

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

Financial Report  
June 30, 2017

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## Independent Auditor's Report

RSM US LLP

To the Board of Trustees  
Metropolitan Tulsa Transit Authority

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

We have audited the accompanying financial statements of the Metropolitan Tulsa Transit Authority (the Authority), a discretely presented component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2017, and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2017 and 2016, and the respective changes in its financial position and cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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.

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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 6, 2017, 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 6, 2017

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

**Management's Discussion and Analysis  
Year Ended June 30, 2017**

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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 years ended June 30, 2017 and 2016. 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 8. 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 \$17,065 (net position). For fiscal year 2016, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,952.
- During fiscal year 2017, the Authority's total net position increased by approximately \$3,113. For fiscal year 2016, the Authority's total net position decreased by \$3,363.
- The Authority's total liabilities decreased by approximately \$185 during fiscal year 2017.
- For the year ended June 30, 2017, net capital assets increased by approximately \$4,150. For the year ended June 30, 2016, net capital assets decreased by approximately \$2,659.

**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.

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

**Management's Discussion and Analysis  
Year Ended June 30, 2017**

**Net Position**

The Authority's net position increased by \$3,113 for fiscal year ended June 30, 2017. The Authority's net position decreased by \$3,363 for the fiscal year ended June 30, 2016. Capital assets increased by \$4,150 due to capital outlay exceeding depreciation of assets. Long-term liabilities decreased by \$1,185 due to decreases in the net pension liability for the pension plans in which the Authority participates.

Net Position  
(in thousands of dollars)

	2017	2016	2015
<b>Assets</b>			(as restated)
Current and other assets	\$ 5,343	\$ 4,292	\$ 3,572
Capital assets, net	24,911	20,761	23,420
<b>Total assets</b>	<b>30,254</b>	<b>25,053</b>	<b>26,992</b>
Deferred outflows of resources	2,732	4,461	1,442
<b>Liabilities</b>			
Current and other liabilities	2,655	1,655	1,372
Long-term liabilities	11,665	12,850	7,903
<b>Total liabilities</b>	<b>14,320</b>	<b>14,505</b>	<b>9,275</b>
Deferred inflows of resources	1,601	1,057	1,844
<b>Net position</b>			
Investment in capital assets	24,911	20,761	23,420
Restricted for other purposes	1,581	986	847
Unrestricted (deficit)	(9,427)	(7,795)	(6,952)
<b>Total net position</b>	<b>\$ 17,065</b>	<b>\$ 13,952</b>	<b>\$ 17,315</b>

**Change in Net Position**

For the year ended June 30, 2017, the Authority's total operating revenues decreased approximately \$330 and operating expenses increased \$128. The key factor for the decrease in operating revenues was attributable to a 3 percent decrease in fixed route ridership and a \$187 decrease in Advertising Sales. The increase in operating expenses was primarily driven by a \$454 increase in Purchased Transportation expenses. The increase in Purchased Transportation is due to a 24 percent increase by MV Transportation, the service provider for the Authority's paratransit service.

For the year ended June 30, 2016, the Authority's total operating revenues decreased approximately \$30 and operating expenses increased by \$2,526. The key factor for the decrease in operating revenues was attributable to a 3 percent decrease in fixed route ridership. The increase in operating expenses was primarily driven by increases in Fringe and Depreciation expenses of \$1,195 and \$972, respectively. The increase in Fringe expense is due to changes in assumptions used in calculating the Net Pension Liability for the pension plans in which the Authority participates, while the increase in Depreciation expense is due to the depreciation of assets exceeding capital outlay.

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

**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**

	Changes in Net Position (in thousands of dollars)		
	2017	2016	2015 (as restated)
Operating revenues	\$ 3,263	\$ 3,593	\$ 3,623
Nonoperating and capital revenues	23,057	15,996	15,464
<b>Total revenues</b>	<b>26,320</b>	<b>19,589</b>	<b>19,087</b>
Operating expenses	23,005	22,877	20,351
Nonoperating expenses	202	75	-
<b>Total expenses</b>	<b>23,207</b>	<b>22,952</b>	<b>20,351</b>
<b>Increase (decrease) in net position</b>	<b>\$ 3,113</b>	<b>\$ (3,363)</b>	<b>\$ (1,264)</b>

**Capital Assets**

The Authority's investment in capital assets as of June 30, 2017 amounts to approximately \$24,911 (net of accumulated depreciation). This investment in capital assets includes revenue and service equipment, land, buildings and other equipment. The Authority made additional investments in capital assets, primarily new buses, passenger shelters, and information technology equipment, investments rose from prior year resulting in a \$4,150 increase in net capital assets.

	Net Capital Assets (in thousands of dollars)		
	2017	2016	2015
Revenue equipment	\$ 32,454	\$ 29,102	\$ 28,916
Service equipment	529	417	472
Passenger shelters	1,969	1,787	1,821
Security equipment	1,141	1,123	1,127
Buildings	12,114	12,013	12,013
Shop and garage equipment	2,484	2,421	2,412
Other equipment	3,577	3,170	3,205
Furniture and fixtures	349	327	926
Construction in progress	181	162	-
Land	2,634	2,634	2,634
	<b>57,432</b>	<b>53,156</b>	<b>53,526</b>
Less accumulated depreciation	(32,521)	(32,395)	(30,106)
<b>Net capital assets</b>	<b>\$ 24,911</b>	<b>\$ 20,761</b>	<b>\$ 23,420</b>

