



Oklahoma City Water Utilities Trust

A discrete component unit of The City of Oklahoma City, Oklahoma

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

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

Board of Trustees

James D. Couch, Chairman, Independent Trustee

Sharon Voorhees, Independent Trustee

Todd Stone, Council Trustee

David Holt, Mayor Trustee (Mark Stonecipher, Vice Chairman, Surrogate Trustee)

Craig Freeman, City Manager Trustee (Laura A. Johnson, Surrogate Trustee)

Management

Chris Browning, General Manager

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

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

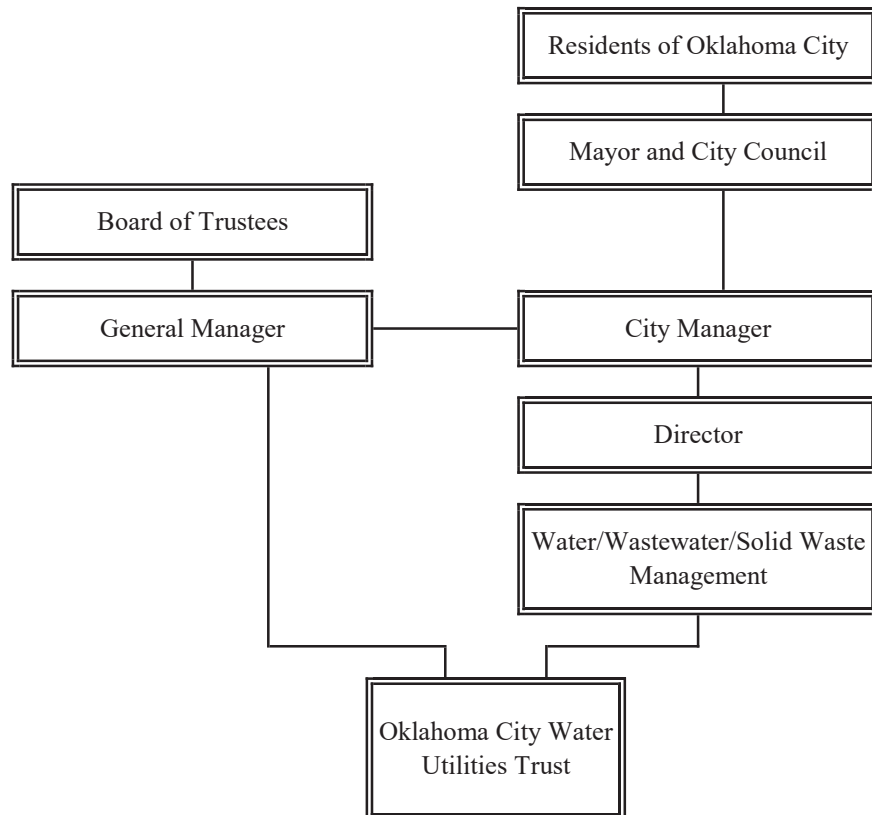
OKLAHOMA CITY WATER UTILITIES TRUST

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Oklahoma City Water Utilities Trust Organization Chart



Introductory Section



December 5, 2023

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 years ended June 30, 2023 and 2022. 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 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 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 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 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. 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 Central Oklahoma Region. 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 improving, operating, maintaining, repairing, extending and replacing the systems. 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 on behalf of Oklahoma City (City) that include financing and operating 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 service requirements of MCA, operation and maintenance, extraordinary expenses, and capital improvements 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.

Dr. Russell Evans, Partner and Chief Economist at the Thorberg Collectorate, provides an annual economic outlook to City leaders in February. Dr. Evans' expectation for 2023 was at best a slow economic growth, with a real possibility of a mild recession surfacing at some point. Although the labor market and consumer spending remained strong during the first half of the fiscal year, both were beginning to show signs of weakness as unemployment gradually rose and household net worth and savings fell. While inflation had begun to moderate, household spending was considered unlikely to keep pace and the record high revenue growth the City experienced in recent years from high sales and use tax collections were expected to significantly diminish in fiscal year 2023. Per-capita personal income in Oklahoma City was expected to increase 1.9% in 2023, due to current labor market strength. The forecast for nonfarm and private employment in Oklahoma City was for 0.8% growth in the number of people employed. Dr. Evans' forecast predicted sales tax growth of between 5.9% and 7.1% for fiscal year 2023, as the record-high growth witnessed in recent years recedes with the likelihood of an economic downturn at some point during the period.

In September 2023, Dr. Evans provided a mid-year update which took into consideration slowing job growth and increasing consumer fragility nationwide. The fragility of the consumer is underscored by the decline of personal savings to below pre-pandemic levels and rising credit card balances which have been fueling recent consumption. Despite these worrying signs, Oklahoma City is on a solid economic footing as payroll employment and average weekly earnings have grown. Oklahoma City is expected to maintain positive fiscal performance through fiscal year 2024, with sales tax collections forecasted to grow 2.5% and use tax collections expected to grow 11.4% in the baseline scenario. Still, there remain considerable downside risks to the forecast with uncertainty over how determined federal fiscal policy will be in imposing an economic slowdown and the ability of fragile consumers to weather such a contraction.

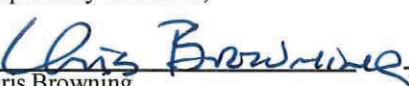
Going forward, there are several factors that position Oklahoma City to successfully weather a period of economic slowdown. The cost of living and the cost of doing business remain highly competitive among large cities in the U.S. In addition, low commuting times, convenient airline travel, and excellent entertainment and sports opportunities make Oklahoma City a great place for businesses and residents. Oklahoma City received \$123 million from the American Rescue Plan Act (ARPA) and has allocated 6% to the public health response to the COVID-19 pandemic, 30% to tourism and combating the negative economic impacts of the pandemic, and 64% to capital investments in infrastructure and public amenities.

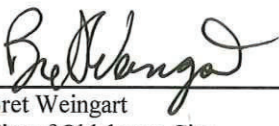
The Oklahoma City Water Utilities Trust (OCWUT) continues to be the state's largest provider of drinking water, treating and delivering an average of 100 million gallons of water every day to more than 1.4 million residents in the Central Oklahoma Region through retail and wholesale service connections. During the fiscal year 2023, OCWUT initiated several improvement projects. The South Canadian and North Canadian Wastewater Treatment Plants (WWTP) had construction projects awarded in early FY23. The South Canadian WWTP Project consists of modernizing the treatment plant to improve system efficiency and increase treatment capacities to keep up with the projected future demand. Work has begun on the construction of improvements at the North Canadian WWTP that will upgrade the plant's electrical system and address other aging infrastructures. Additionally, three more segments of the second Atoka Pipeline, the 100-mile, 72-inch pipeline that connects our raw water supply in Southeast Oklahoma to the Draper Water Treatment Plant, were awarded. As of FY 2023, five of the nine segments are under construction, and three of the four boreholes associated with the major crossing of the Canadian River have been completed. In the future, several factors position OCWUT to meet public health needs, economic prosperity, and the environment. In 2023, OCWUT rated an average 31.5% higher than like services offered in U.S. cities with a population of 250,000 or more.


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
OCWUT 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

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Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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 (City), as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Trust'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 respective financial position of the business-type activities and each major fund of the Trust as of June 30, 2023 and 2022, 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.

Basis for Opinions

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 Trust 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 opinions.

Emphasis of Matters

As discussed in Note I.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, 2023 and 2022, 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.E. to the financial statements, the Trust adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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 Trust'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 opinions. 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 Trust'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 Trust'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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 opinions on the basic financial statements do 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 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

Wichita, KS
December 5, 2023

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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 years ended June 30, 2023 and 2022. 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 \$1,503,499,519 (net position) for 2023. This compares to the previous year when assets exceeded liabilities by \$1,379,658,387.
- Total assets for the Consolidated Trust increased \$164,780,440 to \$2,480,687,887 during the fiscal year. This compares to the previous year when assets increased \$152,743,155 to \$2,315,907,447.
- Total liabilities for the Consolidated Trust increased \$20,122,998 to \$966,065,671 during the fiscal year. This compares to the previous year when liabilities increased \$30,923,141 to \$945,942,673.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$996,574,360 and \$880,317,375 for the years ended June 30, 2023 and 2022, 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 \$12,304,971 and \$26,957,851 for the years ended June 30, 2023 and 2022, respectively, is restricted for capital projects and by debt service constraints imposed by debt covenants.
 - (3) Unrestricted net position of \$494,620,188 and \$472,383,161 is reported for the years ended June 30, 2023 and 2022, respectively.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

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, 2023, is \$1,503,499,519. This is an increase of \$123,841,132 over fiscal year 2022 net position of \$1,379,658,387. The overall financial position of the Consolidated Trust improved during the 2023 fiscal year.

Summary of Net Position							
	<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>
Assets							
Current assets	\$587,541,577	\$528,889,747	\$58,651,830	11.1%	\$440,708,619	\$88,181,128	20.0%
Capital assets, net	1,825,344,017	1,693,876,139	131,467,878	7.8	1,618,894,849	74,981,290	4.6
Other non-current assets	<u>67,802,293</u>	<u>93,141,561</u>	<u>(25,339,268)</u>	(27.2)	<u>103,560,824</u>	<u>(10,419,263)</u>	(10.1)
Total assets	<u>2,480,687,887</u>	<u>2,315,907,447</u>	<u>164,780,440</u>	7.1	<u>2,163,164,292</u>	<u>152,743,155</u>	7.1
Deferred Outflows of Resources	<u>1,195,782</u>	<u>10,748,785</u>	<u>(9,553,003)</u>	(88.9)	<u>11,280,068</u>	<u>(531,283)</u>	(4.7)
Liabilities							
Current liabilities	184,062,267	130,918,598	53,143,669	40.6	98,472,295	32,446,303	32.9
Non-current liabilities	<u>782,003,404</u>	<u>815,024,075</u>	<u>(33,020,671)</u>	(4.1)	<u>816,547,237</u>	<u>(1,523,162)</u>	(0.2)
Total liabilities	<u>966,065,671</u>	<u>945,942,673</u>	<u>20,122,998</u>	2.1	<u>915,019,532</u>	<u>30,923,141</u>	3.4
Deferred Inflows of Resources	<u>12,318,479</u>	<u>1,055,172</u>	<u>11,263,307</u>	1067.4	<u>1,246,044</u>	<u>(190,872)</u>	(15.3)
Net position							
Net investment in capital assets	996,574,360	880,317,375	116,256,985	13.2	847,467,431	32,849,944	3.9
Restricted	12,304,971	26,957,851	(14,652,880)	(54.4)	32,150,360	(5,192,509)	(16.2)
Unrestricted	<u>494,620,188</u>	<u>472,383,161</u>	<u>22,237,027</u>	4.7	<u>378,560,993</u>	<u>93,822,168</u>	24.8
Total net position	<u>\$1,503,499,519</u>	<u>\$1,379,658,387</u>	<u>\$123,841,132</u>	9.0	<u>\$1,258,178,784</u>	<u>\$121,479,603</u>	9.7

Current assets increased by \$58.65 million in 2023, primarily due to an increase in cash and investments of \$67.92 million, offset by a decrease in receivable from the City of \$8.42 million, and a decrease of intergovernmental receivable of \$1.17 million. Current assets increased by \$88.18 million in 2022 primarily due to an increase in cash and investments of \$68.22 million, receivable from the City of \$13.92 million, accounts receivable of \$4.08 million and intergovernmental receivable of \$2.38 million.

Capital assets increased by \$131.47 million in 2023 primarily due to continued construction and purchases of capital assets of \$208.90 million, offset by normal depreciation of \$75.23 million. The \$74.98 million increase in capital assets for fiscal year 2022 is primarily the result of continued construction and purchase of capital assets of \$140.90 million, offset by normal depreciation of \$65.58 million.

Other non-current assets decreased \$25.34 million during 2023 primarily due to a decrease in investments of \$25.97 million, offset by an increase in aliquot share receivable of \$982 thousand related to increased cash requirements. Other non-current assets decreased \$10.42 million during 2022 primarily due to a decrease in investments of \$7.56 million and other non-current of \$5.55 million, offset by an increase in aliquot share receivable of \$2.10 million related to increased cash requirements.

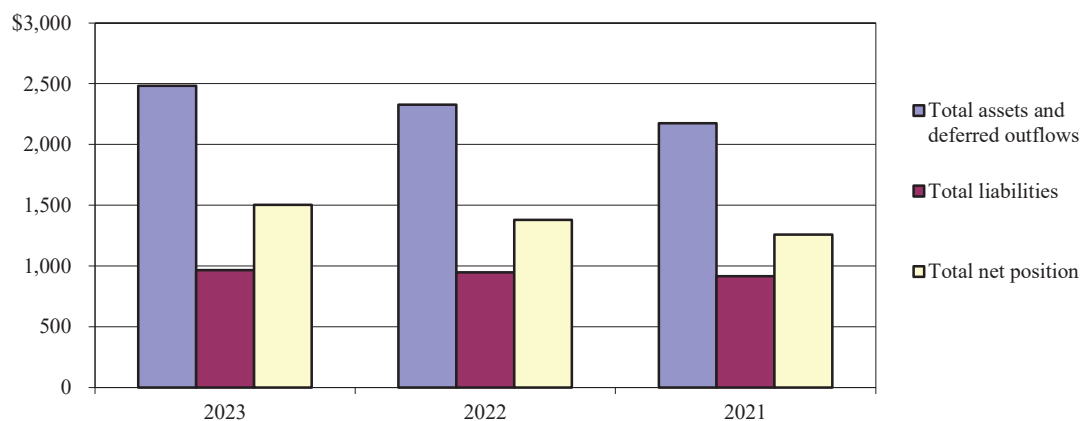
Deferred outflows of resources decreased by \$9.55 million due the defeasance of the 2013, 2015 and 2016 revenue bonds of \$9.45 million and normal amortization of deferred amounts on refunding. Deferred outflows of resources decreased by \$531 thousand at June 30, 2022 due to normal amortization of deferred amounts on refunding.

