

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma

Financial Report
June 30, 2022

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Independent Auditor's Report

RSM US LLP

Board of Trustees
Metropolitan Tulsa Transit Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Metropolitan Tulsa Transit Authority (the Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, schedule of operating expenses, excluding depreciation, and schedule of project costs, listed in the table of contents as supplementary information, 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 schedule of expenditures of federal awards, schedule of operating expenses, excluding depreciation, and schedule of project costs are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
December 19, 2022

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Management's Discussion and Analysis
Year Ended June 30, 2022**

As management of the Metropolitan Tulsa Transit Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. The Authority is a component unit of the City of Tulsa, Oklahoma. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9. All amounts are expressed in thousands of dollars.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$17,319 (net position). For fiscal year 2021, the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$14,598.
- During fiscal year 2022, the Authority's total net position increased by approximately \$2,719. For fiscal year 2021, the Authority's total net position decreased by approximately \$942.
- The Authority's total liabilities increased by approximately \$4,878 during fiscal year 2022.
- For the year ended June 30, 2022, net capital assets increased by approximately \$1,342. For the year ended June 30, 2021, net capital assets decreased by approximately \$1,817.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's 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 basic financial statements. This report also contains other supplementary information to demonstrate compliance with finance-related activities.

Required Financial Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The statement of net position includes all of the Authority's assets, liabilities and deferred outflows and inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its user fees and other charges. The third required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and changes in cash resulting from operations, noncapital financing, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the period.

Net Position

The Authority's net position increased by \$2,719 for the fiscal year ending June 30, 2022. The Authority's net position decreased by \$942 for the fiscal year ended June 30, 2021. Capital assets increased by \$1,342 due to GASB 87 implementation requiring the Authority to capitalize leases as an asset. Long-term liabilities increased by \$6,267 due to decreases in net pension liability for the pension plans in which the Authority participates along with GASB 87 requirements.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Management's Discussion and Analysis
Year Ended June 30, 2022**

Net Position (in thousands of dollars)		
	2022	2021
Assets		
Current and other assets	\$ 7,727	\$ 6,181
Capital assets, net	26,144	24,802
Total assets	33,871	30,983
Deferred outflows of resources	2,746	953
Liabilities		
Current and other liabilities	2,259	3,648
Long-term liabilities	13,399	7,132
Total liabilities	15,658	10,780
Deferred inflows of resources	3,640	6,558
Net position		
Investment in capital assets	24,170	24,802
Restricted for other purposes	1,041	1,090
Unrestricted (deficit)	(7,892)	(11,294)
Total net position	\$ 17,319	\$ 14,598

Change in Net Position

For the year ended June 30, 2022, the Authority's total operating revenues decreased by \$260 and operating expenses increased by \$2,900. The key factor in the decrease in operating revenues is attributed to the decrease in ridership during the COVID-19 pandemic, The Authority has found it challenging to hire and maintain the minimum buses drivers needed to provide full fixed route service during the pandemic therefore the Authority has continued the mortified service that it began last fiscal year. This decision allowed the Authority to continue to provide service to our frontline workers who relied on the service to get to and from work. The increase in operating expense was primarily driven by the continued modified service provided by the Authority as it continues to navigate the pandemic as well as GASB 87 implementation.

For the year ended June 30, 2021, the Authority's total operating revenues decreased by \$266 and operating expenses decreased by \$1,503. The key factor in the decrease in operating revenues is attributed to the decrease in ridership during the COVID-19 pandemic, The Authority has found it challenging to hire and maintain the minimum buses drivers needed to provide full fixed route service during the pandemic therefore the Authority has continued the mortified service that it began last fiscal year. This decision allowed the Authority to continue to provide service to our frontline workers who relied on the service to get to and from work, The pandemic also affected the ridership on our Lift program reducing ridership to approximately 60%, The decrease in operating expense was primary driven by the continued modified service provided by the Authority as it continues to navigate the pandemic.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Management's Discussion and Analysis
Year Ended June 30, 2022**

Changes in Net Position (in thousands of dollars)		
	2022	2021
Operating revenues	\$ 1,939	\$ 2,199
Nonoperating and capital revenues	28,235	21,385
Total revenues	30,174	23,584
Operating expenses	27,426	24,526
Nonoperating expenses	29	-
Total expenses	27,455	24,526
Increase (decrease) in net position	\$ 2,719	\$ (942)

Capital Assets

The Authority's investment in capital assets as of June 30, 2022 amounts to approximately \$26,144 (net of accumulated depreciation). This investment in capital assets includes revenue and service equipment, land, buildings information technology and other equipment.

Net Capital Assets (in thousands of dollars)		
	2022	2021
Revenue equipment	\$ 38,357	\$ 36,777
Service equipment	621	620
Passenger shelters	2,100	2,091
Security equipment	896	1,140
Buildings	12,278	12,233
Shop and garage equipment	3,131	2,617
Other equipment	5,271	4,446
Furniture and fixtures	365	365
Construction in progress	3,323	2,634
Land	157	2,309
Lease asset	2,150	-
	68,649	65,232
Less accumulated depreciation	(42,505)	(40,431)
Net capital assets	\$ 26,144	\$ 24,801

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Management’s Discussion and Analysis
Year Ended June 30, 2022**

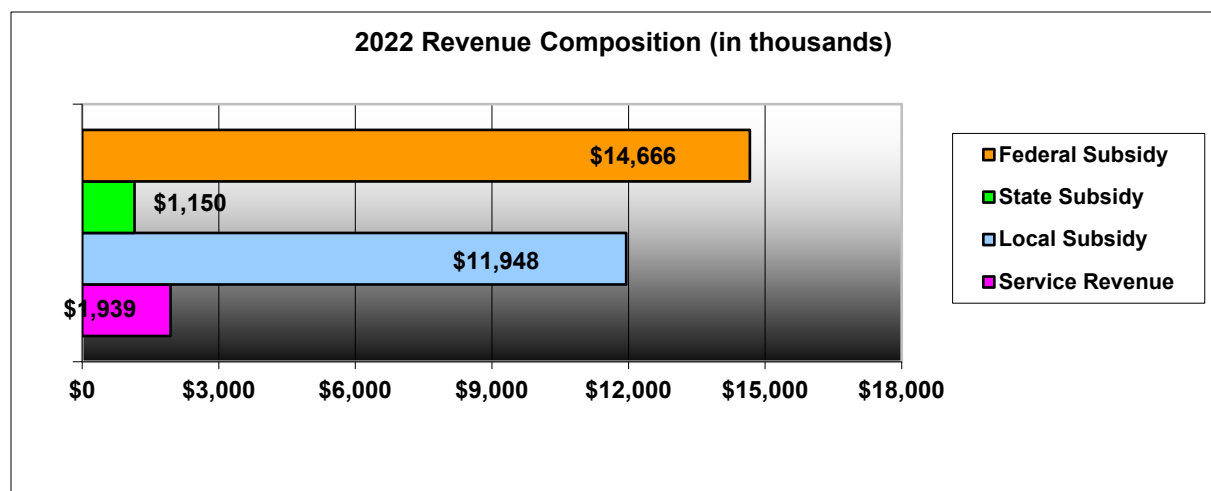
Economic Factors (in thousands)

