciated				Total
	Land and Water	Construction	Total	Improvements	Furniture,		Total	
	Storage Rights	In Progress		Buildings	Other Than	Machinery, &		Equipment
								Capital
							Assets, net	
<b>CAPITAL ASSETS</b>								
Balance, June 30, 2021	\$61,528,696	\$1,921,972	\$63,450,668	\$5,118,077	\$23,153,717	\$1,075,171	\$29,346,965	\$92,797,633
Increases	-	450,801	450,801	88,059	1,202	148,616	237,877	688,678
Transfers	-	(1,154,666)	(1,154,666)	(88,059)	1,242,725	-	1,154,666	-
Balance, June 30, 2022	<u>61,528,696</u>	<u>1,218,107</u>	<u>62,746,803</u>	<u>5,118,077</u>	<u>24,397,644</u>	<u>1,223,787</u>	<u>30,739,508</u>	<u>93,486,311</u>
<b>ACCUMULATED DEPRECIATION</b>								
Balance, June 30, 2021				3,237,231	14,909,404	780,955	18,927,590	18,927,590
Increases				106,979	524,748	83,672	715,399	715,399
Balance, June 30, 2022				<u>3,344,210</u>	<u>15,434,152</u>	<u>864,627</u>	<u>19,642,989</u>	<u>19,642,989</u>
<b>Capital assets, net</b>	<b><u>\$61,528,696</u></b>	<b><u>\$1,218,107</u></b>	<b><u>\$62,746,803</u></b>	<b><u>\$1,773,867</u></b>	<b><u>\$8,963,492</u></b>	<b><u>\$359,160</u></b>	<b><u>\$11,096,519</u></b>	<b><u>\$73,843,322</u></b>



*Depreciation Expense*

Depreciation expense was \$765,240 for 2023 and \$715,399 for 2022.

**III. LIABILITIES**

**III. A. INTERGOVERNMENTAL PAYABLE**

*Arbitrage Compliance*

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Authority 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. There was no arbitrage liability as of June 30, 2023. There was \$28,201 in arbitrage liability as of June 30, 2022.

**III. B. COMPENSATED ABSENCES**

Compensated absences balances changed from 2022 to 2023 by accruals of \$36,686 and usages of \$25,810 compared to changes in accruals of \$35,144 and usages of \$26,886 from 2021 to 2022.

**III. C. REVENUE BONDS**

*Water Revenue Bonds*

In fiscal year 1993, the Authority issued Series 1992 Water Revenue Bonds in the amount of \$91,860,000. The bonds are secured by an agreement of support (OCWUT Agreement). The OCWUT Agreement, dated December 1, 1992, details OCWUT's pledge of water utility revenues not otherwise pledged or required by OCWUT. OCWUT is required to provide cash payments as needed for the Authority. 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 the Authority to pay the principal and interest of the Series 1992 Water Revenue Bonds annually, net of available Authority funds. The Authority has recorded an advance from OCWUT to recognize the amount received under the OCWUT Agreement.

The General Bond Indenture provides that the Authority will generate an amount annually equal to 100% of the annual principal and interest requirements for the year, plus generate an amount necessary to comply in all respects with the terms and provisions of the bond indenture. The 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 bond indenture requirements.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**MCGEE CREEK AUTHORITY**

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 bond indenture. The bond 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 the Authority’s operating fund, which is not subject to the lien of the bond indenture. For the year ended June 30, 2023 and 2022, required accounts were maintained in accordance with the bond indenture.

The Series 1992 Water Revenue Bonds matured on January 1, 2023. The fiscal year 2023 principal and interest payments were made out of the reserve funds.

***Revenue Bonds Outstanding***

Interest on the bonds is payable semi-annually on January 1 and July 1 of each year beginning July 1, 1993, continuing until the principal amount of the bonds is paid. The bond was paid off in fiscal year 2023.

	Amount	Interest	Issue	Principal	<u>2023</u>	<u>2022</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	Maturity	Principal	Principal
				<u>Date</u>	<u>Balance</u>	<u>Balance</u>
Water Revenue Bonds, Series 1992	<u>\$91,860,000</u>	3.0% to 6.0%	12-01-92	01-01-23	<u>\$ -</u>	<u>\$6,268,441</u>

***Bond Coverage***

Gross revenue, including non-operating revenues and payments from OCWUT	<u>\$5,948,610</u>
Direct operating expenses, excluding depreciation and amortization	<u>913,331</u>
<b>Net revenue available for debt service</b>	<b><u>\$5,035,279</u></b>
Principal amounts	\$5,920,000
Interest amounts	<u>731,700</u>
<b>Total debt service requirements</b>	<b><u>\$6,651,700</u></b>
<b>Revenue bond coverage (1)</b>	<b><u>0.76</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. There was no bond coverage in fiscal year 2023 due to the Water Revenue Bonds being paid off.

The 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 payments from OCWUT. 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 is 1.0.