Current liabilities increased at June 30, 2023 by \$53.14 million primarily due to an increase in commercial paper issuance of \$27.00 million, an increase in accounts payable of \$35.83 million due to timing of vendor payments, an increase in notes, subscriptions, and leases payable of \$4.60 million offset by a decrease in payable to the City of \$12.47 million, a decrease in bonds payable of \$2.14 million, and a decrease in bond interest payable of \$1.36 million. Current liabilities increased at June 30, 2022 by \$32.45 million primarily due to an increase in payable to the City of \$14.67 million, an increase in commercial paper of \$8.50 million, an increase in intergovernmental payable of \$3.88 million, an increase in accounts payable of \$3.04 million due to timing of vendor payments and an increase in notes and leases payable of \$1.98 million.

At June 30, 2023, non-current liabilities decreased by \$33.02 million primarily due to a decrease in bonds payable of \$57.85 million, offset by an increase in payables to the City of \$12.85 million, an increase in notes, subscriptions and leases payable of \$8.31 million, an increase of \$2.15 million in advances from the Oklahoma City Airport Trust, and an increase of \$1.50 million in intergovernmental payables. At June 30, 2022, non-current liabilities decreased by \$1.52 million primarily due to decrease in payables to the City of \$27.42 million, a decrease in bonds payable of \$17.28 million, a decrease in lease payables of \$327 thousand, offset by an increase in intergovernmental payables of \$33.80 million related to the municipalization of Tinker Air Force Base water and wastewater systems, loan draws of the 2020 state drinking water revolving fund note and 2020B state drinking water revolving fund note of \$27.40 million less payments of \$15.32 million.

Deferred inflows of resources at June 30, 2023 increased by \$11.26 million due to the issuance of the 2022 series refunding bond of \$11.85 million, offset by \$550 thousand due to normal amortization of deferred amounts on refunding and amortization of leases. Deferred inflows of resources at June 30, 2022 decreased by \$191 thousand due to normal amortization of deferred amounts on refunding and amortization of leases.

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



Summary of Changes in Net Position

	2023	2022	2023 - 2022 Amount of Change	2023 - 2022 %	2021	2022 - 2021 Amount of Change	2022 - 2021 %
Operating revenues							
Charges for services:							
Water	\$220,023,239	\$199,741,995	\$20,281,244	10.2%	\$182,760,372	\$16,981,623	9.3%
Wastewater	127,046,508	117,712,790	9,333,718	7.9	108,131,580	9,581,210	8.9
Solid Waste Management	68,325,009	64,772,764	3,552,245	5.5	61,547,730	3,225,034	5.2
Aliquot share charges	1,177,140	5,647,027	(4,469,887)	(79.2)	7,143,424	(1,496,397)	(20.9)
Other charges for services and other revenues	<u>18,133,135</u>	<u>2,971,238</u>	<u>15,161,897</u>	510.3	<u>2,608,922</u>	<u>362,316</u>	13.9
Total operating revenues	434,705,031	390,845,814	43,859,217	11.2	362,192,028	28,653,786	7.9
Operating expenses	<u>298,784,209</u>	<u>247,186,738</u>	<u>51,597,471</u>	20.9	<u>275,764,114</u>	<u>(28,577,376)</u>	(10.4)
Operating income	135,920,822	143,659,076	(7,738,254)	(5.4)	86,427,914	57,231,162	66.2
Net non-operating expenses	(17,634,568)	(24,737,977)	7,103,409	28.7	(17,152,576)	(7,585,401)	(44.2)
Capital contributions	<u>5,554,878</u>	<u>2,558,504</u>	<u>2,996,374</u>	117.1	—	<u>2,558,504</u>	100.0
Special items	—	—	—	0.0	<u>72,297,435</u>	<u>(72,297,435)</u>	(100.0)
Changes in net position	123,841,132	121,479,603	2,361,529	1.9	141,572,773	(20,093,170)	(14.2)
Beginning net position	<u>1,379,658,387</u>	<u>1,258,178,784</u>	<u>121,479,603</u>	<u>9.7</u>	<u>1,116,606,011</u>	<u>141,572,773</u>	<u>12.7</u>
Ending net position	<u>\$1,503,499,519</u>	<u>\$1,379,658,387</u>	<u>\$123,841,132</u>	9.0	<u>\$1,258,178,784</u>	<u>\$121,479,603</u>	9.7

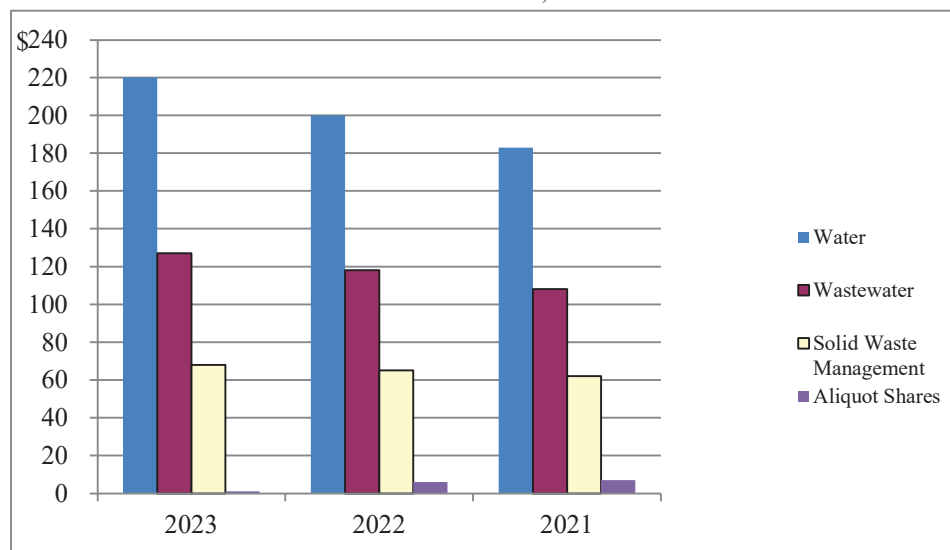
Operating revenues were \$434.71 million at June 30, 2023, compared to \$390.85 million at June 30, 2022, for an increase of 11.2% or \$43.90 million primarily in water and wastewater charges resulting from increased system usage and customer growth. Operating revenues were \$390.85 million at June 30, 2022, compared to \$362.19 million at June 30, 2021, for an increase of 7.9% or \$28.65 million primarily in water and wastewater charges resulting from increased system usage and customer growth.

For the fiscal year ended June 30, 2023 operating expenses increased \$51.60 million or 20.9% primarily due to an increase of \$24.96 million in maintenance, operations, and contractual expenses, an increase of \$10.4 million in personal services due to an increase in positions and salary increases, an increase of \$6.58 million in materials and supplies expenses, and depreciation expense of \$9.66 million. For the fiscal year ended June 30, 2022 operating expenses decreased \$28.58 million or 10.4% primarily due to a decrease of \$13.93 million related to storm debris removal in the prior year, \$6.91 million to reimburse the City for operating expenses and depreciation expense of \$3.78 million.

During 2023 net non-operating expenses decreased \$7.10 million or 28.7%. This is primarily due to a decrease of \$13.80 million in grant reimbursements and a decrease of \$943 thousand in bond issue costs, offset by an increase of \$16.66 million related to market rate fluctuations and an increase of \$5.95 million in other revenues. During 2022 net non-operating expenses increased \$7.59 million or 44.2%. This is primarily due to an decrease of \$10.89 million related to market rate fluctuations, \$9.67 million related to interest on bonds and \$1.22 million related to reimbursements from the City for non-operating expenses, offset by an increase of \$14.10 million for Federal Emergency Management Agency reimbursements related to ice storm damages in October 2020.

Capital contributions increased \$3.00 million in fiscal year 2023 and \$2.56 million in fiscal year 2022 due to an increase in the monthly credit applied to Tinker Air Force Bases utility services charge for the purchases of the water and wastewater systems. This credit is offset by an intergovernmental payable for the purchase price of the Tinker Air Force Base water and wastewater systems.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

Capital Assets

The Consolidated Trust's investment in capital assets, net of accumulated depreciation, as of June 30, 2023 and 2022, was \$1,825,344,017 and \$1,693,876,139, 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 latest 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>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>
Non-Depreciable Assets							
Land and water storage rights	\$123,125,686	\$122,908,176	\$217,510	0.2%	\$122,596,148	\$312,028	0.3%
Construction in progress	<u>484,344,863</u>	<u>462,973,672</u>	<u>21,371,191</u>	4.6	<u>374,126,115</u>	<u>88,847,557</u>	23.7
Total non-depreciable assets	<u>607,470,549</u>	<u>585,881,848</u>	<u>21,588,701</u>	3.7	<u>496,722,263</u>	<u>89,159,585</u>	17.9
Depreciable Assets							
Buildings	48,032,682	48,430,758	(398,076)	(0.8)	50,308,231	(1,877,473)	(3.7)
Right to use buildings	1,163,730	249,218	914,512	367.0	247,409	1,809	0.7
Improvements other than buildings	1,102,205,232	987,340,989	114,864,243	11.6	992,134,565	(4,793,576)	(0.5)
Furniture, machinery, and equipment	58,005,423	71,168,521	(13,163,098)	(18.5)	78,345,293	(7,176,772)	(9.2)
Right to use furniture, machinery, and equipment	472,522	804,805	(332,283)	(41.3)	1,137,088	(332,283)	(29.2)
Right to use SBITAs	<u>7,993,879</u>	<u>—</u>	<u>7,993,879</u>	100.0	<u>—</u>	<u>—</u>	0.0
Total depreciable assets	<u>1,217,873,468</u>	<u>1,107,994,291</u>	<u>109,879,177</u>	9.9	<u>1,122,172,586</u>	<u>(14,178,295)</u>	(1.3)
	<u>\$1,825,344,017</u>	<u>\$1,693,876,139</u>	<u>\$131,467,878</u>	7.8	<u>\$1,618,894,849</u>	<u>\$74,981,290</u>	4.6

Capital assets, net of accumulated depreciation, increased by \$131.47 million or 7.8% during 2023 due to OCWUT's construction and improvement projects for the solid waste management, water and wastewater utilities system. Depreciation expense increased by \$9.66 million or 14.7% in 2023 due to completion of construction in progress projects during 2023. During the fiscal year 2023, OCWUT completed the construction of several projects that included balancing tank replacement for Atoka pipeline pump stations, Stonewall, Ada & Konawa, various improvements at the Deer Creek Wastewater Treatment Plant (WWTP), and several water and sewer line replacements. OCWUT in FY23 initiated several improvement projects. The South Canadian and North Canadian Wastewater Treatment Plants (WWTP) had construction projects awarded in early FY23. The South Canadian WWTP Project consists of modernizing the treatment plant to improve system efficiency and increase treatment capacities to keep up the projected future demand. Work has begun on the construction of improvements at the North Canadian WWTP that will upgrade the plant's electrical system and address other aging infrastructures. Additionally, three more segments of the second Atoka Pipeline, the 100-mile, 72-inch pipeline that connects our raw water supply in Southeast Oklahoma to the Draper Water Treatment Plant, were awarded. As of FY 2023, five of the nine segments are under construction, and three of the four boreholes associated with the major crossing of the Canadian River have been completed. Capital assets, net of accumulated depreciation, increased by \$74.98 million or 4.6% during 2022 due to OCWUT's construction and improvement projects for the water utilities system. Depreciation expense decreased by \$3.78 million or 5.4% in 2022 due to retirement of capital assets during 2022. There were no major construction projects completed during 2022. Major construction projects in progress at June 30, 2022 included the 10 million gallon clear well project and solids removal improvements project at Draper Water Treatment Plant, automated meter reading project, improvements at the Hefner Water Treatment Plant, two segments of the second Atoka raw water pipeline, and replacement of balancing tanks along the existing Atoka pipeline at Ada, Konawa, and Stonewall sites. See Note II. F. for more information regarding capital assets.

Long-term Liabilities

At the end of the 2023 and 2022 fiscal years, the Consolidated Trust had total debt outstanding of \$757,773,663 and \$803,348,872, respectively.

OWRB Notes Payable

The OWRB provided a portion of the debt funded capital through several clean water and drinking water state revolving fund programs since 2009. These agreements provided up to \$732.75 million in loans, of which \$447.25 million and \$441.20 million remained outstanding at June 30, 2023 and 2022, respectively. See Note III. D. for more information regarding notes payable.

Revenue Bonds

At June 30, 2023 and 2022, the Consolidated Trust had total revenue bond debt outstanding of \$267.27 million and \$327.25 million, respectively. See Note III. F. for more information regarding revenue bonds.

OCWUT

At June 30, 2023 and 2022, OCWUT had total revenue bond debt outstanding of \$267.27 million and \$320.98 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, 2023, MCA had no revenue bond debt outstanding. At June 30 2022, MCA had total revenue bond debt outstanding of \$6.27 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

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>
Intergovernmental payable	\$35,329,268	\$33,825,264	\$1,504,004	4.4%	\$28,201	\$33,797,063	119843.5%
OWRB notes payable	447,253,547	441,199,915	6,053,632	1.4	429,522,555	11,677,360	2.7
Leases payable	1,675,592	1,073,456	602,136	56.1	1,397,607	(324,151)	(23.2)
Revenue bonds	267,265,000	327,250,237	(59,985,237)	(18.3)	343,874,953	(16,624,716)	(4.8)
Subscriptions payable	<u>6,250,256</u>	<u>-</u>	<u>6,250,256</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>0.0</u>
	<u>\$757,773,663</u>	<u>\$803,348,872</u>	<u>(\$45,575,209)</u>	<u>(5.7)</u>	<u>\$774,823,316</u>	<u>\$28,525,556</u>	<u>3.7</u>

Intergovernmental payable increased \$1.50 million at June 30, 2023 primarily as a result of changes in unspent contributions from the Department of Defense of \$5.34 million, offset by regularly scheduled payments of \$3.84 million. Intergovernmental payable increased \$33.80 million at June 30, 2022 primarily as a result of the purchase of Tinker Air Force Base's water and wastewater systems of \$38.31 million offset by regularly scheduled payments of \$2.56 million.