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

**Management’s Discussion and Analysis  
Year Ended June 30, 2017**

**Economic Factors (in thousands)**

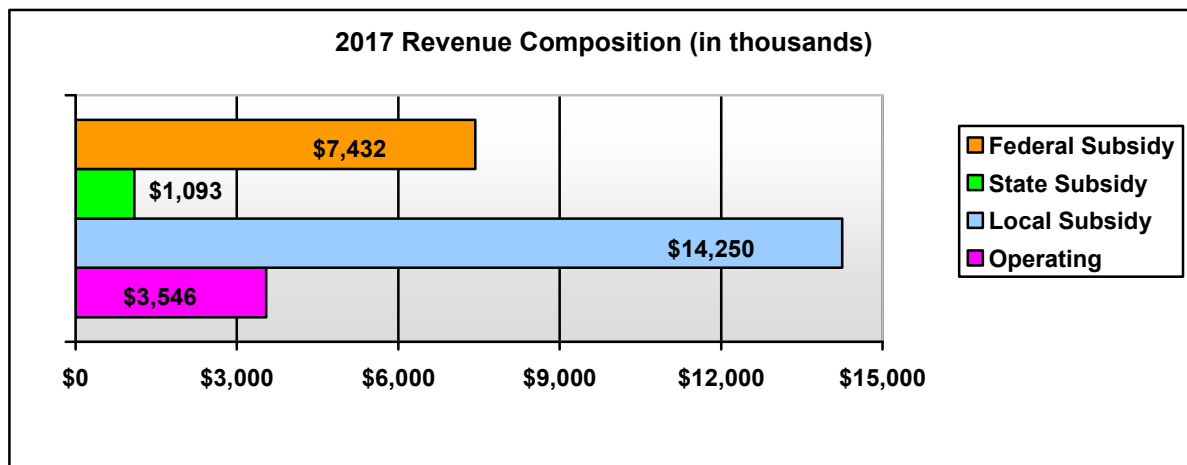
The Authority provides public transportation programs to residents in Tulsa, Broken Arrow, Jenks and Sand Springs. These services include fixed route bus service, ADA paratransit services for the disabled, commuter bus services, and evening deviated fixed-route services. To coordinate these services and provide information to the public, the Authority operates a customer call center. ADA paratransit services are provided by a 3<sup>rd</sup> party, MV Transportation, and are referred to as Lift Program services.

Subsequent to the FY17 budgeting process, Health Insurance premiums increased 25 percent; in addition, the Lift Service Provider for the Authority, MV Transportation, increased their fees by 24 percent. These increases created a significant budget deficit for the Authority; however, due to the receipt of CNG rebates for FY14 to FY16 totaling \$830 the Authority was able to absorb the deficit without reducing service and carry over funds to absorb the same deficits for FY18. Since the CNG rebates are not guaranteed each year, the Authority is analyzing the potential cost-savings and efficiencies of bringing the Lift services in-house. The Authority continues to experience fuel savings from transitioning their fleet from diesel to CNG. To date, the Authority has transitioned 100 percent of their Lift fleet and 45 percent of their Fixed Route fleet.

Please consider that other economic factors such as oil prices, natural gas prices, economic growth (or compression), and federal and state funding can impact operational expenses and revenues.

During FY17, the Authority replaced 14 Lift buses and 8 Fixed Route buses totaling \$6,200. All buses were purchased using 100 percent of local funds from the City of Tulsa 2015 Capital Improvement Plan. In preparation for the 2019 Bus Rapid Transit System and to continue to replace aging rolling stock, the Authority issued procurement contracts for an additional 19 Fixed Route buses totaling \$9,800. Replacement of aging rolling stock continues to be a fiscal challenge; however, to augment local funding, the Authority is aggressive in applying for federal subsidies.

The Authority is funded by fare and advertising revenues, annual apportionments from the City of Tulsa and the State of Oklahoma Transit Fund, and Federal subsidies awarded through various Federal Transportation Administration (FTA) grant agreements. Revenues of \$14,250 from the City of Tulsa apportionments funded operating expenses and the aforementioned purchases of rolling stock. Excluding loss on Sale of Assets, the Authority’s 2017 total revenues were \$26,321. The following chart details the Authorities revenue composition for 2017:



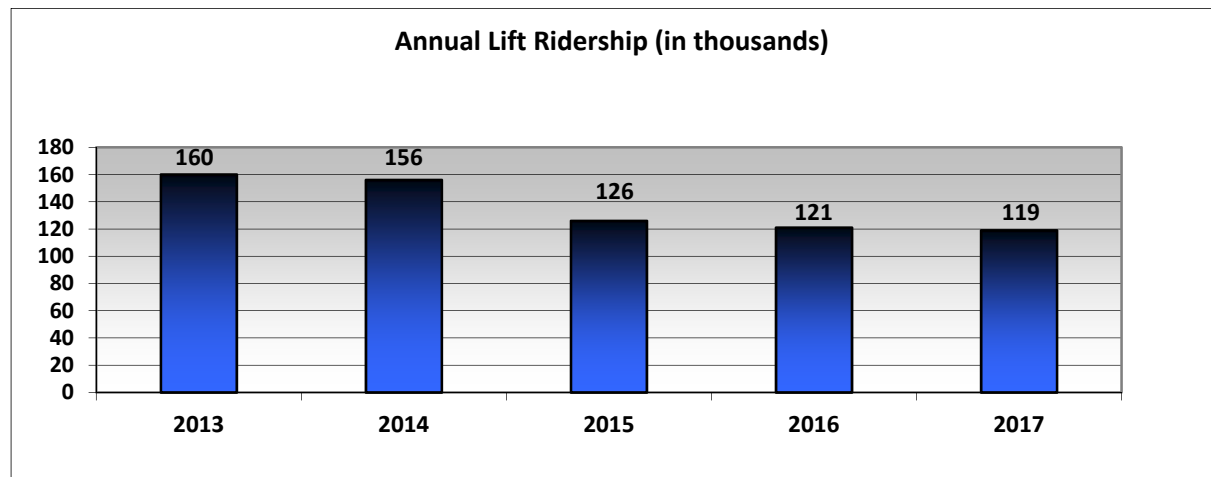
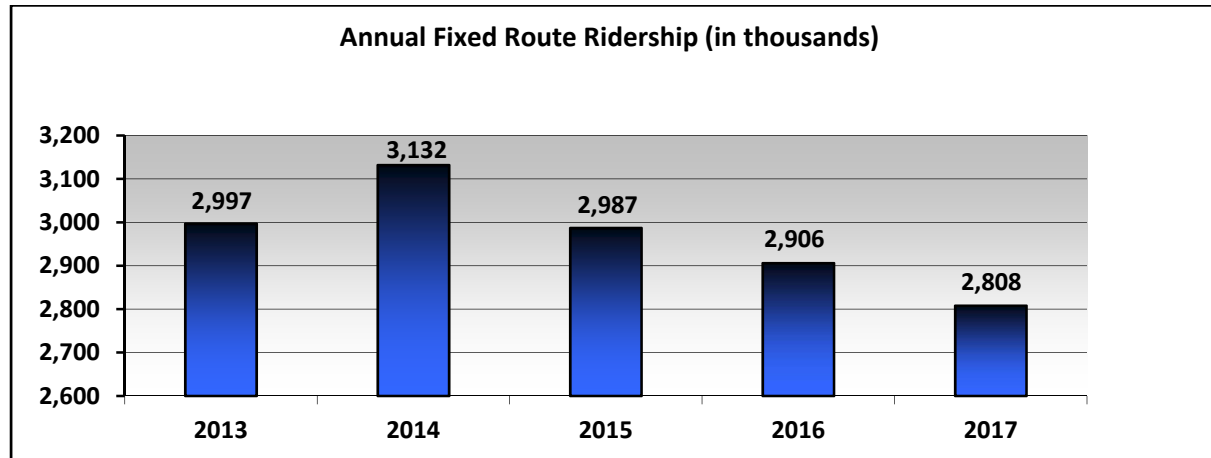