III. D. CHANGES IN LONG-TERM LIABILITIES

	<b>2023</b>					
	Balance July 1, 2022	Issued	Retired	Balance June 30, 2023	Due Within One Year	Due After One Year
Payable to OCWUT	\$65,843,082	\$981,741	\$ -	\$66,824,823	\$ -	\$66,824,823
Compensated absences	137,299	36,686	25,810	148,175	17,021	131,154
Revenue bonds	<u>6,275,000</u>	-	<u>6,275,000</u>	-	-	-
	<u><b>\$72,255,381</b></u>	<u><b>\$1,018,427</b></u>	<u><b>\$6,300,810</b></u>	<u><b>\$66,972,998</b></u>	<u><b>\$17,021</b></u>	<u><b>\$66,955,977</b></u>

(1) Intergovernmental payable does not include amounts payable within one year. Retirement represents amount reclassified to current liabilities.

	<b>2022</b>					
	Balance July 1, 2021	Issued	Retired	Balance June 30, 2022	Due Within One Year	Due After One Year
Intergovernmental payable	\$28,201	\$ -	\$28,201	\$ -	\$ -	\$ -
Payable to OCWUT	63,747,498	2,095,584	-	65,843,082	-	65,843,082
Compensated absences	129,041	35,144	26,886	137,299	26,627	110,672
Revenue bonds	<u>12,195,000</u>	-	<u>5,920,000</u>	<u>6,275,000</u>	<u>6,275,000</u>	-
	<u><b>\$76,099,740</b></u>	<u><b>\$2,130,728</b></u>	<u><b>\$5,975,087</b></u>	<u><b>\$72,255,381</b></u>	<u><b>\$6,301,627</b></u>	<u><b>\$65,953,754</b></u>

(1) Intergovernmental payable does not include amounts payable within one year. Retirement represents amount reclassified to current liabilities.

III. E. PLEDGED REVENUES

The Authority issued revenue bonds to support its water utilities. The financial statements report revenue-supported debt. The Authority recognized \$1,177,140 and \$5,647,027 in aliquot share revenues for 2023 and 2022, respectively.

IV. NET POSITION

*Net Investment in Capital Assets*

	<b>2023</b>	<b>2022</b>
Capital assets, net	\$75,775,396	\$73,843,322
Retainages and accounts payable	(392,027)	(215,380)
Bonds payable, net	-	(6,268,441)
Bond reserve funded with bond proceeds	-	1,152,500
Bond issuance costs paid from bond proceeds	-	<u>897,078</u>
	<u><b>\$75,383,369</b></u>	<u><b>\$69,409,079</b></u>

*Restricted for Debt Service*

	<u>2023</u>	<u>2022</u>
Bond principal and interest accounts	\$ -	\$308,229
Bond reserve	-	6,871,879
Bond reserve funded with bond proceeds	-	(1,152,500)
Interest receivable on bond investments	-	5,348
Current bond interest payable	<u>-</u>	<u>(188,250)</u>
	<u>\$-</u>	<u>\$5,844,706</u>

*Unrestricted*

	<u>2023</u>	<u>2022</u>
Unrestricted	<u>(\$616,053)</u>	<u>\$145,736</u>

**V. INTERFUND TRANSACTIONS**

**V. A. RECEIVABLE FROM AND PAYABLE TO THE CITY**

*Payable to the City*

Payable to the City consists of \$8,045 and \$8,924 at June 30, 2023 and 2022, respectively, for the cost of materials and supplies prepaid by the City General Fund on behalf of the Authority.

**V. B. RECEIVABLE FROM AND PAYABLE TO OCWUT**

*Receivable from OCWUT*

At June 30, 2023 there was no receivable due from OCWUT. As of June 30, 2022 the receivable due from OCWUT was \$1,829,842.

*Payable to OCWUT*

The OCWUT Agreement guarantees OCWUT will advance funds as necessary to the Authority for debt service requirements, operation and maintenance, extraordinary expenses and capital improvements, as well as funds necessary to maintain the bond fund minimum required reserve balance. The Authority has recorded a payable to OCWUT to recognize the amount loaned under the OCWUT Agreement. At June 30, 2023 and 2022, the balance due to OCWUT is \$66,824,823 and \$65,843,082, respectively.

**V. C. OTHER OCWUT TRANSACTIONS**

*Aliquot Share Requirements*

The Authority received \$2,485,000 and \$3,343,744 in cash payments from OCWUT for aliquot share requirements in 2023 and 2022, respectively. These amounts are reported with aliquot share revenues.

**VI. RELATED PARTY TRANSACTIONS**

*On-Behalf Collections*

The Authority received payments on behalf of participants for aliquot shares. Collections were made from customers for water usage. These revenues are reported with aliquot share revenues.

**VII. DEFINED CONTRIBUTION PENSION**

Authority 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 the Authority. Participants of the Plan are comprised of all eligible employees of the Authority. All full-time employees are eligible. At June 30, 2023 and 2022, all eligible employees were participating in the Plan.

The Authority 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>
2023	\$23,430	\$17,573
2022	21,629	16,222
2021	20,934	15,526
2020	14,549	10,831
2019	14,025	10,494

The annual financial report that includes financial statements and required supplementary information for the Plan may be obtained from Nationwide Retirement Solutions, P.O. Box 182797, Columbus, Ohio 43218-2797.

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  
**McGee Creek Authority**  
Farris, 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 McGee Creek Authority (Authority), a blended component unit of the Oklahoma City Water Utilities Trust, as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2023.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Wichita, KS  
December 5, 2023