As of June 30, 2023 the Consolidated Trust had \$6.25 million in subscriptions payable due to the implementation of GASB 96, Subscription-Based Information Technology Arrangements. See Note III.E for more information regarding subscriptions payable.

OWRB notes payable increased \$6.05 million at June 30, 2023 primarily as a result of draws on OWRB notes payable of \$23.54 million, offset by regularly scheduled payments of \$17.49 million. OWRB notes payable increased \$11.68 million at June 30, 2022 primarily as a result of draws on OWRB notes payable of \$27.40 million, offset by regularly scheduled payments of \$15.72 million.

Bond Ratings

On the OCWUT's bonded debt, as of June 30, 2023 and 2022, Standard and Poor's Rating Services reported a credit rating of AAA and Moody's Rating Services reported a credit rating of Aaa.

MCA had no outstanding bond debt at June 30, 2023. On the MCA's debt, as of June 30, 2022, 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, 2023 and 2022, 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, demand for water decreases. Conversely, when the weather is hot or dry, demand for water increases. 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

The City Council has a long-standing history of approving multi-year rate adjustments. The most recent adjustment series took effect on January 1, 2023, and subsequent adjustments go into effect on January 1 of 2024, 2025 and 2026 with an average annual rate adjustment of 5%. The residential customer class has a four-tier inclining volumetric rate of which the fourth-tier threshold was adjusted from 30,000 gallons down to 25,000 gallons to provide pricing signals for efficient use of water and adequate cost recovery based on usage. Additionally, a new customer class for multi-family customers, quadplexes and above were created.

Aliquot Shares

Payments from surrogates or designees of Participants may generate aliquot share revenue. The Authority uses OCWUT's cost of service study information as a basis for determining rates and changes. The most recent rate adjustment series went into effect on January 1, 2023, and subsequent adjustments going into effect on January 1 of 2024, 2025, and 2026, with an average annual rate adjustment of 5%.

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 of Oklahoma City at okc.gov/departments/finance.

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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.

STATEMENTS OF NET POSITION
June 30,

OKLAHOMA CITY
WATER UTILITIES TRUST

	2023				2022			
	Water	McGee Creek			Water	McGee Creek		
	Utilities Trust	Authority	Eliminations	Consolidated	Utilities Trust	Authority	Eliminations	Consolidated
ASSETS								
CURRENT ASSETS								
Non-pooled cash-----	\$24,506,352	\$340,351	\$ -	\$24,846,703	\$14,935,964	\$376,056	\$ -	\$15,312,020
Investments-----	500,790,292	-	-	500,790,292	435,417,039	6,991,858	-	442,408,897
Accounts receivable, net-----	47,921,971	85,219	-	48,007,190	48,203,764	66,984	-	48,270,748
Lease receivable-----	97,396	-	-	97,396	67,155	-	-	67,155
Interest, dividends, and royalties receivable-----	1,764,425	-	-	1,764,425	1,299,167	5,348	-	1,304,515
Receivable from component unit-----	-	-	-	-	-	1,829,842	(1,829,842)	-
Receivable from City of Oklahoma City-----	8,025,668	-	-	8,025,668	16,442,032	-	-	16,442,032
Intergovernmental receivables-----	2,502,797	94,319	-	2,597,116	3,663,839	103,487	-	3,767,326
Note receivable-----	13,074	-	-	13,074	12,562	-	-	12,562
Inventories-----	987,022	-	-	987,022	775,878	-	-	775,878
Prepays-----	412,691	-	-	412,691	527,190	1,424	-	528,614
Total current assets-----	587,021,688	519,889	-	587,541,577	521,344,590	9,374,999	(1,829,842)	528,889,747
NON-CURRENT ASSETS								
Investments-----	619,017	-	-	619,017	26,588,992	-	-	26,588,992
Lease receivable-----	625,226	-	-	625,226	695,307	-	-	695,307
Note receivable-----	667,502	-	-	667,502	680,575	-	-	680,575
Advance to McGee Creek Authority-----	66,824,823	-	(66,824,823)	-	65,843,082	-	(65,843,082)	-
Intergovernmental aliquot share receivable-----	-	65,871,474	-	65,871,474	-	64,889,734	-	64,889,734
Other non-current assets-----	19,074	-	-	19,074	286,953	-	-	286,953
Capital assets:								
Land, water storage rights								
and construction in progress-----	543,530,200	63,940,349	-	607,470,549	523,135,045	62,746,803	-	585,881,848
Other capital assets, net of								
accumulated depreciation-----	1,206,038,421	11,835,047	-	1,217,873,468	1,096,897,772	11,096,519	-	1,107,994,291
Total capital assets-----	1,749,568,621	75,775,396	-	1,825,344,017	1,620,032,817	73,843,322	-	1,693,876,139
Total non-current assets-----	1,818,324,263	141,646,870	(66,824,823)	1,893,146,310	1,714,127,726	138,733,056	(65,843,082)	1,787,017,700
Total assets-----	2,405,345,951	142,166,759	(66,824,823)	2,480,687,887	2,235,472,316	148,108,055	(67,672,924)	2,315,907,447
DEFERRED OUTFLOWS OF RESOURCES								
	1,195,782	-	-	1,195,782	10,748,785	-	-	10,748,785
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable and accrued expenses-----	75,551,756	409,811	-	75,961,567	39,910,692	217,920	-	40,128,612
Wages and benefits payable-----	-	8,589	-	8,589	-	16,417	-	16,417
Payable to component units-----	-	-	-	-	1,829,842	-	(1,829,842)	-
Payable to City of Oklahoma City-----	6,315,754	8,045	-	6,323,799	18,781,612	8,924	-	18,790,536
Interest payable-----	3,778,625	-	-	3,778,625	3,462,012	-	-	3,462,012
Compensated absences-----	-	17,021	-	17,021	-	26,627	-	26,627
Commercial paper-----	42,500,000	-	-	42,500,000	15,500,000	-	-	15,500,000
Notes, leases, and subscriptions payable-----	22,332,177	-	-	22,332,177	17,736,824	-	-	17,736,824
Estimated claims payable-----	1,414,140	-	-	1,414,140	-	-	-	-
Unearned revenue-----	80,907	-	-	80,907	85,094	-	-	85,094
Bond interest payable-----	5,363,672	-	-	5,363,672	6,535,315	188,250	-	6,723,565
Bonds payable-----	12,320,000	-	-	12,320,000	8,190,000	6,268,441	-	14,458,441
Intergovernmental payable-----	13,961,770	-	-	13,961,770	13,962,269	28,201	-	13,990,470
Total current liabilities-----	183,618,801	443,466	-	184,062,267	125,993,660	6,754,780	(1,829,842)	130,918,598
NON-CURRENT LIABILITIES								
Compensated absences-----	-	131,154	-	131,154	-	110,672	-	110,672
Payable to City of Oklahoma City-----	56,605,069	-	-	56,605,069	43,759,796	-	-	43,759,796
Intergovernmental payable-----	35,329,268	-	-	35,329,268	33,825,264	-	-	33,825,264
Notes, leases and subscriptions payable-----	432,847,218	-	-	432,847,218	424,536,547	-	-	424,536,547
Advance from component unit-----	2,145,695	66,824,823	(66,824,823)	2,145,695	-	65,843,082	(65,843,082)	-
Bonds payable, net-----	254,945,000	-	-	254,945,000	312,791,796	-	-	312,791,796
Total non-current liabilities-----	781,872,250	66,955,977	(66,824,823)	782,003,404	814,913,403	65,953,754	(65,843,082)	815,024,075
Total liabilities-----	965,491,051	67,399,443	(66,824,823)	966,065,671	940,907,063	72,708,534	(67,672,924)	945,942,673
DEFERRED INFLOWS OF RESOURCES								
	12,318,479	-	-	12,318,479	1,055,172	-	-	1,055,172
NET POSITION								
Net investment in capital assets-----	921,190,991	75,383,369	-	996,574,360	810,908,296	69,409,079	-	880,317,375
Restricted for:								
Capital projects-----	-	-	-	-	114	-	-	114
Debt service-----	12,304,971	-	-	12,304,971	21,113,031	5,844,706	-	26,957,737
Unrestricted-----	495,236,241	(616,053)	-	494,620,188	472,237,425	145,736	-	472,383,161
Total net position-----	\$1,428,732,203	\$74,767,316	\$ -	\$1,503,499,519	\$1,304,258,866	\$75,399,521	\$ -	\$1,379,658,387

See accompanying notes to financial statements.

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

**OKLAHOMA CITY
WATER UTILITIES TRUST**

For the Years Ended June 30,

	2023				2022			
	Water Utilities Trust	McGee Creek Authority	Eliminations	Consolidated	Water Utilities Trust	McGee Creek Authority	Eliminations	Consolidated
<u>OPERATING REVENUES</u>								
<u>CHARGES FOR SERVICES</u>								
Water charges-----	\$220,023,239	\$ -	\$ -	\$220,023,239	\$199,741,995	\$ -	\$ -	\$199,741,995
Wastewater charges-----	127,046,508	-	-	127,046,508	117,712,790	-	-	117,712,790
Solid waste management charges-----	68,325,009	-	-	68,325,009	64,772,764	-	-	64,772,764
Aliquot share charges-----	-	1,177,140	-	1,177,140	-	5,647,027	-	5,647,027
Other charges-----	1,381,172	-	-	1,381,172	1,464,072	-	-	1,464,072
Total charges for services-----	416,775,928	1,177,140	-	417,953,068	383,691,621	5,647,027	-	389,338,648
Lease income-----	352,473	-	-	352,473	325,571	-	-	325,571
Other-----	16,398,282	1,208	-	16,399,490	1,180,598	997	-	1,181,595
Total operating revenues-----	433,526,683	1,178,348	-	434,705,031	385,197,790	5,648,024	-	390,845,814
<u>OPERATING EXPENSES</u>								
Personal services-----	62,749,890	443,483	-	63,193,373	52,391,696	397,791	-	52,789,487
Maintenance, operations, and contractual services-----	135,419,354	497,682	-	135,917,036	110,507,204	450,477	-	110,957,681
Materials and supplies-----	24,393,134	48,615	-	24,441,749	17,797,593	65,063	-	17,862,656
Depreciation and amortization-----	74,466,811	765,240	-	75,232,051	64,861,515	715,399	-	65,576,914
Total operating expenses-----	297,029,189	1,755,020	-	298,784,209	245,558,008	1,628,730	-	247,186,738
Operating income (loss)-----	136,497,494	(576,672)	-	135,920,822	139,639,782	4,019,294	-	143,659,076
<u>NON-OPERATING REVENUES (EXPENSES)</u>								
Grant operating-----	302,000	-	-	302,000	14,101,707	-	-	14,101,707
Investment income-----	6,907,669	93,181	-	7,000,850	(9,960,532)	299,909	-	(9,660,623)
Interest on bonds and notes-----	(22,522,908)	(194,809)	-	(22,717,717)	(22,016,630)	(571,532)	-	(22,588,162)
Bond issue costs-----	(942,501)	-	-	(942,501)	-	-	-	-
Bond insurance-----	-	(1,424)	-	(1,424)	-	(3,785)	-	(3,785)
Oil and gas royalties-----	102,207	-	-	102,207	99,434	-	-	99,434
Payments from component units-----	55,420	-	-	55,420	-	-	-	-
Payments to City of Oklahoma City-----	(7,476,703)	-	-	(7,476,703)	(6,719,802)	-	-	(6,719,802)
Other revenue (expenses)-----	5,995,781	47,519	-	6,043,300	32,577	677	-	33,254
Net non-operating expenses-----	(17,579,035)	(55,533)	-	(17,634,568)	(24,463,246)	(274,731)	-	(24,737,977)
Income (loss) before contributions and transfers---	118,918,459	(632,205)	-	118,286,254	115,176,536	3,744,563	-	118,921,099
<u>CONTRIBUTIONS AND TRANSFERS</u>								
Capital contribution-----	5,554,878	-	-	5,554,878	2,558,504	-	-	2,558,504
Total contributions and transfers-----	5,554,878	-	-	5,554,878	2,558,504	-	-	2,558,504
Changes in net position-----	124,473,337	(632,205)	-	123,841,132	117,735,040	3,744,563	-	121,479,603
Total net position, beginning-----	1,304,258,866	75,399,521	-	1,379,658,387	1,186,523,826	71,654,958	-	1,258,178,784
Total net position, ending-----	\$1,428,732,203	\$74,767,316	\$ -	\$1,503,499,519	\$1,304,258,866	\$75,399,521	\$ -	\$1,379,658,387