The Authority provides public transportation programs to residents in Tulsa, Broken Arrow, Jenks, Sand Springs and Turley. These services include fixed route bus service, ADA paratransit services for the disabled, commuter bus services, and evening deviated fixed-route services. To coordinate these services and provide information to the public, the Authority operates a customer call center, which processes over 600,000 inquiries annually. ADA paratransit services are provided by a 3rd party, First Transit, and are referred to as Lift Program services,

During FY22, the Authority began use of four new electric buses and charging station to help reduce the carbon footprint and aging buses. In FY22 the Authority purchased a new website to be able to communicate to the public what is going in transit, enhanced their app for customers to be able to purchase tickets on the go which will begin the process to move to less paper tickets. The Authority updated firewalls and moved fiber cables due to a snowstorm that caused major destruction and brought to light some insecurities of aging equipment. Overall, the assets purchased in FY21 will help the Authority for many years to come with up-to-date equipment, buses, and financial requirements.

Additional capital investments were made for facility improvements and various Information Technology projects. The Authority’s total capital investments for FY22 totaled \$2,719 with a funding ratio of 75% federal and 25% local.

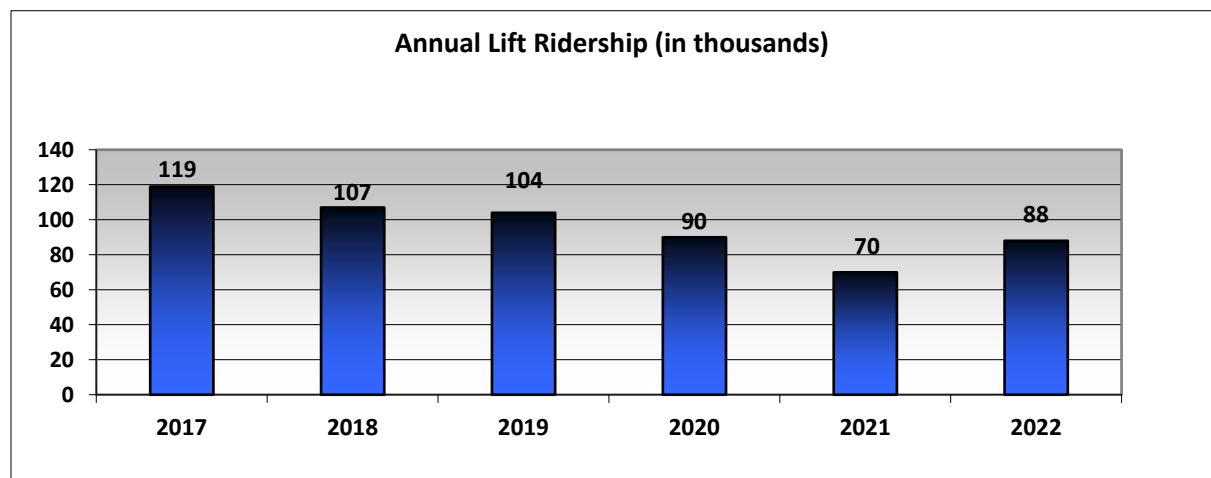
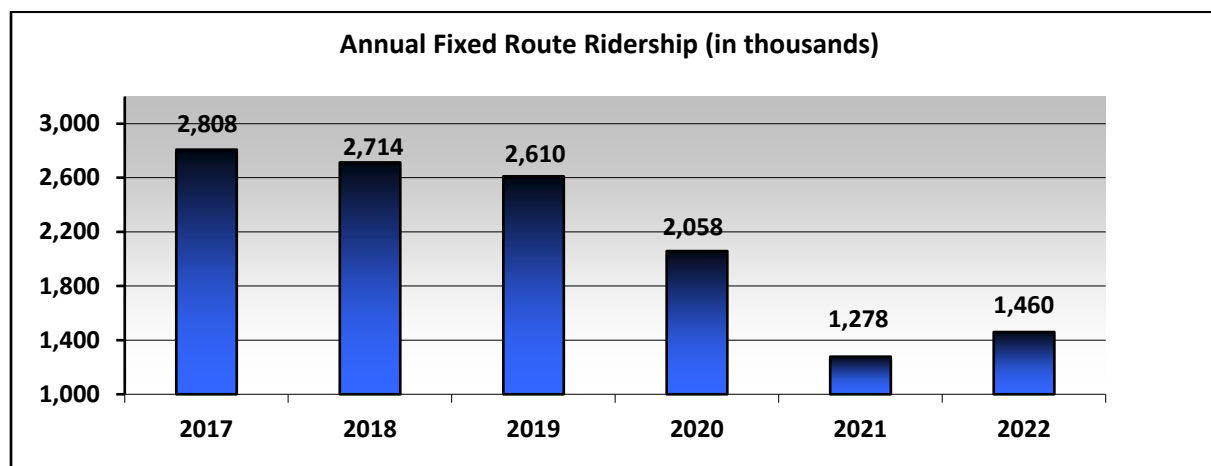
The Authority is funded by fare and advertising revenues, annual apportionments from the City of Tulsa, State of Oklahoma Transit Fund, and Federal subsidies awarded through various Federal Transportation Administration (FTA) grant agreements. Revenues of \$10,875 from the City of Tulsa apportionments funded operating expenses and the capital purchases. Including a gain on sale of assets, the Authority’s 2022 total revenues were \$30,174. The following chart details the Authorities revenue composition for 2022:



**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Management’s Discussion and Analysis
Year Ended June 30, 2022**

Due to transportation alternatives, gas prices and nation-wide economics, the Authority has seen a decrease in ridership. FY22 and FY21 also brought additional decrease in ridership as the Tulsa Area responded to the COVID-19 Pandemic, During the months of May and June FY22, the Authority provided free fares and reduced service during the year trying to bring back riders along with wanting to help the public during gas surges throughout the Summer. During FY22, the Authority experienced ridership of just north of half of pre-pandemic ridership. This is not an issue that is specific to the City of Tulsa; transit agencies nation-wide are experiencing decreased ridership due to the pandemic. The charts below details Fixed Route and Lift Ridership for the last six years:



Request for Information

This financial report is designed to provide a general overview of the Authority’s finances for all of those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Tulsa Transit Authority, 510 S. Rockford Avenue, Tulsa, Oklahoma 74120.