**Metropolitan Tulsa Transit Authority  
(A Component Unit of the City of Tulsa, Oklahoma)**

**Management's Discussion and Analysis  
Year Ended June 30, 2017**

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Due to new transportation alternatives, gas prices and nation-wide economics, the Authority has seen a 3 percent decrease in ridership. This is not an issue that is specific to the City of Tulsa, but transit agencies nation-wide are experiencing decreased ridership; that said, the Authority still provided 2,808 rides for Tulsa citizens. The chart below details Fixed Route and Lift Ridership for the last five 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)**

**Statements of Net Position**  
**June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,449,051	\$ 1,648,144
Restricted cash	213,637	196,411
<b>Total cash and cash equivalents</b>	<b>1,662,688</b>	<b>1,844,555</b>
Accounts receivable:		
Trade	182,801	158,524
Operating and capital grants	1,298,331	737,475
Inventories	683,064	660,671
Prepaid expenses and other	148,632	101,219
<b>Total current assets</b>	<b>3,975,516</b>	<b>3,502,444</b>
Noncurrent assets, restricted cash	1,367,234	790,168
Capital assets, at cost:		
Revenue equipment	32,454,504	29,102,014
Service equipment	528,564	416,936
Passenger shelters	1,969,296	1,786,659
Security equipment	1,141,271	1,122,865
Buildings	12,113,562	12,013,229
Shop and garage equipment	2,483,657	2,420,961
Other equipment	3,577,288	3,170,049
Furniture and fixtures	349,189	326,669
Land	2,633,707	2,633,707
Construction in progress	181,505	161,786
	<b>57,432,543</b>	<b>53,154,875</b>
Less accumulated depreciation	32,521,356	32,394,231
	<b>24,911,187</b>	<b>20,760,644</b>
<b>Total assets</b>	<b>30,253,937</b>	<b>25,053,256</b>
<b>Deferred outflows of resources, pension related amounts</b>	<b>2,732,063</b>	<b>4,460,678</b>

See notes to basic financial statements.

	2017	2016
<b>Liabilities</b>		
Current liabilities:		
Accounts payable:		
Trade	\$ 1,414,630	\$ 618,549
Other	55,192	31,256
Accrued wages payable	309,009	278,414
Accrued compensated absences	79,890	81,770
Accrued insurance claims	724,992	573,936
Accrued pension contributions	71,565	71,426
<b>Total current liabilities</b>	<b>2,655,278</b>	<b>1,655,351</b>
Noncurrent liabilities:		
Advances payable to the City of Tulsa	326,000	326,000
Net pension liability - MERP	3,515,360	3,892,331
Net pension liability - Union plan	6,828,038	7,590,263
Other postemployment benefits	380,491	411,260
Accrued compensated absences	614,803	629,273
<b>Total noncurrent liabilities</b>	<b>11,664,692</b>	<b>12,849,127</b>
<b>Total liabilities</b>	<b>14,319,970</b>	<b>14,504,478</b>
<b>Deferred inflows of resources, pension related amounts</b>	<b>1,600,530</b>	<b>1,057,241</b>
<b>Net position</b>		
Investment in capital assets	24,911,187	20,760,644
Restricted, expendable for capital acquisitions	1,367,234	790,168
Restricted, expendable for worker's compensation	213,637	196,411
Unrestricted, deficit	(9,426,558)	(7,795,008)
<b>Total net position</b>	<b>\$ 17,065,500</b>	<b>\$ 13,952,215</b>