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

OKLAHOMA CITY
WATER UTILITIES TRUST

	2023				2022			
	Water	McGee Creek			Water	McGee Creek		
	Utilities Trust	Authority	Eliminations	Consolidated	Utilities Trust	Authority	Eliminations	Consolidated
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>								
Cash received from customers-----	\$440,108,953	\$2,989,955	\$ -	\$443,098,908	\$368,641,008	\$3,833,722	\$ -	\$372,474,730
Cash payments to suppliers for goods and services-----	(84,573,977)	(560,131)	-	(85,134,108)	(78,925,739)	(516,820)	-	(79,442,559)
Cash payments to employees and professional contractors for services--	-	(440,434)	-	(440,434)	-	(382,130)	-	(382,130)
Cash payments for internal services-----	(9,510,017)	-	-	(9,510,017)	(8,305,816)	-	-	(8,305,816)
Cost reimbursements from (to) other funds-----	(117,146,000)	-	-	(117,146,000)	(101,310,000)	-	-	(101,310,000)
Other cash receipts-----	1,080,862	56,687	-	1,137,549	2,663,279	38,008	-	2,701,287
Net cash provided by operating activities-----	229,959,821	2,046,077	-	232,005,898	182,762,732	2,972,780	-	185,735,512
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>								
Cash received from operating grants-----	-	-	-	-	14,101,707	-	-	14,101,707
Non-financing payments to City of Oklahoma City-----	(7,420,113)	-	-	(7,420,113)	(6,719,802)	-	-	(6,719,802)
Net cash provided (used) by non-capital								
financing activities-----	(7,420,113)	-	-	(7,420,113)	7,381,905	-	-	7,381,905
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED</u>								
<u>FINANCING ACTIVITIES</u>								
Proceeds from issuance of long-term debt and commercial paper-----	318,889,342	-	-	318,889,342	35,896,438	-	-	35,896,438
Payments for acquisition and construction of capital assets-----	(165,477,736)	(2,520,666)	-	(167,998,402)	(102,728,613)	(1,011,982)	-	(103,740,595)
Principal paid on long-term debt and commercial paper-----	(31,663,086)	(6,275,000)	-	(37,938,086)	(23,644,193)	(5,920,000)	-	(29,564,193)
Interest paid on long-term debt and commercial paper-----	(23,377,435)	(376,500)	-	(23,753,935)	(24,812,022)	(731,700)	-	(25,543,722)
Payments to defease bonds-----	(292,316,404)	-	-	(292,316,404)	-	-	-	-
Capital/financing payments from component units-----	2,201,115	-	-	2,201,115	-	-	-	-
Proceeds from sale of assets-----	5,228,791	-	-	5,228,791	496,582	-	-	496,582
Capital grants and contributions received-----	5,554,879	-	-	5,554,879	-	-	-	-
Other capital and capital related financing activities-----	1,139,734	-	-	1,139,734	(1,211,545)	-	-	(1,211,545)
Net cash used by capital financing activities-----	(179,820,800)	(9,172,166)	-	(188,992,966)	(116,003,353)	(7,663,682)	-	(123,667,035)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>								
Purchase of investments-----	(172,239,650)	(6,439,118)	-	(178,678,768)	(696,347,237)	(21,096,054)	-	(717,443,291)
Proceeds from sale of investments-----	129,091,512	13,430,975	-	142,522,487	619,763,489	25,205,943	-	644,969,432
Changes in pooled investments-----	-	-	-	-	2,410	-	-	2,410
Investment income received-----	9,840,994	98,527	-	9,939,521	3,583,258	761,478	-	4,344,736
Purchased interest-----	47,606	-	-	47,606	-	-	-	-
Interest collected on leases-----	8,811	-	-	8,811	8,458	-	-	8,458
Receipts from oil and gas royalties-----	102,207	-	-	102,207	99,434	-	-	99,434
Net cash provided (used) by investing activities-----	(33,148,520)	7,090,384	-	(26,058,136)	(72,890,188)	4,871,367	-	(68,018,821)
Net increase (decrease) in cash-----	9,570,388	(35,705)	-	9,534,683	1,251,096	180,465	-	1,431,561
Cash, beginning-----	14,935,964	376,056	-	15,312,020	13,684,868	195,591	-	13,880,459
Cash, ending-----	\$24,506,352	\$340,351	\$ -	\$24,846,703	\$14,935,964	\$376,056	\$ -	\$15,312,020

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

OKLAHOMA CITY
WATER UTILITIES TRUST

	2023				2022			
	Water Utilities Trust	McGee Creek Authority	Eliminations	Consolidated	Water Utilities Trust	McGee Creek Authority	Eliminations	Consolidated
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>								
<u>PROVIDED BY OPERATING ACTIVITIES TO NET CASH</u>								
Operating income (loss)-----	\$136,497,494	(\$576,672)	\$ -	\$135,920,822	\$139,639,782	\$4,019,294	\$ -	\$143,659,076
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)</u>								
<u>PROVIDED BY OPERATING ACTIVITIES TO NET CASH</u>								
Depreciation-----	74,466,811	765,240	-	75,232,051	64,861,515	715,399	-	65,576,914
Non-operating revenue (expense)-----	766,991	46,095	-	813,086	1,741,401	(3,108)	-	1,738,293
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable-----	281,793	(18,235)	-	263,558	(4,057,957)	(25,143)	-	(4,083,100)
(Increase) decrease in leases receivable-----	39,840	-	-	39,840	85,778	-	-	85,778
(Increase) decrease in receivable from component units-----	-	1,829,842	-	1,829,842	-	(1,829,842)	-	(1,829,842)
(Increase) decrease in receivable from City of Oklahoma City-----	8,416,364	-	-	8,416,364	(13,956,020)	40,683	-	(13,915,337)
(Increase) decrease in inventories-----	(211,144)	-	-	(211,144)	22,126	-	-	22,126
(Increase) decrease in prepaid assets-----	114,499	1,424	-	115,923	47,263	13,757	-	61,020
(Increase) decrease in notes receivable-----	12,561	-	-	12,561	-	-	-	-
(Increase) decrease in intergovernmental receivable-----	1,463,042	9,168	-	1,472,210	-	37,331	-	37,331
(Increase) decrease in Intergovernmental aliquot share receivable---	-	(981,740)	-	(981,740)	-	(2,095,583)	-	(2,095,583)
(Increase) decrease in other assets-----	267,879	-	-	267,879	5,550,377	-	-	5,550,377
Increase (decrease) in accounts payable and accrued expenses-----	8,686,377	15,246	-	8,701,623	(1,370,893)	(14,293)	-	(1,385,186)
Increase (decrease) in wages and benefits payable-----	-	(7,828)	-	(7,828)	-	7,403	-	7,403
Increase (decrease) in due to other funds-----	-	981,741	-	981,741	-	2,095,584	-	2,095,584
Increase (decrease) in payable to component unit-----	(1,829,842)	-	-	(1,829,842)	1,829,842	-	-	1,829,842
Increase (decrease) in payable to City of Oklahoma City-----	(369,055)	(879)	-	(369,934)	(15,274,251)	3,040	-	(15,271,211)
Increase (decrease) in compensated absences-----	-	10,876	-	10,876	-	8,258	-	8,258
Increase (decrease) in intergovernmental payable-----	(499)	(28,201)	-	(28,700)	3,850,254	-	-	3,850,254
Increase (decrease) in other payables-----	1,397,192	-	-	1,397,192	-	-	-	-
Increase (decrease) in unearned revenue-----	(4,187)	-	-	(4,187)	(15,613)	-	-	(15,613)
Increase (decrease) in deferred inflows-----	(36,295)	-	-	(36,295)	(190,872)	-	-	(190,872)
Total adjustments-----	93,462,327	2,622,749	-	96,085,076	43,122,950	(1,046,514)	-	42,076,436
Net cash provided by operating activities-----	\$229,959,821	\$2,046,077	\$ -	\$232,005,898	\$182,762,732	\$2,972,780	\$ -	\$185,735,512
<u>NON-CASH INVESTING, CAPITAL</u>								
<u>AND FINANCING ACTIVITIES</u>								
Net increase (decrease) in fair value of investments-----	(\$3,744,860)	\$ -	\$ -	(\$3,744,860)	(\$13,163,520)	(\$81,950)	\$ -	(\$13,245,470)
Right to use lease - asset-----	1,065,908	-	-	1,065,908	116,415	-	-	116,415
Right to use subscription - asset-----	8,308,678	-	-	8,308,678	-	-	-	-
Total non-cash investing, capital, and financing activities-----	\$5,629,726	\$ -	\$ -	\$5,629,726	(\$13,047,105)	(\$81,950)	\$ -	(\$13,129,055)

See accompanying notes to financial statements.

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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 years ended June 30, 2023 and 2022.

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 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, 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 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 City of Atoka, the City of Oklahoma City and Atoka County, Oklahoma. MCA Trustees are the Mayors/Chairpersons of the respective participants.

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. The MCA annual statement may be obtained online at okc.gov/departments/finance.

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. 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 online at okc.gov/departments/finance.

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 OCWUT's 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 2023, the Consolidated Trust implemented the following accounting standards. Except for GASB statement number 96, the implementation of these standards did not have a material impact on the Consolidated Trust financial statements.

The Consolidated Trust 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 Consolidated Trust's financial statements.

The Consolidated Trust 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 Consolidated Trust's financial statements.

The Consolidated Trust 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; however the implementation did not result in an adjustment to prior periods. See footnote III. E. Subscriptions Payable for more information.

The Consolidated Trust 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 to the financial statements.

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. LEASE RECEIVABLES

Lease receivables are reported for lease arrangements in which the Consolidated Trust is providing the right for another entity to use its nonfinancial assets as stated in a contract for a period of time in an exchange or exchange like transaction. Management determines the allowance for uncollectible leases by identifying known leases that will not be collected and by estimating the remaining leases that are likely not to be collected.

I. D. 5. 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. 6. 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. 7. 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. 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. Donated assets are stated at acquisition value. 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
Right to use building leases	10 - 50
Right to use mobile equipment, furniture, machinery, and equipment leases	5 - 20

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

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 assets 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 assets 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.

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 securities in lieu of retainage to OCWUT. OCWUT holds the securities, 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, OCWUT would call the securities and pay the proceeds to the Consolidated Trust to cover any costs incurred. The Consolidated Trust does not record the effect of holding the securities in lieu of retainage.

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. 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. MCA has not adopted a policy addressing custodial credit risk.

At June 30, 2023, MCA's cash is collateralized with securities held by pledging financial institution in the name of the Authority, less Federal depository insurance, except for \$889 thousand held by Ameristate Bank that exceeds federally insured limits. At June 30, 2022 MCA's cash was less than the amount of the Federal deposit insurance limit.

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, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

2023								
	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	\$18,822,242	\$17,608,594	\$ -	\$17,608,594	\$ -	\$ -	AA+/Aaa	7.31
Money market (4)(5)	151,955,763	151,955,763	151,955,763	-	-	-	AAA/Aaa	1.06
Fannie Mae	6,718,978	6,458,694	-	6,458,694	-	-	AA+/Aaa	39.40
U.S. Treasury notes	<u>338,791,308</u>	<u>325,386,258</u>	<u>-</u>	<u>325,386,258</u>	<u>-</u>	<u>-</u>	N/A	22.30
Total investments	<u>\$516,288,291</u>	<u>\$501,409,309</u>	<u>\$151,955,763</u>	<u>\$349,453,546</u>	<u>\$-</u>	<u>\$-</u>		
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)
Federal obligations	\$37,903,541	\$36,455,331	\$ -	\$36,455,331	\$ -	\$ -	AA+/Aaa	12.64
Money market (4)(5)	102,946,156	102,946,156	102,946,156	-	-	-	AAA/Aaa	1.32
Fannie Mae	11,549,006	11,667,162	-	11,667,162	-	-	AA+/Aaa	31.43
U.S. Treasury bills	<u>330,569,414</u>	<u>317,929,240</u>	<u>-</u>	<u>317,929,240</u>	<u>-</u>	<u>-</u>	N/A	26.53
Total investments	<u>\$482,968,117</u>	<u>\$468,997,889</u>	<u>\$102,946,156</u>	<u>\$366,051,733</u>	<u>\$-</u>	<u>\$-</u>		

- (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 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.

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 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.

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.

	2023		2022	
	OCWUT	MCA	OCWUT	MCA
Commercial paper construction account	\$183,690	\$ -	\$4,949	\$ -
Debt principal and interest accounts	20,683,123	-	19,178,871	308,229
Bond reserve	-	-	26,588,992	6,871,879
Renewal and replacement fund	619,017	-	-	-
State revolving fund project account	-	-	114	-
Conservation escrow	10,082,241	-	-	-
	<u><u>\$31,568,071</u></u>	<u><u>\$ -</u></u>	<u><u>\$45,772,926</u></u>	<u><u>\$7,180,108</u></u>

II. B. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

OCWUT

	2023	2022
<u>Accounts receivable</u>	\$58,494,316	\$55,225,820
Less: allowance for uncollectible accounts	(10,572,345)	(7,022,056)
Net accounts receivable	<u><u>\$47,921,971</u></u>	<u><u>\$48,203,764</u></u>
Affect on revenues for change in uncollectibles	<u><u>(\$3,550,289)</u></u>	<u><u>\$18,929,976</u></u>

MCA

Receivables of \$85,219 and \$66,984 at June 30, 2023 and 2022, 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, 2023 and 2022.

II. C. LEASE RECEIVABLE AND REVENUE

		2023				
	Lease Term	Discount Rate	Lease Receivable	Deferred Inflow	Lease Revenue	Interest Revenue
Verizon Wireless	157 months	1.104%	\$218,024	\$208,956	\$20,728	\$2,446
New Cingular Wireless	110.9 months	0.474%	121,602	142,845	22,876	712
OneOk	480 months	1.920%	121,042	119,477	3,578	2,370
Enable Oklahoma Intrastate	240 months	1.564%	-	89,681	5,000	-
T-Mobile Lake Hefner Water	36 months	0.798%	50,430	45,352	47,857	944
Alltell Newco	120 months	0.901%	<u>211,524</u>	<u>210,034</u>	<u>29,004</u>	<u>1,977</u>
			<u>\$722,622</u>	<u>\$816,345</u>	<u>\$129,043</u>	<u>\$8,449</u>

		2022				
	Lease Term	Discount Rate	Lease Receivable	Deferred Inflow	Lease Revenue	Interest Revenue
Verizon Wireless	12 months	1.104%	\$235,160	\$229,765	\$20,735	\$2,612
New Cingular Wireless	12 months	0.474%	165,539	165,728	22,877	809
OneOk	480 months	1.920%	123,982	123,387	3,588	2,400
Enable Oklahoma Intrastate	240 months	1.564%	-	94,681	5,000	-
Sprint	60 months	0.371%	-	-	11,409	-
Alltell Verizon	60 months	0.363%	-	-	1,038	-
Alltell Newco	120 months	0.901%	<u>237,781</u>	<u>239,078</u>	<u>29,009</u>	<u>2,199</u>
			<u>\$762,462</u>	<u>\$852,639</u>	<u>\$93,656</u>	<u>\$8,020</u>

The discount rates noted in the table above are incremental borrowing rates as required by GASB 87 due to the lease agreements' provisions and terms not including a stated discount rate. The incremental borrowing rates reflect market conditions at the commencement of the lease agreements. In 2023 and 2022, the Consolidated Trust recognized \$223,430 and \$231,915 of variable income related to these leases, respectively.