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Statement of Net Position
June 30, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 1,102,409
Designated cash and cash equivalents	2,629,503
Restricted cash	181,936
Total cash and cash equivalents	<u>3,913,848</u>

Accounts receivable:

Trade	132,436
Operating and capital grants	1,356,081
Inventories	976,316
Prepaid expenses and other	488,948
Total current assets	<u>6,867,629</u>

Noncurrent assets, restricted cash	<u>858,841</u>
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Capital assets, at cost:

Revenue equipment	38,357,156
Service equipment	620,415
Passenger shelters	2,099,813
Security equipment	895,871
Buildings	12,278,340
Shop and garage equipment	3,131,019
Other equipment	5,270,967
Furniture and fixtures	364,971
Land	3,323,209
Construction in progress	157,136
Right to use asset-leased equipment	2,149,893
	<u>68,648,790</u>

Less accumulated depreciation	42,504,847
Total capital assets, net	<u>26,143,943</u>

Total assets	<u>33,870,413</u>
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Deferred outflows of resources

Pension related amounts	2,746,109
Total deferred outflows of resources	<u>2,746,109</u>

See notes to basic financial statements.

Liabilities

Current liabilities:

Accounts payable:

Trade	\$ 1,396,128
Other	85,401
Accrued wages payable	152,478
Accrued compensated absences	100,597
Accrued insurance claims	118,401
Accrued pension contributions	149,880
Unearned revenue	82,081
Lease liability	173,973
Total current liabilities	<u>2,258,939</u>

Noncurrent liabilities:

Advances payable to the City of Tulsa	326,674
Net pension liability—MERP	5,724,544
Net pension liability—Union plan	4,773,966
Accrued compensated absences	774,161
Lease liability	1,799,989
Total noncurrent liabilities	<u>13,399,334</u>

Total liabilities15,658,273**Deferred inflows of resources**

Pension related amounts	3,639,873
Total deferred inflows of resources	<u>3,639,873</u>

Net position

Investment in capital assets	24,169,981
Restricted, expendable for capital acquisitions	858,841
Restricted, expendable for worker's compensation	181,936
Unrestricted, deficit	<u>(7,892,382)</u>
Total net position	<u>\$ 17,318,376</u>

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

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Operating revenues:	
Passenger	\$ 1,191,190
Advertising	718,124
Other	29,687
Total operating revenues	<u>1,939,001</u>
Operating expenses:	
Labor	8,464,521
Purchased transportation	3,399,013
Materials and supplies consumed	3,445,021
Fringes	4,467,583
Services	1,575,161
Insurance	432,845
Utilities	594,340
Depreciation and amortization	4,358,453
Other	687,969
Total operating expenses	<u>27,424,906</u>
Operating loss	<u>(25,485,905)</u>
Nonoperating revenues (expenses):	
Federal Transit Administration operating grants	10,631,705
State of Oklahoma operating grants	1,150,004
City of Tulsa operating appropriations	10,532,989
Interest income	9,910
Interest expense	(67,025)
Loss on disposal of capital assets	(29,375)
Other	527,524
Total nonoperating revenues	<u>22,755,732</u>
Deficiency of revenues over expenses before capital contributions and capital grants	(2,730,173)
Capital grants, Federal Transit Administration	4,034,899
Capital contributions, City of Tulsa	1,414,853
Change in net position	<u>2,719,579</u>
Net position, beginning of year	<u>14,598,797</u>
Net position, end of year	<u><u>\$ 17,318,376</u></u>

See notes to basic financial statements.

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Statement of Cash Flows
Year Ended June 30, 2022

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Cash flows from operating activities:	
Cash received from customers	\$ 1,972,092
Cash payments to suppliers for goods and services	(11,818,550)
Cash payments to employees	(13,388,906)
Net cash used in operating activities	<u>(23,235,364)</u>
Cash flows from noncapital financing activities:	
Operating grants received from Federal Transit Administration	10,688,917
Operating appropriations received from the City of Tulsa	10,532,989
Operating grants received from the state of Oklahoma	1,150,004
Other assistance received	527,524
Net cash provided by noncapital financing activities	<u>22,899,434</u>
Cash flows from capital and related financing activities:	
Construction and purchase of capital assets	(3,321,952)
Capital contributions from Federal Transit Administration	4,034,899
Capital contributions from the City of Tulsa	1,414,853
Payments for lease principal	(175,931)
Interest expense	(67,025)
Proceeds from sale of capital assets	25,583
Net cash provided by capital and related financing activities	<u>1,910,427</u>
Cash flows provided by investing activities, interest earned	<u>9,910</u>
Increase in cash and cash equivalents	1,584,407
Cash and cash equivalents, beginning of year	<u>3,188,282</u>
Cash and cash equivalents, end of year	<u>\$ 4,772,689</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (25,485,905)
Depreciation	4,358,453
Changes in operating assets and liabilities:	
Accounts receivable	13,426
Inventories	(73,925)
Prepaid expenses and other	42,249
Accounts payable	(1,652,525)
Accrued liabilities	19,665
Payable to employees	(221,208)
Change in net pension liability and other pension related amounts	(235,594)
Net cash used in operating activities	<u>\$ (23,235,364)</u>
Noncash capital and related financing activities, capital assets recorded in accounts payable at year-end	<u>\$ 283,778</u>

See notes to basic financial statements.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies

Nature of business: The Metropolitan Tulsa Transit Authority (the Authority) was created by a trust indenture to provide a means of financing and operating municipal public transportation services. The provisions of the trust provide that the Authority will acquire and operate the transportation services, receive all revenue generated from the transportation services, pay all operating expenses and finance future improvements.

Reporting entity: The City of Tulsa, Oklahoma (the City) is the beneficiary of the trust operated by the Authority and upon termination of the trust, title to the assets of the Authority shall pass to the City. The Authority is a component unit of the City and is included in the City's Annual Comprehensive Financial Report as a discretely presented component unit as the City is the sole beneficiary and finances a significant portion of the Authority's annual operations. The City's Mayor appoints the trustees of the Authority. The Authority cannot incur indebtedness in excess of \$100,000 within a year without the City's approval.

Significant accounting policies:

Basis of accounting and presentation: The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) as applied to business-type activities of governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated nonexchange transactions, interest income and other similar transactions are included in nonoperating revenues and expenses.

Cash and cash equivalents: The Authority considers all investments which have an original maturity of 90 days or less to be cash equivalents. The Authority defines cash and cash equivalents used in the statement of cash flows as all cash and liquid investments with original maturities of 90 days or less (both restricted and unrestricted).

Restricted cash: The Authority is required to maintain a capital match account for its local share of capital assets purchased with the Federal Transit Administration (FTA). The balance is \$858,841 as of June 30, 2022. Restricted cash includes reserves to comply with the worker's compensation agreement. The balance is \$181,936 as of June 30, 2022.

Designated cash: Designated cash includes the Financial Reserve Fund, established and approved by the Board of Trustees, to assist the Authority bridge any potential interruptions in funding as well as providing resources to address extraordinary circumstances with the intent to stabilize operations. The balance is \$2,629,503 as of June 30, 2022.