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

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Operating revenues:		
Passenger	\$ 2,626,758	\$ 2,767,263
Advertising	590,341	777,965
Other	45,790	47,548
<b>Total operating revenues</b>	<b>3,262,889</b>	<b>3,592,776</b>
Operating expenses:		
Labor	7,247,860	6,921,740
Purchased transportation	2,883,237	2,429,669
Materials and supplies consumed	1,944,524	2,938,514
Fringes	5,023,794	4,710,380
Services	861,119	1,029,831
Insurance	371,386	187,519
Utilities	534,228	524,311
Depreciation	3,637,450	3,749,304
Other	501,532	385,687
<b>Total operating expenses</b>	<b>23,005,130</b>	<b>22,876,955</b>
<b>Operating loss</b>	<b>(19,742,241)</b>	<b>(19,284,179)</b>
Nonoperating revenues (expenses):		
Federal Transit Administration operating grants	6,182,827	5,890,579
State of Oklahoma operating grants	1,092,500	1,092,500
City of Tulsa operating appropriations	7,444,000	7,183,300
Interest	3,970	2,492
Loss on disposal of capital assets	(202,928)	(75,193)
Other	279,554	279,483
<b>Total nonoperating revenues</b>	<b>14,799,923</b>	<b>14,373,161</b>
<b>Deficiency of revenues over expenses before capital contributions and capital grants</b>	<b>(4,942,318)</b>	<b>(4,911,018)</b>
Capital grants, Federal Transit Administration	1,249,060	1,203,971
Capital contributions, City of Tulsa	6,806,543	344,163
<b>Change in net position</b>	<b>3,113,285</b>	<b>(3,362,884)</b>
Net position, beginning of year	13,952,215	17,315,099
Net position, end of year	<b>\$ 17,065,500</b>	<b>\$ 13,952,215</b>

See notes to basic financial statements.

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

**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$ 3,238,610	\$ 3,592,220
Cash payments to suppliers for goods and services	(7,143,073)	(7,230,186)
Cash payments to employees	(11,155,330)	(10,405,521)
<b>Net cash used in operating activities</b>	<b>(15,059,793)</b>	<b>(14,043,487)</b>
Cash flows from noncapital financing activities:		
Operating grants received from Federal Transit Administration	5,621,971	5,440,939
Operating appropriations received from the City of Tulsa	7,444,000	7,183,300
Operating grants received from the state of Oklahoma	279,554	279,483
Other assistance received	1,092,500	1,092,500
<b>Net cash provided by noncapital financing activities</b>	<b>14,438,025</b>	<b>13,996,222</b>
Cash flows from capital and related financing activities:		
Construction and purchase of capital assets	(7,095,594)	(1,174,261)
Capital contributions from Federal Transit Administration	1,249,060	1,203,971
Capital contributions from the City of Tulsa	6,806,543	344,163
Proceeds from sale of capital assets	52,988	9,541
<b>Net cash provided by capital and related financing activities</b>	<b>1,012,997</b>	<b>383,414</b>
Cash flows provided by investing activities, interest earned	3,970	2,492
<b>Increase in cash and cash equivalents</b>	<b>395,199</b>	<b>338,641</b>
Cash and cash equivalents, beginning of year	2,634,723	2,296,082
Cash and cash equivalents, end of year	<b>\$ 3,029,922</b>	<b>\$ 2,634,723</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (19,742,241)	\$ (19,284,179)
Depreciation	3,637,450	3,749,304
Changes in operating assets and liabilities:		
Accounts receivable	(24,279)	(556)
Inventories	(22,393)	13,466
Prepaid expenses and other	(47,413)	54,555
Accounts payable	(128,297)	217,020
Accrued liabilities	151,056	(19,696)
Payable to employees	(16,384)	144,623
Change in net pension liability and other pension related amounts	1,132,708	1,081,976
<b>Net cash used in operating activities</b>	<b>\$ (15,059,793)</b>	<b>\$ (14,043,487)</b>
Noncash capital and related financing activities, capital assets recorded in accounts payable at year-end	<b>\$ 948,315</b>	<b>\$ -</b>

See notes to basic financial statements.

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

**Notes to Basic Financial Statements**

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**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 Comprehensive Annual 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 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). Restricted cash also includes reserves to comply with the worker's compensation agreement.

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

**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.

**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)**

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

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.

The Authority follows the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which establishes accounting and financial reporting standards to guide state and local governments' decisions about when and how to report the results of nonexchange transactions involving cash and other financial and capital resources.

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 are 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 balance sheet date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

	2016	Additions	Deletions	2017	Due in One Year
Compensated absences	\$ 711,043	\$ 694,693	\$ 711,043	\$ 694,693	\$ 79,890

	2015	Additions	Deletions	2016	Due in One Year
Compensated absences	\$ 649,793	\$ 711,043	\$ 649,793	\$ 711,043	\$ 81,770

**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  
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**Notes to Basic Financial Statements**

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**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.

**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.

**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 conformity 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, 2017 and 2016, 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, 2017 and 2016, none of the Authority's bank balances of \$3,462,153 and \$2,803,685, respectively, were uninsured and uncollateralized.



**Metropolitan Tulsa Transit Authority  
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**Notes to Basic Financial Statements**

**Note 3. Capital Assets**

The changes in capital assets for the years ended June 30, 2017 and 2016 were as follows:

	2017				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital assets not being depreciated,					
Construction in progress	\$ 161,786	\$ 174,524	\$ -	\$ (154,805)	\$ 181,505
Land	2,633,707	-	-	-	2,633,707
Total capital assets not being depreciated	2,795,493	174,524	-	(154,805)	2,815,212
Capital assets being depreciated:					
Revenue equipment	29,102,014	6,952,485	(3,553,720)	(46,275)	32,454,504
Service equipment	416,936	241,241	(175,888)	46,275	528,564
Passenger shelters	1,786,659	182,637	-	-	1,969,296
Security equipment	1,122,865	21,369	(2,963)	-	1,141,271
Buildings	12,013,229	100,333	-	-	12,113,562
Shop and garage equipment	2,420,961	62,696	-	-	2,483,657
Other equipment	3,170,049	419,449	(12,210)	-	3,577,288
Furniture and fixtures	326,669	43,980	(21,460)	-	349,189
Total capital assets being depreciated	50,359,382	8,024,190	(3,766,241)	-	54,617,331
Accumulated depreciation:					
Revenue equipment	17,328,208	2,678,338	(3,297,805)	(46,275)	16,662,466
Service equipment	363,314	42,533	(175,888)	46,275	276,234
Passenger shelters	1,580,562	106,058	-	-	1,686,620
Security equipment	865,957	129,387	(2,963)	-	992,381
Buildings	7,974,826	338,453	-	-	8,313,279
Shop and garage equipment	1,118,239	143,722	-	-	1,261,961
Other equipment	2,847,277	189,546	(12,210)	-	3,024,613
Furniture and fixtures	315,848	9,413	(21,459)	-	303,802
Total accumulated depreciation	32,394,231	3,637,450	(3,510,325)	-	32,521,356
Total capital assets being depreciated, net	17,965,151	4,386,740	(255,916)	-	22,095,975
Capital assets, net	\$ 20,760,644	\$ 4,561,264	\$ (255,916)	\$ (154,805)	\$ 24,911,187