II. D. PREPAIDS

Prepays are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. As of June 30, 2023 and 2022, the Consolidated Trust had prepaid items totaling \$412,691 and \$528,614, respectively.

	2023	2022
Memberships and dues	\$18,345	\$17,810
Software licenses and support	225,188	226,131
Other	<u>169,158</u>	<u>284,673</u>
	<u>\$412,691</u>	<u>\$528,614</u>

II. E. 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 October 2020 by the Consolidated Trust. In connection to these awards, OCWUT applied for assistance from the Oklahoma Emergency Management Agency to supplement matching fund requirements. At June 30, 2023 and June 30, 2022, the FEMA receivable was \$1,140,502 and the state match receivable balance was \$742,195.

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 2023 and 2022 of \$94,319 and \$103,487, respectively.

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 \$318,100 at June 30, 2023 and \$280,507 at June 30, 2022.

Receivable from the Oklahoma Department of Defense (DOD)

OCWUT receives a monthly payment from the DOD for provision of utility services related to operations and maintenance, renewals and replacements and initial system deficiencies related to the Tinker Air Force Base's water and wastewater systems. At June 30, 2023, OCWUT did not report a receivable balance for utility services. At June 30, 2022, OCWUT reported a receivable balance for utility services of \$1,500,635.

Receivable from the Oklahoma Department of Environmental Quality (ODEQ)

OCWUT entered into a grant agreement with ODEQ to receive financial assistance in order to replace eligible diesel vehicles/engines to reduce nitrogen oxides. OCWUT reported a receivable balance for vehicle purchases of \$302,000 at June 30, 2023.

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. F. OTHER ASSETS

Non-Current Receivables

OCWUT Receivable From Gaillardia Golf Course, LLC

The City and the OCWUT entered an Ultraviolet and Chlorination System and Recycled Water Sale Agreement with Gaillardia Country Club, LLC on December 1, 2007 and assigned the Recycled Water Sale Agreement from Gaillardia Development Company LLC to Gaillardia Country Club, LLC on January 29, 2008. On April 23, 2013, the City and the OCWUT approved the Agreement for the Sale and Purchase of Recycled Water and for the Settlement of all prior Claims, but a condition precedent to the effectuation of the Agreement was the timely payment of the agreed outstanding debt which was not paid and thus the Agreement never became effective. A note receivable was recorded to recognize the unreimbursed costs and debt. On October 19, 2022, OCWUT was notified that Gaillardia had filed bankruptcy in Arkansas and the collection of the outstanding debt was unlikely. The remaining balance of \$277 thousand was consequently written off as bad debt.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

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. On January 17, 2023, OCWUT entered into an amendment to the lease agreement, expanding the leased office space by an additional two units and extending the lease through March 21, 2028. An additional security deposit was posted upon possession of the additional units. The total security deposit for the leased office space is \$19,074, and is refundable when the lease expires.

II. G. NOTES RECEIVABLE

An agreement was established between the Consolidated Trust and the Oklahoma City Metro Alliance for the expansion of the Firststep recovery center. The repayment of lease hold improvements will be repaid monthly for thirty years at an interest rate of 4% with the final payment to be made on December 4, 2051. The principal due at June 30, 2023 and 2022 is \$680,576 and \$693,137, of which \$13,074 and \$12,562 is reported as a current receivable.

II. H. CAPITAL ASSETS

Changes in Capital Assets

		2023		
		Capital Assets, not depreciated		
		Land and Water Storage Rights	Construction In Progress	Total
CAPITAL ASSETS				
Balance, June 30, 2022		\$122,908,176	\$462,973,672	\$585,881,848
Increases		217,510	165,758,981	165,976,491
Decreases		-	6,330	6,330
Transfers		-	(144,394,120)	(144,394,120)
Balance, June 30, 2023		<u>123,125,686</u>	<u>484,344,863</u>	<u>607,470,549</u>
Capital Assets, net		<u>\$123,125,686</u>	<u>\$484,344,863</u>	<u>\$607,470,549</u>

		2023						
		Capital Assets, depreciated						
		Right To Use		Improvements	Furniture, Machinery, & Equipment	Furniture, Machinery, & Equipment Leases	Right To Use SBITAs	Total Capital Assets, net
		Buildings	Lease	Buildings	Equipment	Equipment Leases	SBITAs	Total
CAPITAL ASSETS								
Balance, June 30, 2022	\$105,043,749	\$478,013	\$1,597,611,347	\$215,457,223	\$1,469,371	\$ -	\$1,920,059,703	\$2,505,941,551
Increases	24,474	1,065,909	21,236,405	12,291,623	-	8,308,678	42,927,089	208,903,580
Decreases	(15,364)	-	-	(19,095,539)	-	-	(19,110,903)	(19,104,573)
Transfers	<u>1,506,001</u>	<u>-</u>	<u>149,943,802</u>	<u>(7,055,683)</u>	<u>-</u>	<u>-</u>	<u>144,394,120</u>	<u>-</u>
Balance, June 30, 2023	<u>106,558,860</u>	<u>1,543,922</u>	<u>1,768,791,554</u>	<u>201,597,624</u>	<u>1,469,371</u>	<u>8,308,678</u>	<u>2,088,270,009</u>	<u>2,695,740,558</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2022	56,612,991	228,795	610,270,358	144,288,702	664,566	-	812,065,412	812,065,412
Increases	1,928,483	151,397	56,315,964	16,189,125	332,283	314,799	75,232,051	75,232,051
Decreases	<u>(15,296)</u>	<u>-</u>	<u>-</u>	<u>(16,885,626)</u>	<u>-</u>	<u>-</u>	<u>(16,900,922)</u>	<u>(16,900,922)</u>
Balance, June 30, 2023	<u>58,526,178</u>	<u>380,192</u>	<u>666,586,322</u>	<u>143,592,201</u>	<u>996,849</u>	<u>314,799</u>	<u>870,396,541</u>	<u>870,396,541</u>
Capital Assets, net	<u>\$48,032,682</u>	<u>\$1,163,730</u>	<u>\$1,102,205,232</u>	<u>\$58,005,423</u>	<u>\$472,522</u>	<u>\$7,993,879</u>	<u>\$1,217,873,468</u>	<u>\$1,825,344,017</u>

(continued)

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

Changes in Capital Assets (continued)

2022							
Capital Assets, not depreciated							
	Land and Water Storage Rights	Construction In Progress	Total				
CAPITAL ASSETS							
Balance, June 30, 2021	\$122,596,148	\$374,126,115	\$496,722,263				
Increases	312,028	90,233,304	90,545,332				
Transfers	-	(1,385,747)	(1,385,747)				
Balance, June 30, 2022	<u>122,908,176</u>	<u>462,973,672</u>	<u>585,881,848</u>				
Capital Assets, net	<u>\$122,908,176</u>	<u>\$462,973,672</u>	<u>\$585,881,848</u>				

2022							
Capital Assets, depreciated							
	Right To Use Building	Improvements Other Than Buildings	Furniture, Machinery, & Equipment	Right To Use Furniture, Machinery, & Equipment Leases	Total	Total Capital Assets, net	
CAPITAL ASSETS	<u>Buildings</u>	<u>Lease</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Equipment Leases</u>	<u>Total</u>	<u>Assets, net</u>
Balance, June 30, 2021	\$105,043,749	\$361,598	\$1,591,906,537	\$207,226,904	\$1,469,371	\$1,906,008,159	\$2,402,730,422
Increases	88,060	116,415	39,635,191	10,513,248	-	50,352,914	140,898,246
Decreases	-	-	(34,955,750)	(2,731,367)	-	(37,687,117)	(37,687,117)
Transfers	(88,060)	-	1,025,369	448,438	-	1,385,747	-
Balance, June 30, 2022	<u>105,043,749</u>	<u>478,013</u>	<u>1,597,611,347</u>	<u>215,457,223</u>	<u>1,469,371</u>	<u>1,920,059,703</u>	<u>2,505,941,551</u>
ACCUMULATED DEPRECIATION							
Balance, June 30, 2021	54,735,518	114,189	599,771,972	128,881,611	332,283	783,835,573	783,835,573
Increases	1,877,473	114,606	45,110,058	18,142,494	332,283	65,576,914	65,576,914
Decreases	-	-	(34,611,672)	(2,735,403)	-	(37,347,075)	(37,347,075)
Balance, June 30, 2022	<u>56,612,991</u>	<u>228,795</u>	<u>610,270,358</u>	<u>144,288,702</u>	<u>664,566</u>	<u>812,065,412</u>	<u>812,065,412</u>
Capital Assets, net	<u>\$48,430,758</u>	<u>\$249,218</u>	<u>\$987,340,989</u>	<u>\$71,168,521</u>	<u>\$804,805</u>	<u>\$1,107,994,291</u>	<u>\$1,693,876,139</u>

Depreciation Expense

Depreciation expense of \$75,232,051 in fiscal year 2023 and \$65,576,914 in 2022 was charged to the Consolidated Trust's utilities function.

II. I. 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.

NOTES TO FINANCIAL STATEMENTS
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Original Bond Issue	Refunding Bond Issue	2023	2022
OCWUT Series 2009A Bonds	OCWUT Series 2016 Bonds	\$ -	\$6,223,458
OCWUT Series 2004 and 2008 Bonds	OCWUT Series 2013 Bonds	-	3,260,224
OCWUT Series 2011 Bonds	OCWUT Series 2020D FAP Note	<u>1,195,782</u>	<u>1,265,103</u>
		<u>\$1,195,782</u>	<u>\$10,748,785</u>

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. COMMERCIAL PAPER

Commercial Paper

On January 17, 2006, OCWUT established a commercial paper program authorizing the issuance of tax-exempt commercial paper notes with letter of credit security. On May 26, 2020, OCWUT approved a resolution to issue commercial paper notes, Series A (tax-exempt) and commercial paper notes, Series B (taxable) in a combined aggregate principal amount not to exceed \$350 million outstanding at any one time and \$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 2023, new commercial paper issuances totaled \$27,000,000. In 2022, new commercial paper issuances totaled \$8,500,000. The total outstanding balance at June 30, 2023 and 2022, was \$42,500,000 and \$15,500,000, respectively, and the weighted average interest rate for the year was 3.35% and 0.28%, respectively.

Commercial Paper Changes in Short-Term Debt

	Date	Total Amount	Outstanding Balance	Remaining
	<u>Authorized</u>	<u>Authorized</u>	<u>as of 06/30/2023</u>	<u>Authorized</u>
Commercial paper	5/26/2020	<u>\$350,000,000</u>	<u>\$42,500,000</u>	<u>\$307,500,000</u>

III. B. INTERGOVERNMENTAL PAYABLE

Payable to Atoka and Sardis Conservation Projects Fund

During fiscal year 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, 2023 and 2022, the amount in the Atoka conservation projects fund consists of \$5,060,570 and \$5,000,000 respectively. At June 30, 2023 and 2022, the amount in the Sardis Lake conservation projects fund consists of \$5,060,570 and \$5,000,000 respectively.

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 engineering costs related to the line replacement portion of the project once completed. OCWUT did not report a payable at June 30, 2023 and reported a payable of \$112,015 at June 30, 2022.

In April 2022, ODOT prepaid the total estimated engineering costs for a water line relocation project. As of June 30, 2023, OCWUT has completed \$23,523 of various services. OCWUT reported a payable of \$2,875 and \$12,498 at June 30, 2023 and 2022, respectively.

Payable to the Oklahoma Department of Defense (DOD)

As part of the municipalization of the water and wastewater systems at Tinker Air Force Base, each month the DOD pays OCWUT a tariff for provision of utility services, including operations and maintenance and renewals and replacements. If the contract were to terminate, any unspent contributions would be owed back to the DOD. OCWUT reported a non-current payable of \$7,185,799 at June 30, 2023.

On November 1, 2021 a bill of sale was made by the United States of America to OCWUT to transfer title and interest of the Tinker Air Force Base water and wastewater systems. At June 30, 2023 OCWUT reported a current payable of \$3,837,756 and a non-current payable of \$28,143,469.

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 \$0 and \$28,201 at June 30, 2023 and 2022, respectively.

III. C. 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) loans. 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, 2021 CWSRF and 2023 DWSRF, which are 20, 15 and 15 years respectively. Principal and interest payments are semi-annual on September 15 and March 15.

Additionally, the 2009 CWSRF loan 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 the loan amount for calculation of its respective debt repayment schedule.

On February 1, 2022, the Consolidated Trust approved a DWSRF loan for a maximum of \$31,645,000. The 2022 Drinking Water SRF will finance system improvements. Additionally, the loan received a \$1.1 million principal loan forgiveness as part of the loan forgiveness program announced by the Oklahoma Department of Environmental Quality (ODEQ) for eligible drinking water projects in 2023. The interim effective interest rate for the 2022 CWSRF loan is 2.90%, payable on March 15 and September 15. Principal payments will commence on March 15 or September 15 following the date the project is completed or on September 15, 2025, and will continue semiannually for the term of the loan.

On September 13, 2022, the Consolidated Trust approved a CWSRF loan for a maximum of \$104,113,000 to finance the expansion and improvement of Trust facilities. The 2022A CWSRF Loan is also funded in part with CWSRF Capital Grant financing an OWRB-sponsorship project (Sponsorship Project) in the amount of not to exceed \$600,000 to connect certain residents within a community located near Lake Overholser into the Trust's wastewater system to be constructed, operated, and maintained by the Trust. The interim effective interest rate of the 2022A CWSRF loan is 2.92%, payable on March 15 and September 15. Principal payments will commence on March 15 or September 15, following the date the project is completed or on September 15, 2025, and will continue semiannually for the term of the loan.