Inventories: The parts and fuel inventories are stated at the lower of cost or market with cost being determined on an average cost basis.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Capital assets: Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500, and an initial useful life of one year or greater. Capital assets are stated at cost. Donated assets are recorded at acquisition value as of the date donated. Depreciation of capital assets is computed using the straight-line method over the estimated useful life of each asset.

Revenue equipment	4–12 years
Service, shop, garage and other equipment	3–10 years
Furniture and fixtures	4–10 years
Buildings and passenger shelters	10–30 years
Right to use asset-leased equipment	3-30 years

Maintenance and repairs are charged against operations, while renewals and betterments are capitalized. When a capital asset is retired or otherwise disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded as nonoperating income or expense.

Capital contributions and operating grants: Capital contributions represent capital grants and other capital contributions for which all applicable eligibility requirements have been met by the Authority.

It is the policy of the City to support the Authority's operations at a level which permits the Authority to operate on a break-even basis, exclusive of depreciation and capital transactions.

Compensated absences: Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash and is determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs. No liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

	2021	Additions	Deletions	2022	Due in One Year
Compensated absences	\$ 883,129	\$ 874,758	\$ 883,129	\$ 874,758	\$ 100,597

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement Plan (MERP) and Union Employees' Pension Plan and additions to/deductions from these fiduciary net positions has been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Deferred outflows of resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense.

Deferred inflows of resources: Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include pension related amounts not yet recognized against pension expense.

Leases: The Authority is the lessee for noncancellable leases of equipment. The Authority has recognized a lease liability and an intangible right to use lease asset in the financial statements. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payment to present value, (2) lease term, and (3) lease payments.

The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for the leases. The lease term includes the noncancellable period of the lease. Lease payments include the measurement of the lease liability and are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets.

Net position: Net position of the Authority represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets consist of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Authority first applies restricted resources. Unrestricted net position (deficit) is the remaining assets less the remaining liabilities that do not meet the definition of net investment in capital assets or restricted. The Board of Trustees has an established a Financial Reserve Fund for stabilization purposes, which is included within unrestricted net position (deficit), with a cash balance of \$2,629,503 as of June 30, 2022. The Board of Trustees must approve expenses from this internally designated fund.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Income taxes: The Authority, as a political subdivision of the City, is excluded from federal income taxes under Section 115(1) of the internal Revenue Code, as amended.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2. Deposits and Investments

Deposits: As of June 30, 2022, the Authority's cash equivalents consisted of checking accounts and interest-bearing savings accounts. The Authority had no investments. Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

As of June 30, 2022, none of the Authority's bank balances of \$4,870,246, were uninsured or uncollateralized.

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Notes to Basic Financial Statements

Note 3. Capital Assets

The changes in capital assets for the year ended June 30, 2022 were as follows:

	2022				
	Beginning Balance, as Restated	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Construction in progress	\$ 2,308,842	\$ 2,954,539	\$ (7,950)	\$ (5,098,295)	\$ 157,136
Land	2,633,707	89,502	-	600,000	3,323,209
Total capital assets not being depreciated	4,942,549	3,044,041	(7,950)	(4,498,295)	3,480,345
Capital assets being depreciated:					
Revenue equipment	36,776,756	446,918	(1,959,920)	3,093,402	38,357,156
Service equipment	620,415	-	-	-	620,415
Passenger shelters	2,091,138	8,675	-	-	2,099,813
Security equipment	1,140,285	50,086	(371,234)	76,734	895,871
Buildings	12,233,311	16,441	-	28,588	12,278,340
Shop and garage equipment	2,616,645	24,999	-	489,375	3,131,019
Other equipment	4,446,201	14,570	-	810,196	5,270,967
Furniture and fixtures	364,971	-	-	-	364,971
Right to use asset-leased equipment	2,149,893	-	-	-	2,149,893
Total capital assets being depreciated	62,439,615	561,689	(2,331,154)	4,498,295	65,168,445
Accumulated depreciation:					
Revenue equipment	21,178,703	3,114,693	(1,912,912)	-	22,380,484
Service equipment	460,552	56,279	-	-	516,831
Passenger shelters	1,967,414	38,851	-	-	2,006,265
Security equipment	1,138,132	23,104	(371,234)	-	790,002
Buildings	9,667,787	335,565	-	-	10,003,352
Shop and garage equipment	1,901,643	181,586	-	-	2,083,229
Other equipment	3,761,482	395,988	-	-	4,157,470
Furniture and fixtures	354,827	7,279	-	-	362,106
Right to use asset-leased equipment	-	205,108	-	-	205,108
Total accumulated depreciation	40,430,540	4,358,453	(2,284,146)	-	42,504,847
Total capital assets being depreciated, net	22,009,075	(3,796,764)	(47,008)	4,498,295	22,663,598
Capital assets, net	\$ 26,951,624	\$ (752,723)	\$ (54,958)	\$ -	\$ 26,143,943

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 4. Pension Plans

Each qualified Authority employee is included in one of two pension plans depending on their status as union or salaried personnel. Each plan is administered by a separate board of trustees and the assets are held in custody by certain banks.

Municipal Employees' Retirement Plan:

Plan description: Certain employees of the Authority are provided with pensions through the Municipal Employees' Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa. MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City of Tulsa's Annual Comprehensive Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2nd Street, Tulsa, Oklahoma 74103.

Benefits provided: MERP provides retirement, disability and death benefits. Retirement benefits are determined based on the employee's highest 30 months of pensionable wages during the last five-years of service and a multiplier based on the years of service. Employees entering the plan prior to July 1, 2018, are eligible for full retirement at age 65 and at least 5 years of service or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 2.5% per year prior to age 65. Employees entering the plan on or after July 1, 2018 are eligible for full retirement at age 65, with at least five years of service, or when the years of service plus the employee's age equals or exceeds 90. Reduced benefits are available after age 60 and five years of service (Early retirement). Benefits for early retirement are reduced 6% per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50% of the member's accrued benefit determined based on final average earnings and service as of the date of death.

Contributions: Contributions are set per City of Tulsa ordinance. Employees were required to contribute 6.5% of their pensionable wages through December 31, 2020, and 7.5% thereafter. The Authority was required to contribute 16.50% of pensionable wages for the year ended June 30, 2022. Actual contributions to the pension plan from the Authority were \$475,270 for the year ended June 30, 2022.