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

**Notes to Basic Financial Statements**

**Note 3. Capital Assets (Continued)**

	2016				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated,					
Construction in progress	\$ -	\$ 161,786	\$ -	\$ -	\$ 161,786
Land	2,633,707	-	-	-	2,633,707
Total capital assets not being depreciated	2,633,707	161,786	-	-	2,795,493
Capital assets being depreciated:					
Revenue equipment	28,916,933	926,266	(741,185)	-	29,102,014
Service equipment	471,801	-	(54,865)	-	416,936
Passenger shelters	1,820,569	-	(33,910)	-	1,786,659
Security equipment	1,127,091	-	(4,226)	-	1,122,865
Buildings	12,013,229	-	-	-	12,013,229
Shop and garage equipment	2,412,099	8,014	(13,686)	14,534	2,420,961
Other equipment	3,205,107	72,245	(104,526)	(2,777)	3,170,049
Furniture and fixtures	925,862	5,947	(101,176)	(503,964)	326,669
Total capital assets being depreciated	50,892,691	1,012,472	(1,053,574)	(492,207)	50,359,382
Accumulated depreciation:					
Revenue equipment	15,255,388	2,732,064	(659,244)	-	17,328,208
Service equipment	396,486	21,693	(54,865)	-	363,314
Passenger shelters	1,509,265	105,207	(33,910)	-	1,580,562
Security equipment	674,616	195,567	(4,226)	-	865,957
Buildings	7,637,910	336,916	-	-	7,974,826
Shop and garage equipment	938,312	178,575	(13,182)	14,534	1,118,239
Other equipment	2,780,394	174,000	(104,526)	(2,591)	2,847,277
Furniture and fixtures	913,606	5,282	(101,178)	(504,150)	313,560
Total accumulated depreciation	30,105,977	3,749,304	(971,131)	(492,207)	32,391,943
Total capital assets being depreciated, net	20,786,714	(2,736,832)	(82,443)	-	17,967,439
Capital assets, net	\$ 23,420,421	\$ (2,575,046)	\$ (82,443)	\$ -	\$ 20,762,932

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

**Notes to Basic Financial Statements**

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**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 (City). 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 Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2<sup>nd</sup> 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 salary during the last five-years of service and a multiplier based on the years of service. Employees 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 percent 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 with additional service credited during the period of disability. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50 percent 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 percent of their pensionable wages for the years ended June 30, 2017 and 2016. The Authority was required to contribute 11.5 percent of pensionable wages for the years ended June 30, 2017 and 2016. The Authority is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceeds the 11.5 percent of pensionable wages. Actual contributions to the pension plan from the Authority were \$247,369 and \$237,982 for the years ended June 30, 2017 and 2016, respectively.

There were no non-employer contributing entities at MERP.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2017, the Authority reported a liability of \$3,515,360 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The liability for June 30, 2016 was \$3,892,331. Standard update procedures were used to roll forward the total pension liability to June 30, 2017. 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, 2017 and 2016, the Authority's proportion was 1.7793 percent and 1.7994 percent, respectively.

**Metropolitan Tulsa Transit Authority  
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**Notes to Basic Financial Statements**

**Note 4. Pension Plans (Continued)**

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of \$312,693 and \$277,791, respectively. At June 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ 29,179	\$ (152,155)	\$ 41,553	\$ (100,737)
Changes of assumptions	597,935	(264,859)	851,501	(520,542)
Net difference between projected and actual earnings on pension plan investments	33,114	-	395,588	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	9,680	(40,098)	13,632	(19,850)
<b>Total</b>	<b>\$ 669,908</b>	<b>\$ (457,112)</b>	<b>\$ 1,302,274</b>	<b>\$ (641,129)</b>

**Note:** Changes of assumptions – In 2016, amounts reported as changes in assumptions resulted primarily from the changes in the mortality table and discount rate from 7.75 percent to 7.5 percent.

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

Year ended June 30:	
2018	\$ (89,122)
2019	284,485
2020	111,732
2021	(94,299)
	<b>\$ 212,796</b>

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 11.75 percent, including inflation
Investment rate of return	7.50 percent compounded annually, net of investment expense and including inflation

Mortality rates were based on the RP-2014 Combined Health Mortality Table with Blue Collar Adjustment, which is projected on a fully generational basis with scale MP-2015 from the table's base year of 2014.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

**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 geometric 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	24%	1.16%
Domestic equity	36	6.19
International equity	24	6.59
Real estate	8	4.24
Commodities	3	0.40
Timber	4	3.75
Cash	1	0.11
Total	100%	

**Discount rate:** The discount rate used to measure the total pension liability was 7.5 percent. 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 July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 15.50 percent of payroll, which is the actuarially determined contribution rate. 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 7.5 percent, 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	\$ 4,861,448	\$ 3,515,360	\$ 2,387,050

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the City of Tulsa's CAFR; which can be located at [www.cityoftulsa.org](http://www.cityoftulsa.org).

**Metropolitan Tulsa Transit Authority  
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**Notes to Basic Financial Statements**

**Note 4. Pension Plans (Continued)**

**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 since the Authority does not perform investment functions and does not have significant administrative involvement.