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On April 25, 2023, the Consolidated Trust approved a DWSRF loan for a maximum of \$2,225,000 to finance the identification, planning, and design of a lead service line replacement project. The 2023 DWSRF Loan is expected to receive \$734,250 of principal forgiveness funds. The interim effective interest rate of the 2023 DWSRF loan is 2.53%, payable on March 15 and September 15. Principal payments will commence on March 15 or September 15, following the date the project is completed or March 15, 2024, and will continue semiannually for the term of the loan.

Agreement			Interest		2023	2022
Date	Loan Name	Loan Amount	Rate	Maturity Date	Outstanding Balance	Outstanding Balance
11/1/2009	2009 CWSRF (1)	\$6,167,735	2.86%	3/15/2031	\$2,898,839	\$3,216,515
3/1/2015	2015 DWSRF	35,838,000	2.93	3/15/2046	30,127,398	31,003,553
6/1/2015	2015 CWSRF	611,235	2.71	3/15/2046	509,726	525,447
4/1/2016	2016 DWSRF	65,550,000	2.55	9/15/2047	56,341,716	57,972,763
11/1/2016	2017 DWSRF	57,300,000	2.98	9/15/2049	52,270,701	53,543,743
12/1/2017	2018A CWSRF	15,550,000	2.43	3/15/2043	13,052,498	13,552,309
12/1/2017	2018B CWSRF	15,550,000	2.50	3/15/2043	14,279,589	14,653,900
12/1/2017	2018C CWSRF (2)	37,700,000	2.50	3/15/2043	27,019,805	29,533,138
1/1/2018	2018 DWSRF	52,500,000	2.78	9/15/2049	47,520,888	48,714,415
1/1/2019	2019 DWSRF	20,000,000	3.00	3/15/2050	18,712,650	19,154,784
1/1/2019	2019 CWSRF	34,150,000	2.65	9/15/2050	31,484,355	31,406,375
10/9/2019	2020 DWSRF (2)	21,750,014	2.78	9/15/2051	651,674	716,574
10/9/2019	2020 CWSRF (2)	1,947,000	2.51	3/15/2050	15,754,680	14,120,312
6/17/2020	2020A CWSRF (2)	4,650,000	1.80	9/15/2051	1,956,923	2,111,923
6/17/2020	2020B DWSRF (2)	74,000,000	2.03	9/15/2052	39,600,553	23,308,983
7/8/2020	2020C FAP Loan (4)	43,565,000	2.27 - 4.15	9/15/2049	43,595,217	46,476,929
11/1/2020	2020D FAP Loan	52,935,000	0.42 - 2.90	9/15/2040	48,270,000	50,605,000
6/1/2021	2021 CWSRF (2)	55,000,000	1.43	9/15/2039	3,121,698	583,252
4/1/2022	2022 DWSRF (2)(5)	30,545,000	2.90	3/15/2055	67,137	-
9/1/2022	2022A CWSRF (2)(6)	103,513,000	2.92	3/15/2055	17,500	-
4/1/2023	2023 DWSRF (3)	1,490,750	2.53	9/15/2038	-	-
					\$447,253,547	\$441,199,915

- (1) The 2009 CWSRF loan amount is net of the \$2,000,000 ARRA Grant.
- (2) Financing is not finalized.
- (3) There are no draws on this loan as of June 30, 2023. The 2023 DWSRF is net of the \$734,250 principal loan forgiveness.
- (4) Balance as of June 30, 2023 and 2022 includes unamortized premium of \$4,925,217 and \$5,301,929, respectively.
- (5) The 2022 DWSRF loan amount is net of the \$1.1 million loan forgiveness program by the ODEQ.
- (6) The 2022A CWSRF is net of the \$600,000 sponsorship credit.

NOTES TO FINANCIAL STATEMENTS
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Notes Payable Requirements to Maturity

OCWUT's outstanding notes payable related to the state revolving fund loans of \$447,253,547 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)	
	<u>Principal</u>	<u>Interest</u>
2024	\$20,739,467	\$12,071,047
2025	26,127,455	11,624,784
2026	17,222,504	11,199,131
2027	17,418,077	10,856,628
2028	17,696,916	10,517,965
2029-2033	92,578,376	46,716,649
2034-2038	88,948,532	33,530,289
2039-2043	80,527,163	20,065,853
2044-2048	67,400,109	8,402,520
2049-2053	<u>18,594,948</u>	<u>631,267</u>
	<u>\$447,253,547</u>	<u>\$165,616,133</u>

(1) All notes payable are from private placements.

III. D. LEASES PAYABLE

	<u>Lease term</u>	<u>Interest Rate</u>	2023 <u>Outstanding balance</u>	2022 <u>Outstanding balance</u>
500 West Main, LLC	92 months	0.746%	\$1,182,504	\$253,583
Clifford Power Systems, Inc.	60 months	0.474%	<u>493,088</u>	<u>819,873</u>
			<u>\$1,675,592</u>	<u>\$1,073,456</u>

Principal and Interest Requirements to Maturity

Year ending	Total to be		
<u>June 30,</u>	<u>Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$574,966	\$555,609	\$19,357
2025	417,390	403,298	14,092
2026	260,034	250,201	9,833
2027	267,827	262,307	5,520
2028	<u>205,351</u>	<u>204,177</u>	<u>1,174</u>
	<u>\$1,725,568</u>	<u>\$1,675,592</u>	<u>\$49,976</u>

In 2023 and 2022, the Consolidated Trust recognized \$3,114,321 and \$2,781,669 of variable payments related to a utility lease agreement between OCWUT and the City. Please see note VI. C. for more information.

III. E. SUBSCRIPTIONS PAYABLE

	<u>Lease term</u>	<u>Interest Rate</u>	2023 <u>Outstanding balance</u>	2022 <u>Outstanding balance</u>
SAP America, Inc	80 months	2.59%	\$5,621,286	\$ -
SAP Industries, Inc.	80 months	2.59%	<u>628,970</u>	<u>-</u>
			<u>\$6,250,256</u>	<u>\$ -</u>

Principal and Interest Requirements to Maturity

Year ending <u>June 30,</u>	Total to be <u>Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$1,194,778	\$1,037,101	\$157,677
2025	1,194,600	1,064,764	129,836
2026	1,194,418	1,092,690	101,728
2027	1,194,233	1,121,349	72,884
2028	1,194,044	1,150,620	43,424
2029-2033	<u>799,213</u>	<u>783,732</u>	<u>15,481</u>
	<u>\$6,771,286</u>	<u>\$6,250,256</u>	<u>\$521,030</u>

III. F. ESTIMATED CLAIMS PAYABLE

During fiscal year 2022, a ruling from the US Environmental Protection Agency was issued that required the replacement of lead services utility lines due to their potential contamination. At June 30, 2023, a liability was recorded of \$1,414,140 for costs related to a partial survey associated with the implementation of a lead service line identification program.

III. G. COMPENSATED ABSENCES

MCA 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. H. REVENUE BONDS

Unamortized Bond Discount/Premium

	2023		2022	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Bonds payable	\$267,265,000	\$ -	\$290,120,000	\$6,275,000
Unamortized bond premium (discount)	<u>-</u>	<u>-</u>	<u>30,861,796</u>	<u>(6,559)</u>
Bonds payable, net	<u>\$267,265,000</u>	<u>\$ -</u>	<u>\$320,981,796</u>	<u>\$6,268,441</u>

OCWUT Revenue Bond Indentures and Covenants

OCWUT

OCWUT had issued bonds to finance the acquisition, constructions, and equipping of the City's utility 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.

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 years ended June 30, 2023 and 2022, 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 years ended June 30, 2023 and 2022, 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 years 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.

Issuances

On July 26, 2022, OCWUT issued \$267,265,000 Utility System Revenue Refunding Bonds, Taxable Series 2022, with an average interest rate (coupon) of 4.319%. Issuance costs were \$942,501. Net proceeds of \$266,322,499 were used to provide funds to refund the Water and Sewer Revenue System Bonds, Series 2013, 2015, and 2016. The bonds mature on July 1, 2046.

Bonded Debt Service to Maturity

Fiscal Year	OCWUT		
	Principal	Interest	Total
2024	\$12,320,000	\$10,541,930	\$22,861,930
2025	14,185,000	10,130,972	24,315,972
2026	12,095,000	9,706,649	21,801,649
2027	12,335,000	9,299,468	21,634,468
2028	12,620,000	8,870,281	21,490,281
2029-2033	68,790,000	37,052,285	105,842,285
2034-2038	67,085,000	22,879,730	89,964,730
2039-2043	45,305,000	9,887,517	55,192,517
2044-2047	<u>22,530,000</u>	<u>1,910,697</u>	<u>24,440,697</u>
	<u>\$267,265,000</u>	<u>\$120,279,529</u>	<u>\$387,544,529</u>

Revenue Bonds Outstanding

Water and Sewer System Bonds	Original Amount Issued	Interest Rate	Issue Date	Final Maturity	Principal Balance	
					2023	2022
OCWUT Series 2013	\$167,760,000	3.25% to 5.00%	3/14/2013	2042	\$ -	\$133,975,000
OCWUT Series 2015	67,650,000	3.00% to 5.00%	2/4/2015	2045	-	62,525,000
OCWUT Series 2016	97,135,000	3.04% to 5.00%	11/17/2016	2046	-	93,620,000
OCWUT Series 2022	267,265,000	3.01% to 4.74%	7/26/2022	2046	267,265,000	-
MCA Series 1992	91,860,000	3.00% to 6.00%	12/1/1992	2023	-	6,275,000
					<u>\$267,265,000</u>	<u>\$296,395,000</u>

Bond Defeasance

Current Year Defeasance

On July 26, 2022, OCWUT placed \$266.32 million of the proceeds from the Utility System Revenue Refunding Bonds, Taxable Series 2022 and \$26.008 million of bond reserve funds in an irrevocable escrow account to officially defease the outstanding maturities of the Water and Sewer Revenue System Bonds, Series 2013, 2015, and 2016. As a result, Series 2013, 2015, and 2016 are considered to be defeased and the liability for those bonds removed from the financial statements in the period of defeasance. This achieved a cash flow saving of approximately \$8.70 million and an economic gain of approximately \$8.70 million.

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.

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Bond Coverage

	2023		2022	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Gross revenue, including non-operating revenues and transfers in	\$452,444,638	\$ -	\$392,029,480	\$5,948,610
Expenses and transfers, excluding depreciation and amortization	<u>230,039,081</u>	<u>-</u>	<u>187,416,295</u>	<u>913,331</u>
Net revenue available for debt service	<u>\$222,405,557</u>	<u>\$ -</u>	<u>\$204,613,185</u>	<u>\$5,035,279</u>
Principal amounts	\$14,185,000	\$ -	\$13,900,000	\$5,920,000
Interest amounts	<u>10,130,972</u>	<u>-</u>	<u>11,723,382</u>	<u>731,700</u>
Total debt service requirements	<u>\$24,315,972</u>	<u>\$ -</u>	<u>\$25,623,382</u>	<u>\$6,651,700</u>
Revenue bond coverage	<u>9.15</u>	=	<u>7.99</u>	<u>0.76</u>

(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 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. I. CHANGES IN LONG-TERM LIABILITIES

	2023					
	Balance July 1, 2022	Issued	Retired	Balance June 30, 2023	Due Within One Year	Due After One Year
Intergovernmental payable (1)	\$33,825,264	\$5,341,760	\$3,837,756	\$35,329,268	\$ -	\$35,329,268
Compensated absences	137,299	36,686	25,810	148,175	17,021	131,154
Notes payable (2)	441,199,915	23,543,480	17,489,848	447,253,547	20,739,467	426,514,080
Leases Payable	1,073,456	1,065,909	463,773	1,675,592	555,609	1,119,983
Subscriptions payable	-	8,308,678	2,058,422	6,250,256	1,037,101	5,213,155
OCWUT revenue bonds	320,981,796	267,265,000	320,981,796	267,265,000	12,320,000	254,945,000
MCA revenue bonds	<u>6,268,441</u>	<u>-</u>	<u>6,268,441</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$803,486,171</u>	<u>\$305,561,513</u>	<u>\$351,125,846</u>	<u>\$757,921,838</u>	<u>\$34,669,198</u>	<u>\$723,252,640</u>

(continued)

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CHANGES IN LONG-TERM LIABILITIES (continued)

	2022					
	Balance July 1, 2021	Issued	Retired	Balance June 30, 2022	Due Within One Year	Due After One Year
Intergovernmental payable (1)	\$28,201	\$33,825,264	\$28,201	\$33,825,264	\$ -	\$33,825,264
Compensated absences	129,041	35,144	26,886	137,299	26,627	110,672
Notes payable (2)	429,522,555	27,396,438	15,719,078	441,199,915	17,293,324	423,906,591
Leases payable	1,397,607	116,415	440,566	1,073,456	443,500	629,956
OCWUT revenue bonds	331,703,944	-	10,722,148	320,981,796	8,190,000	312,791,796
MCA revenue bonds	<u>12,171,009</u>	<u>-</u>	<u>5,902,568</u>	<u>6,268,441</u>	<u>6,268,441</u>	<u>-</u>
	<u>\$774,952,357</u>	<u>\$61,373,261</u>	<u>\$32,839,447</u>	<u>\$803,486,171</u>	<u>\$32,221,892</u>	<u>\$771,264,279</u>

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

(2) All notes payable are from private placements.

III. J. SEGMENT INFORMATION AND PLEDGED REVENUES

OCWUT issued revenue bonds to support their water, wastewater and solid waste management activities. The financial statements report revenue-supported debt. OCWUT recognized \$220,023,239 and \$199,741,995 in water charges and \$127,046,508 and \$117,712,790 in wastewater charges and \$68,325,009 and \$64,772,764 in solid waste management charges in 2023 and 2022, respectively. MCA recognized \$1,177,140 and \$5,647,027 in aliquot share revenues in 2023 and 2022, respectively.

III. K. DEFERRED INFLOWS OF RESOURCES

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.