There were no nonemployer contributing entities at MERP.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2022, the Authority reported a liability of \$5,724,544 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Standard update procedures were used to roll forward the total pension liability to June 30, 2022. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2022, the Authority's proportion was 2.12970%.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

For the year ended June 30, 2022, the Authority recognized pension expense of \$877,799. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ 128,716	\$ (7,642)
Changes of assumptions	384,835	(153,180)
Net difference between projected and actual earnings on pension plan investments	386,115	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	318,394	(2,610)
Total	<u>\$ 1,218,060</u>	<u>\$ (163,432)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30:	
2023	\$ 402,081
2024	259,181
2025	(12,389)
2026	405,755
	<u>\$ 1,054,628</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases	3.50% to 9.50%, including inflation
Investment rate of return	6.75% compounded annually, net of investment expense and including inflation

Mortality rates were based on the Pub-2010 General Employee Mortality Table, projected with the ultimate rates of scale MP-2021 from the base year 2010.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2020.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.75%
Domestic equity	36	6.00
International equity	24	4.50
Real estate	12	5.25
Commodities/Timber	7	4.50
Cash	1	0.50
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the participating employers will be made as specified in MERP's funding policy. Beginning January 1, 2021 to June 30, 2022 the employer contribution rate was 16.50% of payroll and 17.65%, thereafter. Based on those assumptions, MERP's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate: The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the net pension liability	\$ 7,771,044	\$ 5,724,544	\$ 4,011,713

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the City of Tulsa's Annual Comprehensive Financial Report (ACFR); which can be located at www.cityoftulsa.org.

Union Employees' Pension Plan:

Plan description: The Authority has a pension plan (the Union Plan) covering substantially all of its union employees, which is a single-employer defined benefit pension plan. The Union Plan provides retirement, disability, death and termination benefits to plan members and beneficiaries. The Authority and Local 892 of the Amalgamated Transit Union (the Union) are parties to the Metropolitan Tulsa Transit Authority Union Employees' Pension Plan Agreement (the Agreement) dated July 1, 1975, as amended, and have the authority to establish and amend benefit provisions through renegotiation of the Agreement.

The Union Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity. The Union Plan is excluded from the Authority's reporting entity due to the fiscal dependency criteria not being met.

Benefits provided: The Union Plan provides retirement, disability, death and termination benefits. Retirement benefits for participants who terminated employment prior to July 1, 1998 are determined based on 1.7% times final average earnings, minus 1.25% of primary social security benefit, times years of credited service. Retirement benefits for participants who terminated employment on or after July 1, 1998 and prior to July 1, 2003 are determined based on 1.7% times final average earnings, times years of credited service. Retirement benefits for participants who terminated employment on or after July 1, 2003 and prior to July 1, 2007 are determined based on 1.89% times final average earnings, times years of credited service. Retirement benefits for participants who terminated employment from any position other than a Union position on or after July 1, 2007 are determined based on 1.89% times final average earnings, times years of credited service. Retirement benefits for participants who terminated employment from a Union position on or after July 1, 2007 are determined based on 2.25% times final average earnings, times years of credited service. Participants entering the plan prior to January 1, 2002 and terminating employment prior to July 1, 2001 are eligible for full retirement at age 65. Participants entering the plan prior to January 1, 2002 and terminating employment on or after July 1, 2001 are eligible for full retirement at age 62 or 30 years of service, whichever is earlier. Participants entering the plan on or after January 1, 2002 and prior to January 1, 2018 are eligible for full retirement once the participant has attained both the vesting date and age 62 or has completed 30 years of service, whichever is earlier. Participants entering the plan on or after January 1, 2018 are eligible for full retirement once the participant has attained both the vesting date and age 65 or has completed 30 years of service, whichever is earlier. Reduced benefits are available for participants entering the plan prior to January 1, 2002 after age 55 or the Rule of 85 Date has been attained (early retirement). Reduced benefits are available for participants entering the plan on or after January 1, 2002 after age 55 and the vesting date has been attained or the Rule of 85 Date has been attained. Benefits for early retirement are reduced by 2.5% per year, although there is no reduction in benefits if the Rule of 85 Date has been attained. Participants with at least 10 years of continuous services are eligible for disability benefits. Disability benefits are determined in the same manner as normal retirement. Death benefits for vested participants are, at the spouse's election, a refund of contributions plus interest or a life annuity of 50% of the participant's accrued benefit determined based on final average earnings and credited service as of the date of death.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Basis of accounting: The Union Plan's financial information is prepared on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. The Authority's contributions are recognized when due and a formal commitment to provide the contributions is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Securities without an established market value are reported at estimated fair value. Administrative costs of the Union Plan are financed through investment earnings.

All full-time employees represented by the Union who have attained age 21 are eligible to participate in the Union Plan on the first day of the following month of employment. Participants become 100% vested after ten years of service. The membership data at June 30, 2022 included:

Active members	131
Retirees and beneficiaries currently receiving benefits	83
Inactive members entitled to but not yet receiving benefits	17
	<u>231</u>

Contributions: The employer and employee contribution rates are determined by the Agreement. The employee contribution rate for the period from January 1, 2021 to December 31, 2022 is 7.5%. The required minimum employer contribution rate for the period from January 1, 2019 to June 30, 2022 was 11.0%. The actual employer contribution rate for fiscal years 2022 and 2021 was 6.71% and 7.6%, respectively.

Investments: The Union plan assets consist of fixed income funds, equity securities and short-term investments whose value is determined using market values. There are no investments in any one organization representing more than 5% or more of the Union Plan's net position. There are no investments in, loans to, or leases with related parties. The Union Plan shall diversify the investments so as to minimize the risk of large losses unless under the circumstances, it is clearly prudent not to do so.

Following is the plan's asset allocation policy as of June 30, 2022 and the long-term expected geometric real rate of return for each major asset class.

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
Cash and equivalents	7.53%	2.0%
Corporate equities	15.28	7.5
Pooled equity funds	44.30	7.5
Pooled fixed income funds	32.89	4.0
	<u>100.00%</u>	

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Rate of return: For the year ended June 30, 2022, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was -14.59%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability: The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

A schedule of the Authority's changes in its net pension liability for the Union Plan for the years ended June 30, 2022 is as follows:

Total pension liability	
Service cost	\$ 824,068
Interest	1,053,791
Benefit payments, including refunds of member contributions	(972,990)
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	(518,118)
Changes in assumptions	-
Net change in total pension liability	<u>386,751</u>
Total pension liability—beginning	<u>15,128,615</u>
Total pension liability—ending (a)	<u>\$ 15,515,366</u>
Plan fiduciary net position	
Contributions—employer	\$ 570,391
Contributions—employee	341,446
Net investment income (loss)	(1,846,554)
Benefit payments, including refunds of member contributions	(972,990)
Administrative expense	(70,345)
Net change in plan fiduciary net position	<u>(1,978,052)</u>
Plan fiduciary net position—beginning	<u>12,719,452</u>
Plan fiduciary net position—ending (b)	<u>\$ 10,741,400</u>
Net pension liability—ending (a) - (b)	<u>\$ 4,773,966</u>
Plan fiduciary net position as a percentage of the total pension liability	69.23%

Actuarial assumptions: The total pension liability in the June 30, 2022 actuarial valuation was determined using mortality rates based on the RP-2014 Blue Collar Mortality Table, fully generational, projected with the ultimate rates of the MP-2014 projection for males and females, as appropriate. The actuary used a 7.00% long-term rate of return until the projected fiduciary net position of the Union Plan is exhausted (which did not occur in the fiscal year 2022 analysis) at which point a 20-year general obligation municipal bond rate is used (3.69% for fiscal year 2022) resulting in a long-term rate of return of 7.00% for 2022. The source of the municipal bond rate is the Fidelity Index's 20-year Municipal GO AA Index.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2022 was 7.00%. The projection of cash flows used to determine the current discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made at rates equal to the difference between actuarially determined contribution rates and the member (employee) rate. Based on those assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the future benefit payments through the year 2122. As a result, for fiscal year 2022, the long-term expected rate of return on pension plan investments was applied to projected benefit payments for all years.