**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 both completed one year of employment and attained age 21 are eligible to participate in the Union Plan. Participants become 100 percent vested after ten years of service. The membership data at June 30, 2017 and 2016 included:

	2017	2016
Active members	121	93
Retirees and beneficiaries currently receiving benefits	87	81
Inactive members entitled to but not yet receiving benefits	9	10
	<u>217</u>	<u>184</u>

**Contributions:** The employer and employee contribution rates are determined by the Agreement. The employee contribution rate for fiscal years 2017 and 2016 was 4 percent. The employer contribution rate for fiscal years 2017 and 2016 was 11.2 percent and 9.8 percent, 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 percent 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.

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
Cash and equivalents	38.90%	1.0%
Corporate equities	13.74	2.0
Pooled equity funds	45.91	8.5
Pooled fixed income funds	39.95	2.3
	<u>100.00%</u>	

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

**Notes to Basic Financial Statements**

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**Note 4. Pension Plans (Continued)**

**Rate of return:** For the year ended June 30, 2017, the annual weighted rate of return on pension plan investments, net of pension plan investment expense was 9.57 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net pension liability:** The total pension liability was determined using an actuarial valuation date of June 30, 2017 using generally accepted actuarial principals and methods. The Authority is utilizing June 30, 2017 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements.

A schedule of the Authority's changes in its net pension liability for the Union Plan for the year ended June 30, 2017 is as follows:

<b>Total pension liability</b>	
Service cost	\$ 820,290
Interest	740,466
Benefit payments, including refunds of member contributions	(918,508)
Difference between expected and actual experience of the Total Pension Liability	(211,294)
Changes in assumptions	(911,983)
Changes of benefit terms	67,797
Net change in total pension liability	<u>(413,232)</u>
Total pension liability - beginning	17,554,210
Total pension liability - ending (a)	<u>\$ 17,140,978</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 310,926
Contributions - employee	125,333
Net investment income	925,956
Benefit payments, including refunds of member contributions	(918,508)
Administrative expense	(94,714)
Net change in plan fiduciary net position	<u>348,993</u>
Plan fiduciary net position - beginning	9,963,947
Plan fiduciary net position - ending (b)	<u>\$ 10,312,940</u>
Net pension liability - ending (a) - (b)	<u>\$ 6,828,038</u>
Plan fiduciary net position as a percentage of the total pension liability	60.17%

**Note:** The change in assumption is due to the increase of the discount rate in 2017, from 4.23 percent as of June 30, 2016 to 4.70 percent as of June 30, 2017. The long-term rate of return was decreased from 7.50 percent to 7.00 percent.

**Actuarial assumptions:** The total pension liability in the June 30, 2017 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 percent long-term rate of return until the projected fiduciary net position of the Union Plan is exhausted at which point a 20-year general obligation municipal bond rate is used (3.56 percent for fiscal year 2017) resulting in a long-term blended rate of return of 4.70 percent.

**Metropolitan Tulsa Transit Authority  
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**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, 2017 and 2016 was 4.70 percent and 4.23 percent, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. 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 2038 at June 30, 2017. As a result, for fiscal year 2017, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2038, and the municipal bond rate was applied to all benefit payments after those dates.

**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 4.70 percent, 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 (3.70 percent) or 1-percentage-point higher (5.70 percent) than the current rate.

	1% Decrease (3.70%)	Discount Rate (4.70%)	1% Increase (5.70%)
Authority's net pension liability as of June 30, 2017	\$ 8,887,837	\$ 6,828,038	\$ 5,095,423

**Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:** For the year ended June 30, 2017, the Authority recognized pension expense of \$1,372,256. At June 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Union Plan pension from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,286	\$ 432,938	\$ 35,488	\$ 416,112
Changes of assumptions	1,541,736	710,480	2,208,720	-
Net difference between projected and actual earnings on pension plan investments	495,133	-	914,196	-
Total deferred amounts to be recognized in pension expense in future periods	<u>\$ 2,062,155</u>	<u>\$ 1,143,418</u>	<u>\$ 3,158,404</u>	<u>\$ 416,112</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 4.5259 years. 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:

	Net Deferred Outflows of Resources
Year ended June 30:	
2018	\$ 499,982
2019	496,230
2020	93,106
2021	(170,581)
	\$ 918,737

**Note 5. Other Postemployment Benefits (OPEB)**

The City provides postemployment health care benefits for retired employees and their dependents through the City of Tulsa Postretirement Medical Plan (the Plan), a multiple-employer cost sharing defined benefit health care plan. The benefits, coverage levels, employee contributions and employer contributions are governed by the City through its personnel and union contracts.

All health care benefits are provided through the City's fully insured health plan. The benefit levels are the same as those offered to active employees. Benefits include general inpatient and outpatient medical services and prescriptions. General employees are eligible for membership in the plan if they retire from the City on or after age 55 with 5 years of service or with age and service totaling 80 points. Coverage ceases upon eligibility of the member (retiree or dependent) for Medicare. Coverage for dependents can continue upon the death of the retiree. Spouses of employees eligible for benefits and who die in active service can receive coverage.

The actuarial valuation of liabilities under the Plan is calculated using the entry age normal cost method as of the July 1, 2017, 2016 and 2015 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability which was approximately \$6,063,000, \$9,713,000 and \$12,180,000 for the City as of June 30, 2017, 2016 and 2015, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determined. The Authority's OPEB information is presented below:

Year	Annual OPEB Cost Information - City			
	Actuarial Required Contribution	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2017	\$ 585,000	\$ 1,234,000	211%	\$ 380,491
2016	977,000	796,000	81	411,260
2015	1,207,000	618,000	51	406,711

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

**Notes to Basic Financial Statements**

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**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, 2017, the Authority has entered into contracts totaling approximately \$1,860,000 which will be funded by federal grants.

**Note 7. Related-Party Transactions**

During the years ended June 30, 2017 and 2016, the Authority received no advances from the City, although \$326,000 of prior advances were outstanding as of June 30, 2017 and 2016.