Original Bond Issue	Refunding Bond Issue	2023	2022
OCWUT Series 2009B Bonds	OCWUT Series 2020C FAP Note	\$105,317	\$202,533
OCWUT Series 2013, 2015, 2016 Bonds	OCWUT Series 2022 Bonds	<u>11,396,817</u>	<u>-</u>
		<u>\$11,502,134</u>	<u>\$202,533</u>

Leases

The Consolidated Trust reported deferred inflows in the amount of \$816,345 and \$852,639 related to lease receivables at June 30, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

IV. NET POSITION

Net Investment in Capital Assets

	2023		2022	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Capital assets, net	\$1,749,568,621	\$75,775,396	\$1,620,032,817	\$73,843,322
Retainages and accounts payable	(19,605,613)	(392,027)	(24,826,514)	(215,380)
Intergovernmental payable	(35,329,268)	-	(33,825,264)	-
Notes payable	(447,253,547)	-	(442,273,371)	-
Leases payable	(1,675,592)	-	-	-
Subscriptions payable	(6,250,256)	-	-	-
Commercial paper	(42,500,000)	-	(15,500,000)	-
Construction accounts funded with proceeds	183,690	-	5,063	-
Bonds payable, net	(267,265,000)	-	(320,981,796)	(6,268,441)
Deferred amount on refunding	(10,306,352)	-	10,546,252	-
Bond accounts funded with bond proceeds	-	-	14,693,280	1,152,500
Bond issuance costs paid with bond proceeds	<u>1,624,308</u>	<u>-</u>	<u>3,037,829</u>	<u>897,078</u>
	<u>\$921,190,991</u>	<u>\$75,383,369</u>	<u>\$810,908,296</u>	<u>\$69,409,079</u>

Restricted for Capital Projects

	2023		2022	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Commercial paper reserve for construction projects	\$183,690	\$ -	\$4,949	\$ -
Commercial paper construction account funded with proceeds	(183,690)	-	(4,949)	-
State revolving fund project account	<u>-</u>	<u>-</u>	<u>114</u>	<u>-</u>
	<u>\$-</u>	<u>\$-</u>	<u>\$114</u>	<u>\$-</u>

Restricted for Debt Service

	2023		2022	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Debt principal and interest accounts	\$20,683,123	\$ -	\$19,178,871	\$308,229
Bond reserve	-	-	26,588,992	6,871,879
Renewal and replacement fund	619,017	-	-	-
Bond reserve funded with bond proceeds	-	-	(14,693,280)	(1,152,500)
Interest receivable on bond investments	145,128	-	35,775	5,348
Current bond interest payable and commercial paper	<u>(9,142,297)</u>	<u>-</u>	<u>(9,997,327)</u>	<u>(188,250)</u>
	<u>\$12,304,971</u>	<u>\$-</u>	<u>\$21,113,031</u>	<u>\$5,844,706</u>

Unrestricted

	2023		2022	
	<u>OCWUT</u>	<u>MCA</u>	<u>OCWUT</u>	<u>MCA</u>
Unrestricted	<u>\$495,236,241</u>	<u>(\$616,053)</u>	<u>\$472,237,425</u>	<u>\$145,736</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 2023 and 2022, OCWUT collected special assessment revenue of \$23,090 and \$8,980, respectively.

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.

Under the OCWUT Agreement, OCWUT is expected to fund the debt service requirements of MCA, operation and maintenance, extraordinary expenses, and capital improvements.

OCWUT has transferred funds in excess of its aliquot share to MCA under the OCWUT Agreement. The amount of funds advanced to MCA was \$66,824,823 and \$65,843,082 as of June 30, 2023 and 2022, respectively.

Receivable from the City

	<u>Purpose</u>	<u>2023</u>	<u>2022</u>
City General Fund	Deposits held by City	\$288,209	\$107,700
City General Fund	Utility billing	9,059	719,804
City Utilities Fund	Utility billing	5,544,833	13,741,561
City Medical Services Fund	Utility billing	957,193	822,964
City Stormwater Drainage Fund	Utility billing	<u>1,226,374</u>	<u>1,050,003</u>
		<u>\$8,025,668</u>	<u>\$16,442,032</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

Payable to the City

<u>CURRENT</u>	<u>Purpose</u>	<u>2023</u>	<u>2022</u>
City General Fund	Payment in lieu of franchise fees (PILOT), utility cut repairs, mowing and utility lease	\$5,498,344	\$2,034,162
City General Fund	Procard reimbursements	61,377	10,611
City General Fund	Utility billing	400,030	7
City Fleet Service Fund	Utility billing	18,853	35,276
City Grants Management Fund	Federal Grant Match	-	1,638
City Medical Services Fund	Utility billing	955	848
City Utilities Fund	Utility billing	342,286	341,581
City Utilities Fund	Cost reimbursement	-	16,364,668
City Stormwater Drainage Fund	Utility billing	<u>1,954</u>	<u>1,745</u>
		<u>\$6,323,799</u>	<u>\$18,790,536</u>
<u>NON-CURRENT</u>			
City Utilities Fund	Cost reimbursement	<u>\$56,605,069</u>	<u>\$43,759,796</u>

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>2023</u>	<u>2022</u>
Beginning balance	(\$60,124,464)	(\$71,178,434)
Personal Services	(62,749,890)	(52,391,696)
Other services	(37,003,232)	(26,380,731)
Material and supplies	(14,119,632)	(11,093,274)
Interest income	292,094	(423,221)
Other non operating revenue	12,878	33,466
Lease interest	(2,233)	(574)
Capital outlay reimbursement	(56,590)	-
Reimbursement to the City	<u>117,146,000</u>	<u>101,310,000</u>
Advance from City Utilities Fund	<u>(\$56,605,069)</u>	<u>(\$60,124,464)</u>

VI. B. INTERFUND PAYMENTS

Payments To and From the City

PAYMENTS TO THE CITY

<u>NON-OPERATING</u>		<u>2023</u>	<u>2022</u>
City General Fund	PILOT fees	<u>\$7,476,703</u>	<u>\$6,719,802</u>

PILOT

OCWUT pays a fee to the City calculated on two percent of water and wastewater receipts from customers inside Oklahoma City. A franchise fee is also paid to the City of Warr Acres, the Town of Lake Aluma and the City of the Village based on the same calculation for customers in each respective city.

VI. C. OTHER INTERFUND TRANSACTIONS

Aliquot Share Payments to MCA

Cash payments from OCWUT to MCA during fiscal year 2023 and 2022 were \$2,485,000 and \$3,343,744, respectively 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 water and wastewater residential and commercial utilities sales. Due to payments being variable, no lease liability or right to use asset is reported.

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. There is no consideration for this lease.

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 OCWUT's 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, 2023 and 2022, all eligible employees were participating in the Plan.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

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>
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 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

OCWUT

	<u>2023</u>	<u>2022</u>
Construction projects - system improvements	\$362,029,531	\$68,594,368
Contracted wastewater treatment services	<u>9,176,918</u>	<u>11,798,895</u>
	<u>\$371,206,449</u>	<u>\$80,393,263</u>

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

Service Contract Commitments

Significant service contract commitments at June 30, 2023, include \$264.15 million for OCWUT solid waste management service contracts funded by charges to users.

<u>Fiscal Year</u>	<u>Refuse Collection</u>	<u>Landfill</u>	<u>Recycling</u>	<u>Street Sweeping</u>	<u>City Facility Collection</u>	<u>Fleet Maintenance</u>	<u>Total</u>
2024	\$33,073,195	\$7,100,000	\$1,675,340	\$827,000	\$250,000	\$3,400,000	\$46,325,535
2025	35,248,000	7,567,000	1,785,000	881,000	266,000	3,624,000	\$49,371,000
2026	37,566,000	8,065,000	1,902,000	939,000	283,000	3,862,000	\$52,617,000
2027	40,036,000	8,595,000	2,027,000	1,001,000	302,000	4,116,000	\$56,077,000
2028	<u>42,668,000</u>	<u>9,160,000</u>	<u>2,160,000</u>	<u>1,067,000</u>	<u>322,000</u>	<u>4,387,000</u>	<u>\$59,764,000</u>
	<u>\$188,591,195</u>	<u>\$40,487,000</u>	<u>\$9,549,340</u>	<u>\$4,715,000</u>	<u>\$1,423,000</u>	<u>\$19,389,000</u>	<u>\$264,154,535</u>

IX. CONTINGENCIES

Litigation

At June 30, 2023 and 2022, the Consolidated Trust was party to legal proceedings which normally occur in utility operations. These legal proceedings are not likely to have a material adverse impact on the Consolidated Trust's financial position. The Consolidated Trust has not accrued any amounts related to pending litigation.

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. OCWUT reimbursed LARA for actual expenditures in fiscal year 2023 and 2022 in the amount of \$370,711 and \$347,297, respectively.

Oklahoma City Airport Trust

In December 2022 OCWUT provided the Oklahoma City Airport Trust funding for costs associated with an Airport fire extension project. At the end of the project OCWUT will own the asset and be responsible for operating, managing, and maintaining this fire suppression system at the Airport. OCWUT has provided funds of \$2.20 million, of which \$55,420 was spent as of June 30, 2023.

XI. SUBSEQUENT EVENT

Revolving Loan

On October 18, 2023, OCWUT approved an OWRB revolving loan for a maximum of \$53,938,500 for wastewater system improvements with a sponsorship credit of \$475,500. The loan has not been drawn on at this time. The 2024 clean water state revolving fund loan will bear interest at a rate of 2.87% per annum, plus an administrative fee at the rate of 0.5% per annum on the outstanding balance of disbursed loan proceeds.

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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
June 30, 2023

OKLAHOMA CITY
WATER UTILITIES TRUST

	OCWUT							
	<u>Water</u>	<u>Waste Water</u>	<u>Solid Waste Management</u>	<u>McGee Creek</u>	<u>Tinker</u>	<u>Debt</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS								
CURRENT ASSETS								
Non-pooled cash-----	\$ -	\$ -	\$ -	\$ -	\$12,640,978	\$11,865,374	-	\$24,506,352
Investments-----	256,147,920	191,627,541	43,528,392	-	-	9,486,439	-	500,790,292
Accounts receivable, net-----	24,373,945	12,826,396	10,721,630	-	-	-	-	47,921,971
Lease receivable-----	97,396	-	-	-	-	-	-	97,396
Interest, dividends, and royalties receivable-----	953,620	606,216	98,358	-	-	106,231	-	1,764,425
Due from other funds-----	(14,000,263)	(26,449,342)	34,146,306	-	-	6,303,299	-	-
Receivable from City of Oklahoma City-----	4,676,266	1,592,297	1,757,105	-	-	-	-	8,025,668
Intergovernmental receivables-----	175,416	142,684	2,184,697	-	-	-	-	2,502,797
Note receivable-----	-	13,074	-	-	-	-	-	13,074
Inventories-----	-	-	987,022	-	-	-	-	987,022
Prepays-----	278,490	134,201	-	-	-	-	-	412,691
Total current assets-----	272,702,790	180,493,067	93,423,510	-	12,640,978	27,761,343	-	587,021,688
NON-CURRENT ASSETS								
Investments-----	-	-	-	-	-	619,017	-	619,017
Lease receivable-----	625,226	-	-	-	-	-	-	625,226
Notes receivable-----	-	667,502	-	-	-	-	-	667,502
Advance to McGee Creek Authority-----	-	-	-	66,824,823	-	-	-	66,824,823
Other non-current assets-----	9,537	9,537	-	-	-	-	-	19,074
Capital assets:								
Land, water storage rights								
and construction in progress-----	436,334,908	107,061,547	-	-	133,745	-	-	543,530,200
Other capital assets,								
net of accumulated depreciation-----	824,567,650	329,859,872	12,116,771	-	35,850,412	3,643,716	-	1,206,038,421
Capital assets, net-----	1,260,902,558	436,921,419	12,116,771	-	35,984,157	3,643,716	-	1,749,568,621
Total non-current assets-----	1,261,537,321	437,598,458	12,116,771	66,824,823	35,984,157	4,262,733	-	1,818,324,263
Total assets-----	1,534,240,111	618,091,525	105,540,281	66,824,823	48,625,135	32,024,076	-	2,405,345,951
DEFERRED OUTFLOWS OF RESOURCES-								
LIABILITIES	-	-	-	-	-	1,195,782	-	1,195,782
CURRENT LIABILITIES								
Accounts payable and accrued expenses-----	45,858,751	20,667,098	8,128,085	-	897,822	-	-	75,551,756
Payable to City of Oklahoma City-----	5,206,570	983,445	125,739	-	-	-	-	6,315,754
Interest payable-----	21,204	21,024	-	-	-	3,736,397	-	3,778,625
Commercial paper-----	-	-	-	-	-	42,500,000	-	42,500,000
Notes, leases, and estimated claims payable-----	960,522	632,188	-	-	-	20,739,467	-	22,332,177
Notes, leases, and estimated claims payable-----	1,414,140	-	-	-	-	-	-	1,414,140
Unearned revenue-----	80,907	-	-	-	-	-	-	80,907
Bond interest payable-----	-	-	-	-	-	5,363,672	-	5,363,672
Bonds payable-----	-	-	-	-	-	12,320,000	-	12,320,000
Intergovernmental payable-----	10,136,813	(12,799)	-	-	3,837,756	-	-	13,961,770
Total current liabilities-----	63,678,907	22,290,956	8,253,824	-	4,735,578	84,659,536	-	183,618,801
NON-CURRENT LIABILITIES								
Payable to City of Oklahoma City-----	25,403,926	21,102,860	10,098,283	-	-	-	-	56,605,069
Intergovernmental payable-----	-	-	-	-	35,329,268	-	-	35,329,268
Notes, leases and subscriptions payable-----	3,248,946	3,084,192	-	-	-	426,514,080	-	432,847,218
Advance from component Unit-----	2,145,695	-	-	-	-	-	-	2,145,695
Bonds payable, net-----	-	-	-	-	-	254,945,000	-	254,945,000
Total non-current liabilities-----	30,798,567	24,187,052	10,098,283	-	35,329,268	681,459,080	-	781,872,250
Total liabilities-----	94,477,474	46,478,008	18,352,107	-	40,064,846	766,118,616	-	965,491,051
DEFERRED INFLOWS OF RESOURCES-								
NET POSITION	816,345	-	-	-	-	11,502,134	-	12,318,479
Net investment in capital assets-----	1,241,945,474	428,530,313	11,933,501	-	654,888	(761,873,185)	-	921,190,991
Debt service-----	17,694	(21,024)	-	-	-	12,308,301	-	12,304,971
Unrestricted-----	196,983,124	143,104,228	75,254,673	66,824,823	7,905,401	5,163,992	-	495,236,241
Total net position-----	\$1,438,946,292	\$571,613,517	\$87,188,174	\$66,824,823	\$8,560,289	(\$744,400,892)	\$ -	\$1,428,732,203