Sensitivity of the Authority's net pension liability to changes in the discount rate: The following presents the Authority's net pension liability calculated using the single discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's net pension liability as of June 30, 2022	\$ 6,331,096	\$ 4,773,966	\$ 3,442,568

Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions: For the year ended June 30, 2022, the Authority recognized pension expense of \$(67,930). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Union Plan pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 887,957
Changes of assumptions	48,207	2,588,484
Net difference between projected and actual earnings on pension plan investments	1,479,842	-
Total deferred amounts to be recognized in pension expense expense in future periods	<u>\$ 1,528,049</u>	<u>\$ 3,476,441</u>

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Deferred outflows and inflows of resources are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period, which was 5.6504 years as of June 30, 2022. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period beginning in the current year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30:		
2023		\$ (737,954)
2024		(581,544)
2025		(677,570)
2026		108,314
2027		(59,638)
		<u>\$ (1,948,392)</u>

Note 5. Leases

The Authority has entered into several lease agreements through July 1, 2033 to lease various equipment with an interest rate of 3.25%. The net book value of the capital assets under lease agreements was \$1,944,785 at June 30, 2022. During the fiscal year ended June 30, 2022, the Authority recorded \$205,108 in amortization expense and \$67,025 in interest expense for the right to use these lease equipment items.

Future principal and interest payments as of June 30, 2022 were as follows:

Authority as lessee:

Year ending June 30:	Principal	Interest	Total
2023	\$ 173,973	\$ 61,650	\$ 235,623
2024	163,219	56,089	219,308
2025	159,162	50,838	210,000
2026	164,413	45,588	210,001
2027	169,836	40,164	210,000
2028-2032	937,010	112,990	1,050,000
2033	206,349	3,651	210,000
	<u>\$ 1,973,962</u>	<u>\$ 370,970</u>	<u>\$ 2,344,932</u>

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 6. Commitments and Contingencies

In the normal course of operations, the Authority receives grant funds from federal agencies. The grant programs are subject to audit by agents of the granting agency, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The Authority is party to other legal proceedings which arise in the normal course of operations. Any liability resulting from these proceedings is not believed by management to have a material effect on the financial statements.

As of June 30, 2022, the Authority has entered into contracts totaling approximately \$8,614,000 which will be funded by federal grants.

Note 7. Related-Party Transactions

During the year ended June 30, 2022, the Authority received no advances from the City, although \$326,000 of prior advances were outstanding as of June 30, 2022.

During the year ended June 30, 2022, the Authority received operating appropriations from the City of \$10,532,989. During the year ended June 30, 2022, the Authority received capital appropriations from the City of \$1,414,853.

Note 8. Self-Insurance Liability

The Authority is self-insuring its liability for bodily injury and property damage losses incurred. Losses are limited by the Oklahoma Tort Claims Act. The act limits liability to \$125,000 per claimant bodily injuries and \$25,000 per claimant property damage with a maximum loss per occurrence of \$1,000,000. The Authority also self-insured its liability for workers' compensation losses incurred for the first \$350,000 per claim and any excess over \$5,000,000 per claim. The Authority purchased commercial insurance coverage for workers' compensation claims. Losses estimated to have been incurred and not paid as of the statement of net position date are accrued as a liability. These loss estimates are determined using the history of claims activity from prior years to predict losses which have been incurred but not reported to the Authority.

The following is a summary of the self-insurance activity during the fiscal years ended June 30, 2022 and 2021:

	2022	2021
Liability, beginning of year	\$ 118,401	\$ 88,387
Claims incurred (recovered):		
Auto/general	51,976	162,795
Workers' compensation	-	-
Claims paid	(51,976)	(132,781)
Liability, end of year	<u>\$ 118,401</u>	<u>\$ 118,401</u>

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

Notes to Basic Financial Statements

Note 9. Future Changes in Accounting Pronouncements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. This statement will be effective for the Authority with its year ending June 30, 2023.

GASB Statement No. 99, *Omnibus 2022*, addresses practice issues that have been identified during implementation and application of certain GASB statements. The Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. The Statement will be effective for the Authority at various times over the next two years.

GASB Statement No. 101, *Compensated Absences*, clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in case or settled through noncash means. The requirements of this Statement will be effective for the Authority beginning with its fiscal year ending June 30, 2025.

The Authority's management has not yet determined the effect these statements will have on the Authority's financial statements.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Required Supplementary Information
Municipal Employees' Retirement Plan Schedule of Proportionate Share of the
Net Pension Liability and Schedule of Contributions**

	June 30,		
	2022	2021	2020
Authority's proportion of the net pension liability	2.1297%	1.9982%	1.9453%
Authority's proportionate share of the net pension liability	\$ 5,724,544	\$ 3,613,801	\$ 4,940,348
Authority's covered payroll	2,620,812	2,535,831	2,548,329
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	218%	143%	194%
Plan fiduciary net position as a percentage of the total pension liability	66.62%	76.92%	65.22%
Contractually required contribution	\$ 432,434	\$ 405,733	\$ 394,991
Contributions in relation to the contractually required contribution	432,434	405,733	394,991
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 2,620,812	\$ 2,535,831	\$ 2,548,329
Contributions as a percentage of covered payroll	16.50%	16.00%	15.50%

No information available for years prior to June 30, 2015.

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from changes in the mortality table and discount rate from 7.75% to 7.50%.

In 2019, amounts reported as changes of assumptions resulted primarily from an inflation decrease from 3.0% to 2.5%, salary increases changed from 4.00%-11.75% to 3.5%-11.25% and investment rate of return decreased from 7.50% to 7.00%.

In 2021, salary increases changed from 3.50%-11.25% to 3.50%-9.50% and investment rate of return (and discount rate) decreased from 7.00% to 6.75%.

In 2022, amounts reported as changes of assumptions resulted from use of an updated mortality projection scale and updated contingent survivor table.