During the years ended June 30, 2017 and 2016, the Authority received operating appropriations from the City of \$7,444,000 and \$7,183,300, respectively. During the years ended June 30, 2017 and 2016, the Authority received capital appropriations from the City of \$6,806,543 and \$344,163, respectively.

**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. In February 2017, 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, 2017, 2016 and 2015:

	2017	2016	2015
Liability, beginning of year	\$ 573,936	\$ 543,102	\$ 451,723
Claims incurred:			
Auto/general	158,143	43,365	43,317
Workers' compensation	278,918	186,224	128,235
Claims paid	(286,005)	(198,755)	(80,173)
Liability, end of year	<u>\$ 724,992</u>	<u>\$ 573,936</u>	<u>\$ 543,102</u>

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

**Notes to Basic Financial Statements**

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**Note 9. Future Changes in Accounting Pronouncements**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the Authority beginning with its year ending June 30, 2017. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, established new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2018, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Management is still evaluating the applicability of Statement No. 84 to the Authority.

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

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

	June 30,		
	2017	2016	2015
Authority's proportion of the net pension liability	<b>1.7793%</b>	1.7994%	1.7895%
Authority's proportionate share of the net pension liability	<b>\$ 3,515,360</b>	\$ 3,892,331	\$ 2,241,425
Authority's covered-employee payroll	<b>2,234,017</b>	2,143,730	2,004,148
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>157%</b>	182%	112%
Plan fiduciary net position as a percentage of the total pension liability	<b>69.39%</b>	65.62%	77.13%
Contractually required contribution	<b>\$ 256,912</b>	\$ 246,529	\$ 230,477
Contributions in relation to the contractually required contribution	<b>256,912</b>	246,529	230,477
Contribution deficiency (excess)	<b>\$ -</b>	\$ -	\$ -
Authority's covered-employee payroll	<b>\$ 2,234,017</b>	\$ 2,143,730	\$ 2,004,148
Contributions as a percentage of covered-employee payroll	<b>11.50%</b>	11.50%	11.50%

Prior year information is not available.

**Changes of assumptions.** In 2016, amounts reported as changes of assumptions resulted primarily from changes in the mortality table and discount rate from 7.50% to 7.00%.

**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,		
	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 820,290	\$ 568,416	\$ 532,080
Interest	740,466	798,109	837,382
Benefit payments	(918,508)	(797,315)	(858,804)
Difference between expected and actual experience	(211,294)	45,690	(711,676)
Changes in assumptions	(911,983)	2,234,197	809,630
Changes in benefit terms	67,797	-	-
<b>Net change in total pension liability</b>	<b>(413,232)</b>	2,849,097	608,612
Total pension liability - beginning of year	17,554,210	14,705,113	14,096,501
Total pension liability - end of year	<b>\$ 17,140,978</b>	<b>\$ 17,554,210</b>	<b>\$ 14,705,113</b>
<b>Plan Net Position</b>			
Contributions - employer	\$ 310,926	\$ 285,705	\$ 285,705
Contributions - employee	125,333	121,365	117,267
Investment income, net of investment expenses	925,956	70,587	177,578
Benefit payments	(918,508)	(797,315)	(858,804)
Administrative expenses	(94,714)	(67,884)	(79,342)
<b>Net change in plan net position</b>	<b>348,993</b>	(387,542)	(357,596)
Total plan net position - beginning of year	9,963,947	10,351,489	10,709,085
Total plan net position - end of year	<b>\$ 10,312,940</b>	<b>\$ 9,963,947</b>	<b>\$ 10,351,489</b>
<b>Net pension liability</b>	<b>\$ 6,828,038</b>	<b>\$ 7,590,263</b>	<b>\$ 4,353,624</b>

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

**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,		
	2017	2016	2015
Total pension liability - end of year	<b>\$ 17,140,978</b>	\$ 17,554,210	\$ 14,705,113
Plan net position - end of year	<b>10,312,940</b>	9,963,947	10,351,489
<b>Net pension liability</b>	<b>\$ 6,828,038</b>	<b>\$ 7,590,263</b>	<b>\$ 4,353,624</b>
Plan net position as a percentage of the total pension liability	<b>60.17%</b>	56.76%	70.39%
Covered employee payroll	<b>\$ 3,180,653</b>	\$ 2,863,557	\$ 3,174,496
Net pension liability as a percentage of covered payroll	<b>214.67%</b>	265.06%	137.14%

Prior year information is not available.

See note to required supplementary information.

**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**

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Plan year ended June 30:	
2008	(10.17%)
2009	(18.11)
2010	9.86
2011	31.72
2012	1.09
2013	11.07
2014	15.24
2015	1.70
2016	0.70
2017	9.57

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
2008	\$ 183,332	\$ 195,303	\$ (11,971)	\$ 3,255,034	6.00%
2009	259,756	217,626	42,130	3,108,933	7.00
2010	377,831	316,813	61,018	3,520,150	9.00
2011	340,700	273,980	66,720	3,044,226	9.00
2012	330,850	252,465	78,385	2,805,171	9.00
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

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**

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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:	4.70%
Long-term expected rate of return	7.00%
Long-term municipal bond rate	3.56%
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 for males and females
Disability	Not applicable to the MP-2014 projection scale

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

**Supplemental Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017**

Federal Grantor/ Program Title	Project Number	CFDA #	Program or Award Amount	Unexpended Balance at June 30, 2016
<b>U.S Department of Transportation (Direct)</b>				
	OK-2016-016-00	20.507	\$ -	\$ -
	OK-34-0004-00	20.526	701,409	677,981
	OK-95-X006-00	20.507	250,000	172,603
	OK-95-X008-00	20.507	250,000	198,561
	OK-2016-005-00	20.507	250,000	250,000
	OK-90-X095-01	20.507	6,953,517	-
	OK-90-X100-00	20.507	6,465,926	116,423
	OK-95-X003-00	20.507	650,000	50,001
	OK-90-X104-00	20.507	6,595,908	150,250
	OK-90-X109-00	20.507	6,340,747	333,242
	OK-95-X005-00	20.507	607,323	13,100
	OK-90-X113-00	20.507	6,284,345	160,712
	OK-90-X117-00	20.507	6,588,277	210,103
	OK-90-X122-00	20.507	6,572,959	1,806,284
	OK-2016-001-00	20.507	6,692,783	6,692,783
	OK-2017-009-00	20.507	6,614,777	-
			<u>\$ 61,817,971</u>	<u>\$ 10,832,043</u>