COMBINING STATEMENT OF NET POSITION
June 30, 2022

OKLAHOMA CITY
WATER UTILITIES TRUST

	OCWUT							
	Water	Waste Water	Solid Waste Management	McGee Creek	Tinker	Debt	Eliminations	Total
ASSETS								
CURRENT ASSETS								
Non-pooled cash-----	\$ -	\$ -	\$ -	\$ -	\$3,018,186	\$11,917,778	-	\$14,935,964
Investments-----	220,280,834	171,371,031	36,014,018	-	-	7,751,156	-	435,417,039
Accounts receivable, net-----	25,077,540	13,010,558	10,115,666	-	-	-	-	48,203,764
Lease receivable-----	67,155	-	-	-	-	-	-	67,155
Interest, dividends, and royalties receivable-----	738,308	482,103	42,983	-	-	35,773	-	1,299,167
Due from other funds-----	(14,377,674)	(12,666,306)	23,816,741	-	(65,298)	3,292,537	-	-
Receivable from City of Oklahoma City-----	5,161,631	4,589,076	6,691,325	-	-	-	-	16,442,032
Intergovernmental receivables-----	184,038	96,469	1,882,697	-	1,500,635	-	-	3,663,839
Note receivable-----	-	12,562	-	-	-	-	-	12,562
Inventories-----	-	-	775,878	-	-	-	-	775,878
Prepays-----	374,457	152,733	-	-	-	-	-	527,190
Total current assets-----	237,506,289	177,048,226	79,339,308	-	4,453,523	22,997,244	-	521,344,590
NON-CURRENT ASSETS								
Investments-----	-	-	-	-	-	26,588,992	-	26,588,992
Lease receivable-----	695,307	-	-	-	-	-	-	695,307
Notes receivable-----	-	680,575	-	-	-	-	-	680,575
Advance to McGee Creek Authority-----	-	-	-	65,843,082	-	-	-	65,843,082
Other non-current assets-----	4,903	282,050	-	-	-	-	-	286,953
Capital assets:								
Land, water storage rights								
and construction in progress-----	383,370,490	139,764,555	-	-	-	-	-	523,135,045
Other capital assets,								
net of accumulated depreciation-----	785,693,634	255,459,008	14,732,306	-	37,258,986	3,753,838	-	1,096,897,772
Capital assets, net-----	1,169,064,124	395,223,563	14,732,306	-	37,258,986	3,753,838	-	1,620,032,817
Total non-current assets-----	1,169,764,334	396,186,188	14,732,306	65,843,082	37,258,986	30,342,830	-	1,714,127,726
Total assets-----	1,407,270,623	573,234,414	94,071,614	65,843,082	41,712,509	53,340,074	-	2,235,472,316
DEFERRED OUTFLOWS OF RESOURCES-								
	-	-	-	-	-	10,748,785	-	10,748,785
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable and accrued expenses-----	27,027,668	7,244,350	4,449,374	-	1,189,300	-	-	39,910,692
Payable to component units-----	-	-	-	1,829,842	-	-	-	1,829,842
Payable to City of Oklahoma City-----	7,088,737	7,934,754	3,758,121	-	-	-	-	18,781,612
Interest payable-----	348	48	-	-	-	3,461,616	-	3,462,012
Commercial paper-----	-	-	-	-	-	15,500,000	-	15,500,000
Notes and leases payable-----	385,143	58,357	-	-	-	17,293,324	-	17,736,824
Unearned revenue-----	85,094	-	-	-	-	-	-	85,094
Bond interest payable-----	-	-	-	-	-	6,535,315	-	6,535,315
Bonds payable-----	-	-	-	-	-	8,190,000	-	8,190,000
Intergovernmental payable-----	10,124,814	(301)	-	-	3,837,756	-	-	13,962,269
Total current liabilities-----	44,711,804	15,237,208	8,207,495	1,829,842	5,027,056	50,980,255	-	125,993,660
NON-CURRENT LIABILITIES								
Payable to City of Oklahoma City-----	21,748,252	15,633,557	6,377,987	-	-	-	-	43,759,796
Intergovernmental payable-----	-	-	-	-	33,825,264	-	-	33,825,264
Notes and leases payable-----	561,522	68,434	-	-	-	423,906,591	-	424,536,547
Bonds payable, net-----	-	-	-	-	-	312,791,796	-	312,791,796
Total non-current liabilities-----	22,309,774	15,701,991	6,377,987	-	33,825,264	736,698,387	-	814,913,403
Total liabilities-----	67,021,578	30,939,199	14,585,482	1,829,842	38,852,320	787,678,642	-	940,907,063
DEFERRED INFLOWS OF RESOURCES-----								
	852,639	-	-	-	-	202,533	-	1,055,172
NET POSITION								
Net investment in capital assets-----	1,147,820,653	390,645,049	14,670,905	-	3,417,139	(745,645,450)	-	810,908,296
Capital projects-----	-	-	-	-	-	114	-	114
Debt service-----	(347)	(48)	-	-	-	21,113,426	-	21,113,031
Unrestricted-----	191,576,100	151,650,214	64,815,227	64,013,240	(556,950)	739,594	-	472,237,425
Total net position-----	\$1,339,396,406	\$542,295,215	\$79,486,132	\$64,013,240	\$2,860,189	(\$723,792,316)	\$ -	\$1,304,258,866

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**
June 30, 2023

**OKLAHOMA CITY
WATER UTILITIES TRUST**

	OCWUT							
	Water	Waste Water	Solid Waste Management	McGee Creek	Tinker	Debt	Eliminations	Total
<u>OPERATING REVENUES</u>								
Water charges-----	\$220,023,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$220,023,239
Wastewater charges-----	-	127,046,508	-	-	-	-	-	127,046,508
Solid waste management charges-----	-	-	68,325,009	-	-	-	-	68,325,009
Other charges-----	2,621,547	2,245,710	15,915	-	-	-	(3,502,000)	1,381,172
Total charges for services-----	222,644,786	129,292,218	68,340,924	-	-	-	(3,502,000)	416,775,928
Lease and rental income-----	352,473	-	-	-	-	-	-	352,473
Other-----	1,982,248	2,025,939	5,201	-	12,384,894	-	-	16,398,282
Total operating revenues-----	224,979,507	131,318,157	68,346,125	-	12,384,894	-	(3,502,000)	433,526,683
<u>OPERATING EXPENSES</u>								
Personal services-----	32,986,084	21,226,949	8,536,857	-	-	-	-	62,749,890
Maintenance, operations, and contractual services-----	52,154,538	36,104,842	45,388,735	(326,583)	6,603,253	-	(4,505,431)	135,419,354
Materials and supplies-----	15,989,034	3,517,235	4,028,293	-	858,572	-	-	24,393,134
Depreciation and amortization-----	40,936,373	28,014,429	3,537,319	-	1,868,568	110,122	-	74,466,811
Total operating expenses-----	142,066,029	88,863,455	61,491,204	(326,583)	9,330,393	110,122	(4,505,431)	297,029,189
Operating income (loss)-----	82,913,478	42,454,702	6,854,921	326,583	3,054,501	(110,122)	1,003,431	136,497,494
<u>NON-OPERATING REVENUES (EXPENSES)</u>								
Grant operating-----	-	-	302,000	-	-	-	-	302,000
Investment income-----	2,997,618	2,343,477	960,989	-	-	605,585	-	6,907,669
Interest on bonds, leases and notes-----	35,367	(87,368)	-	-	-	(22,470,907)	-	(22,522,908)
Bond issue costs-----	-	-	-	-	-	(942,501)	-	(942,501)
Oil and gas royalties-----	102,207	-	-	-	-	-	-	102,207
Payments from component units-----	55,420	-	-	-	-	-	-	55,420
Payments to City of Oklahoma City-----	(3,891,175)	(2,394,057)	(1,191,471)	-	-	-	-	(7,476,703)
Other revenue (expenses)-----	5,139,792	2,954	775,603	-	-	1,080,863	(1,003,431)	5,995,781
Net non-operating expenses--	4,439,229	(134,994)	847,121	-	-	(21,726,960)	(1,003,431)	(17,579,035)
Income (loss) before contributions and transfers-----	87,352,707	42,319,708	7,702,042	326,583	3,054,501	(21,837,082)	-	118,918,459
<u>CONTRIBUTIONS AND TRANSFERS</u>								
Capital contributions-----	-	1,000,000	-	-	3,837,756	-	-	4,837,756
Other capital contributions-----	12,497	-	-	-	704,625	-	-	717,122
Transfers from other funds-----	12,184,682	-	-	2,485,000	-	1,228,506	-	15,898,188
Transfers to other funds-----	-	(14,001,406)	-	-	(1,896,782)	-	-	(15,898,188)
Total contributions and transfers-----	12,197,179	(13,001,406)	-	2,485,000	2,645,599	1,228,506	-	5,554,878
Changes in net position-----	99,549,886	29,318,302	7,702,042	2,811,583	5,700,100	(20,608,576)	-	124,473,337
Total net position, beginning-----	1,339,396,406	542,295,215	79,486,132	64,013,240	2,860,189	(723,792,316)	-	1,304,258,866
Total net position, ending-----	\$1,438,946,292	\$571,613,517	\$87,188,174	\$66,824,823	\$8,560,289	(\$744,400,892)	\$ -	\$1,428,732,203

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
June 30, 2022**

**OKLAHOMA CITY
WATER UTILITIES TRUST**

	OCWUT							
	Water	Waste Water	Solid Waste Management	McGee Creek	Tinker	Debt	Eliminations	Total
<u>OPERATING REVENUES</u>								
Water charges-----	\$199,741,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$199,741,995
Wastewater charges-----	-	117,712,790	-	-	-	-	-	117,712,790
Solid waste management charges-----	-	-	64,772,764	-	-	-	-	64,772,764
Other charges-----	2,664,159	2,476,917	-	-	-	-	(3,677,004)	1,464,072
Total charges for services-----	202,406,154	120,189,707	64,772,764	-	-	-	(3,677,004)	383,691,621
Lease revenue-----	325,571	-	-	-	-	-	-	325,571
Other-----	613,443	560,214	6,941	-	-	-	-	1,180,598
Total operating revenues-----	203,345,168	120,749,921	64,779,705	-	-	-	(3,677,004)	385,197,790
<u>OPERATING EXPENSES</u>								
Personal services-----	27,102,050	17,635,059	7,654,587	-	-	-	-	52,391,696
Maintenance, operations, and contractual services-----	34,972,214	35,147,510	42,059,711	3,078,002	-	-	(4,750,233)	110,507,204
Materials and supplies-----	11,261,972	2,720,348	3,797,701	-	17,572	-	-	17,797,593
Depreciation and amortization-----	36,962,132	19,862,916	6,696,960	-	1,229,385	110,122	-	64,861,515
Total operating expenses-----	110,298,368	75,365,833	60,208,959	3,078,002	1,246,957	110,122	(4,750,233)	245,558,008
Operating income (loss)-----	93,046,800	45,384,088	4,570,746	(3,078,002)	(1,246,957)	(110,122)	1,073,229	139,639,782
<u>NON-OPERATING</u>								
<u>REVENUES (EXPENSES)</u>								
Grant operating-----	-	-	14,101,707	-	-	-	-	14,101,707
Investment income-----	(5,024,189)	(4,274,800)	(725,646)	-	-	64,103	-	(9,960,532)
Interest on bonds and notes-----	(5,740)	(562)	-	-	-	(22,010,328)	-	(22,016,630)
Oil and gas royalties-----	99,434	-	-	-	-	-	-	99,434
Payments to City of Oklahoma City-----	(3,352,812)	(2,210,526)	(1,156,464)	-	-	-	-	(6,719,802)
Other revenue (expenses)-----	233,733	(249,677)	1,121,750	-	-	-	(1,073,229)	32,577
Net non-operating expenses--	(8,049,574)	(6,735,565)	13,341,347	-	-	(21,946,225)	(1,073,229)	(24,463,246)
Income (loss) before contributions and transfers-----	84,997,226	38,648,523	17,912,093	(3,078,002)	(1,246,957)	(22,056,347)	-	115,176,536
<u>CONTRIBUTIONS AND TRANSFERS</u>								
Grant capital-----	-	-	-	-	2,558,504	-	-	2,558,504
Other capital contributions-----	26,498	(26,498)	-	-	-	-	-	-
Transfers from other funds-----	-	-	167,105	3,343,744	-	11,730,572	-	15,241,421
Transfers to other funds-----	(4,488,466)	(8,999,597)	-	-	(1,753,358)	-	-	(15,241,421)
Total contributions and transfers-----	(4,461,968)	(9,026,095)	167,105	3,343,744	805,146	11,730,572	-	2,558,504
Changes in net position-----	80,535,258	29,622,428	18,079,198	265,742	(441,811)	(10,325,775)	-	117,735,040
Total net position, beginning-----	1,258,861,148	512,672,787	61,406,934	63,747,498	3,302,000	(713,466,541)	-	1,186,523,826
Total net position, ending-----	\$1,339,396,406	\$542,295,215	\$79,486,132	\$64,013,240	\$2,860,189	(\$723,792,316)	\$ -	\$1,304,258,866

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*

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, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Trust'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 Trust'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 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 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 Trust'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 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

Wichita, KS
December 5, 2023