June 30,				
2019	2018	2017	2016	2015
1.8649%	1.9302%	1.7793%	1.7994%	1.7895%
\$ 4,379,463	\$ 3,789,382	\$ 3,515,360	\$ 3,892,331	\$ 2,241,425
2,316,200	2,477,181	2,234,017	2,143,730	2,004,148
189%	153%	157%	182%	112%
66.91%	70.61%	69.39%	65.62%	77.13%
\$ 359,011	\$ 357,324	\$ 241,312	\$ 252,205	\$ 230,586
359,011	357,324	241,312	252,205	230,586
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,316,200	\$ 2,477,181	\$ 2,234,017	\$ 2,143,730	\$ 2,004,148
15.50%	15.50%	11.50%	11.50%	11.50%

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Required Supplementary Information
Schedule of Changes in Net Pension Liability
Union Employees' Pension Plan

	June 30,		
	2022	2021	2020
Total Pension Liability			
Service cost	\$ 824,068	\$ 1,192,937	\$ 1,061,248
Interest	1,053,791	849,407	822,905
Benefit payments	(972,990)	(908,986)	(981,205)
Difference between expected and actual experience	(518,118)	(91,565)	(412,395)
Changes in assumptions	-	(4,076,346)	-
Changes in benefit terms	-	(1,050)	(21,331)
Net change in total pension liability	386,751	(3,035,603)	469,222
Total pension liability—beginning of year	15,128,615	18,164,218	17,694,996
Total pension liability—end of year	<u>\$ 15,515,366</u>	<u>\$ 15,128,615</u>	<u>\$ 18,164,218</u>
Plan Net Position			
Contributions—employer	\$ 570,391	\$ 538,316	\$ 523,337
Contributions—employee	341,446	369,692	312,859
Investment income, net of investment expenses	(1,846,554)	2,555,958	(234,314)
Benefit payments	(972,990)	(908,986)	(981,205)
Administrative expenses	(70,345)	(121,672)	(65,588)
Net change in plan net position	(1,978,052)	2,433,308	(444,911)
Total plan net position—beginning of year	12,719,452	10,286,144	10,731,055
Total plan net position—end of year	<u>\$ 10,741,400</u>	<u>\$ 12,719,452</u>	<u>\$ 10,286,144</u>
Net pension liability	<u>\$ 4,773,966</u>	<u>\$ 2,409,163</u>	<u>\$ 7,878,074</u>

No information available for years prior to June 30, 2015.

See note to required supplementary information.

					June 30,				
2019		2018		2017		2016		2015	
\$	1,035,074	\$	995,022	\$	820,290	\$	568,416	\$	532,080
	822,281		807,543		740,466		798,109		837,382
	(947,848)		(913,428)		(918,508)		(797,315)		(858,804)
	(833,236)		(667,467)		(211,294)		45,690		(711,676)
	203,379		(95,085)		(911,983)		2,234,197		809,630
	147,783		-		67,797		-		-
	427,433		126,585		(413,232)		2,849,097		608,612
	17,267,563		17,140,978		17,554,210		14,705,113		14,096,501
\$	17,694,996	\$	17,267,563	\$	17,140,978	\$	17,554,210	\$	14,705,113
<hr/>									
\$	403,824	\$	383,632	\$	310,926	\$	285,705	\$	285,705
	233,037		189,386		125,333		121,365		117,267
	683,110		543,608		925,956		70,587		177,578
	(947,848)		(913,428)		(918,508)		(797,315)		(858,804)
	(92,868)		(64,338)		(94,714)		(67,884)		(79,342)
	279,255		138,860		348,993		(387,542)		(357,596)
	10,451,800		10,312,940		9,963,947		10,351,489		10,709,085
\$	10,731,055	\$	10,451,800	\$	10,312,940	\$	9,963,947	\$	10,351,489
<hr/>									
\$	6,963,941	\$	6,815,763	\$	6,828,038	\$	7,590,263	\$	4,353,624

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Required Supplementary Information
Schedule of Net Pension Liability and Related Ratio
Union Employees' Pension Plan

	June 30,		
	2022	2021	2020
Total pension liability—end of year	\$ 15,515,366	\$ 15,128,615	\$ 18,164,218
Plan net position—end of year	10,741,400	12,719,452	10,286,144
Net pension liability	\$ 4,773,966	\$ 2,409,163	\$ 7,878,074
Plan net position as a percentage of the total pension liability	69.23%	84.08%	56.63%
Covered payroll	\$ 5,450,182	\$ 4,913,251	\$ 4,267,182
Net pension liability as a percentage of covered payroll	87.59%	49.03%	184.62%

No information available for years prior to June 30, 2015.

See note to required supplementary information.

June 30,				
2019	2018	2017	2016	2015
\$ 17,694,996	\$ 17,267,563	\$ 17,140,978	\$ 17,554,210	\$ 14,705,113
10,731,055	10,451,800	10,312,940	9,963,947	10,351,489
<u>\$ 6,963,941</u>	<u>\$ 6,815,763</u>	<u>\$ 6,828,038</u>	<u>\$ 7,590,263</u>	<u>\$ 4,353,624</u>
60.64%	60.53%	60.17%	56.76%	70.39%
\$ 4,309,219	\$ 4,038,237	\$ 3,180,653	\$ 2,863,557	\$ 3,174,496
161.61%	168.78%	214.67%	265.06%	137.14%

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Required Supplementary Information
Schedule of Money-Weighted Rate of Return
Union Employees' Pension Plan

Plan year ended June 30:

2013	11.07%
2014	15.24
2015	1.70
2016	0.70
2017	9.57
2018	5.38
2019	6.66
2020	(2.21)
2021	25.00
2022	(14.59)

See note to required supplementary information.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Required Supplementary Information
Schedule of Contributions From the Authority
Union Employees' Pension Plan**

Plan Year Ended June 30	Annual Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percent of Covered Payroll
2013	\$ 408,337	\$ 283,904	\$ 124,433	\$ 3,154,486	9.00%
2014	417,630	285,450	132,180	3,171,667	9.00
2015	486,470	285,705	200,765	3,174,496	9.00
2016	436,582	285,705	150,877	2,863,557	9.98
2017	499,725	310,926	188,799	3,180,653	9.78
2018	694,344	383,632	310,712	4,038,237	9.50
2019	704,233	403,824	300,409	4,309,219	9.37
2020	698,141	523,337	174,804	4,267,182	12.26
2021	690,882	538,316	152,566	4,913,251	10.96
2022	688,184	570,391	117,793	5,450,182	10.47

* An amendment to the employer contribution rates was executed in August 2019 to retroactively increase employer contribution rates as of January 1, 2019. As the retroactive amendment was not executed until August 2019, the increase is not reflected for the year ended June 30, 2019, but was in the next fiscal year.