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, 2017
\$ 55,697	\$ 9,978	\$ 23,283	\$ 33,261	\$ 32,414
-	-	-	-	677,981
-	29,160	116,640	145,800	55,963
-	30,037	116,013	146,050	82,548
-	10,008	40,032	50,040	209,968
-	-	-	-	-
-	30,842	116,423	147,265	-
-	12,500	50,001	62,501	-
-	24,161	78,262	102,423	71,988
-	26,031	98,783	124,814	234,459
-	3,275	13,100	16,375	-
-	5,518	22,072	27,590	138,640
-	43,816	167,918	211,734	42,185
-	596,085	1,756,487	2,352,572	49,797
-	2,461,006	4,845,863	7,306,869	1,846,920
6,614,777	-	-	-	6,614,777
<u>\$ 6,670,474</u>	<u>\$ 3,282,417</u>	<u>\$ 7,444,877</u>	<u>\$ 10,727,294</u>	<u>\$ 10,057,640</u>

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

**Schedule of Operating Expenses, Excluding Depreciation**  
**Year Ended June 30, 2017**

<hr/>	
Labor:	
Operator salaries and wages	\$ 4,079,302
Transportation administration	222,050
System security	314,046
Servicing of revenue vehicles	190,154
Maintenance administration	290,497
Maintenance and inspection of revenue vehicles	813,702
Service development	64,397
General office administration	1,267,104
Safety and training administration	6,608
<b>Total labor</b>	<u>7,247,860</u>
 Purchased transportation:	
Lift program, ADA	2,513,326
Fixed route	369,911
<b>Total purchased transportation</b>	<u>2,883,237</u>
 Materials and supplies consumed:	
Diesel fuel	454,723
Compressed natural gas	(576,323)
Gasoline service	16,660
Oil and lubricants	121,237
Tires and tubes	113,010
Shop and garage building repair	356,825
Service and shop equipment	28,157
Other shop and garage expense	73,869
Repair parts for revenue vehicles	871,027
Servicing supplies	362,138
Transportation and safety	11,566
Schedules	26,498
Tickets and transfers	15,953
General office expenses	69,184
<b>Total materials and supplies consumed</b>	<u>1,944,524</u>

(Continued)

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

**Schedule of Operating Expenses, Excluding Depreciation (Continued)**  
**Year Ended June 30, 2017**

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Fringes:	
FICA taxes	591,404
Pension plan expenses	1,665,726
Health and dental expense	1,530,132
Life and disability insurance	67,869
Workers' compensation insurance (including self-insurance)	291,674
Sick leave	237,031
Holiday pay	187,668
Vacation pay	306,589
Uniform allowance - drivers	38,972
Work clothing and tool allowance, mechanics	38,090
Unemployment tax, state	6,000
Other	62,639
<b>Total fringes</b>	<u>5,023,794</u>
Services:	
Legal fees	55,609
Audit and other outside services	38,300
Office equipment maintenance	5,096
Advertising	250,285
Professional and technical services	295,809
Building, vehicle and facility services	154,874
Security services	61,146
<b>Total services</b>	<u>861,119</u>
Insurance, property and liability insurance (including self-insurance)	<u>371,386</u>
Utilities:	
Heat, power and water	335,533
Communications	198,695
<b>Total utilities</b>	<u>534,228</u>

(Continued)

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

**Schedule of Operating Expenses, Excluding Depreciation (Continued)**  
**Year Ended June 30, 2017**

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Other:	
Planning expense	225,780
Dues and subscriptions	14,817
Travel and meetings, staff	31,783
Marketing and advertising	128,910
Training	9,205
Other miscellaneous expenses	73,208
Leases and rentals	17,829
<b>Total other</b>	<u>501,532</u>
<b>Total operating expenses, excluding depreciation</b>	<u><u>\$ 19,367,680</u></u>

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

**Schedule of Project Costs**  
**Year Ended June 30, 2017**

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Total operating expenses:	
Labor	\$ 7,247,860
Purchased transportation	2,883,237
Materials and supplies consumed	1,944,524
Fringes	5,023,794
Services	861,119
Insurance	371,386
Utilities	534,228
Other	501,532
<b>Total operating expenses, excluding depreciation</b>	<u>19,367,680</u>
Depreciation	<u>3,637,450</u>
<b>Total operating expenses</b>	<u>23,005,130</u>
Less exclusions:	
Ineligible expenses:	
Depreciation	3,637,450
Contra-expense, interest earned on working capital	(3,970)
Other exclusions, expenses reimbursable by:	
Planning assistance, FTA	1,186,006
Revolving transit funds, Oklahoma	1,092,500
CMAQ operating assistance, FTA	75,029
Operating assistance, FTA	1,622,532
Preventative maintenance assistance, FTA	2,511,893
Lift program assistance, FTA	669,000
Lease assistance, FTA	118,367
<b>Total exclusions</b>	<u>10,908,807</u>
<b>Eligible operating expenses</b>	<u>12,096,323</u>
Less:	
Passenger farebox revenues	2,626,758
Contract services and other	45,790
	<u>2,672,548</u>
<b>Net eligible project cost</b>	<u>9,423,775</u>
Less local share of operating assistance:	
City of Tulsa	7,444,000
Advertising revenues	590,341
Other	279,554
	<u>8,313,895</u>
<b>Net revenues before applying FTA operating funds</b>	<u><u>\$ 1,109,880</u></u>