See note to required supplementary information.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Required Supplementary Information
Note to Required Supplementary Information
Union Employees' Pension Plan**

Actuarial valuation:	
Frequency	Annual
Cost method	Entry Age Normal
Amortization	The amortization method used is Level Percentage of Payroll, Open The weighted average remaining period is 30 years.
Assumptions:	
Single discount rate:	7.00%
Long-term expected rate of return	7.00%
Long-term municipal bond rate	3.69
Salary increases	3.00%
Retirement age	20% assumed at Rule of 85; 100% retirement assumed at Normal Retirement Age
Mortality	MP-2014 Blue Collar Mortality Table, fully generational, projected with the ultimate rates of the MP-2014 for males and females
Disability	Not applicable to the MP-2014 projection scale

Changes of assumptions:

The 2019 single discount rate decreased from 4.75% as of June 30, 2018 to 4.64% as of June 30, 2019.

The 2021 single discount rate increased from 4.64% as of June 30, 2020 to 7.00% as of June 30, 2021.

**Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)**

**Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Federal Grantor/ Program Title	Project Number	Federal Assistance Listing Number	Program or Award Amount	Unexpended Balance at June 30, 2021
U.S Department of Transportation (Direct)				
	OK-2017-025-00	20.526	\$ 645,986	\$ 98,810
	OK-2017-026-00	20.526	642,193	263,811
	OK-2020-022-00	20.507	19,669,217	10,530,181
	OK-2018-018-00	20.526	4,202,870	106,509
	OK-2018-007-00	20.526	873,706	652,238
	OK-2019-024-00	20.507	6,804,413	870,395
	OK-2020-030-00	20.507	6,500,000	6,500,000
	OK-2016-001-00	20.507	6,692,783	30,649
	OK-2017-009-00	20.507	6,614,777	330,016
	OK-2018-011-00	20.507	6,776,061	344,685
	OK-2021-021-00	20.526	2,991,000	-
	OK-2021-028-00	20.526	6,776,061	-
	OK-2022-034-00	20.507	6,713,377	-
			\$ 75,902,444	\$ 19,727,294

Grant Amendments/ During Awarded Current Year	Other Income and Matching	Current Year Expenditures Federal	Current Year Expenditures Federal and Local	Unexpended Balance at June 30, 2022
\$ -	\$ 19,135	\$ 81,160	\$ 100,295	\$ 17,650
-	23,920	95,680	119,600	168,131
-	-	9,538,844	9,538,844	991,337
-	-	-	-	106,509
-	114,579	458,317	572,896	193,921
-	147,195	618,163	765,358	252,232
-	-	-	-	6,500,000
-	7,662	30,648	38,310	1
-	-	-	-	330,016
-	10,734	42,938	53,672	301,747
2,991,000	510,059	2,880,498	3,390,557	110,502
3,175,604	-	-	-	3,175,604
2,938,574	-	1,006,379	1,006,379	1,932,195
<u>\$ 9,105,178</u>	<u>\$ 833,284</u>	<u>\$ 14,752,627</u>	<u>\$ 15,585,911</u>	<u>\$ 14,079,845</u>

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Schedule of Operating Expenses, Excluding Depreciation
Supplementary Information
Year Ended June 30, 2022

Labor:	
Operator salaries and wages	\$ 4,486,683
Transportation administration	420,552
System security	510,983
Servicing of revenue vehicles	179,589
Maintenance administration	341,849
Maintenance and inspection of revenue vehicles	1,161,174
Service development	521,872
General office administration	713,938
Safety and training administration	127,881
Total labor	<u>8,464,521</u>
 Purchased transportation:	
Lift program, ADA	2,441,072
Fixed route	957,941
Total purchased transportation	<u>3,399,013</u>
 Materials and supplies consumed:	
Diesel fuel	126,228
Compressed natural gas	521,561
Electric fuel	3,946
Gasoline service	94,021
Oil and lubricants	126,650
Tires and tubes	139,896
Shop and garage building repair	690,818
Service and shop equipment	39,406
Other shop and garage expense	76,771
Repair parts for revenue vehicles	984,463
Servicing supplies	450,866
Transportation and safety	13,256
Schedules	14,848
Tickets and transfers	3,423
General office expenses	158,868
Total materials and supplies consumed	<u>3,445,021</u>

(Continued)

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Schedule of Operating Expenses, Excluding Depreciation (Continued)
Supplementary Information
Year Ended June 30, 2022

Fringes:	
FICA taxes	\$ 721,226
Pension plan and OPEB expenses	812,432
Health and dental expense	1,333,252
Life and disability insurance	86,746
Sick leave	402,371
Holiday pay	370,396
Vacation pay	480,986
Uniform allowance—drivers	55,685
Work clothing and tool allowance, mechanics	45,642
Unemployment tax, state	2,491
Other	156,356
Total fringes	<u>4,467,583</u>
Services:	
Legal fees	125,599
Audit and other outside services	40,100
Office equipment maintenance	16,207
Advertising	312,220
Professional and technical services	842,242
Building, vehicle and facility services	232,425
Security services	6,368
Total services	<u>1,575,161</u>
Insurance, property and liability insurance (including self-insurance)	<u>432,845</u>
Utilities:	
Heat, power and water	355,794
Communications	238,546
Total utilities	<u>594,340</u>

(Continued)

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Schedule of Operating Expenses, Excluding Depreciation (Continued)
Supplementary Information
Year Ended June 30, 2022

Other:	
Planning expense	\$ 330,459
Dues and subscriptions	29,633
Travel and meetings, staff	54,282
Marketing and advertising	155,248
Training	52,053
Other miscellaneous expenses	47,005
Leases and rentals	19,289
Total other	<u>687,969</u>
Total operating expenses, excluding depreciation	<u><u>\$ 23,066,453</u></u>

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Schedule of Project Costs
Supplementary Information
Year Ended June 30, 2022

<hr/>	
Total operating expenses:	
Labor	\$ 8,464,521
Purchased transportation	3,399,013
Materials and supplies consumed	3,445,021
Fringes	4,467,583
Services	1,575,161
Insurance	432,845
Utilities	594,340
Other	687,969
Total operating expenses, excluding depreciation	<u>23,066,453</u>
Depreciation	4,358,453
Total operating expenses	<u>27,424,906</u>
Less exclusions:	
Ineligible expense, depreciation	4,358,453
Contra-expense, interest earned on working capital	(9,910)
Other exclusions, expenses reimbursable by:	
Planning assistance, FTA	614,163
Revolving transit funds, Oklahoma	1,150,004
Operating assistance, FTA	5,944,597
Preventative maintenance assistance, FTA	3,791,343
Lift program assistance, FTA	277,602
Lease assistance, FTA	4,000
Total exclusions	<u>16,130,252</u>
Eligible operating expenses	<u>11,294,654</u>
Less:	
Passenger farebox revenues	1,191,190
Contract services and other	29,687
	<u>1,220,877</u>
Net eligible project cost	<u>10,073,777</u>
Less local share of operating assistance:	
City of Tulsa	10,532,989
Advertising revenues	718,124
Other	527,526
	<u>11,778,639</u>
Net revenues before applying FTA operating funds	<u>\$ (1,704,862)</u>