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

Financial Report
June 30, 2018

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Contents

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Independent Auditor's Report

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter
As explained in Note 5 to the basic financial statements, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which restated beginning net position, to record the total OPEB liability, deferred outflows of resources and deferred inflows of resources. Our opinion is not modified with respect to this matter.

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 and postemployment 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 January 16, 2019, 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
January 16, 2019

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, 2018 and 2017. 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 $14,800 (net position). For fiscal year 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $17,326.
- During fiscal year 2018, the Authority's total net position decreased by approximately $2,525. For fiscal year 2017, the Authority's total net position increased by $3,097.
- The Authority's total liabilities increased by approximately $331 during fiscal year 2018.
- For the year ended June 30, 2018, net capital assets decreased by approximately $1,607. For the year ended June 30, 2017, net capital assets increased by approximately $4,150.

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 decreased by $2,525 for fiscal year ended June 30, 2018. The Authority's net position increased by $3,097 for the fiscal year ended June 30, 2017. Capital assets decreased by $1,607 due to depreciation of assets exceeding capital outlay. Long-term liabilities increased by $46 due to increases in the net pension liability for the pension plans in which the Authority participates.

Net Position
(in thousands of dollars)

	2018	(As Restated) 2017	(As Restated) 2016
Assets			
Current and other assets	**$ 5,487**	$ 5,343	$ 4,292
Capital assets, net	**23,304**	24,911	20,761
Total assets	**28,791**	30,254	25,053
Deferred outflows of resources	**1,970**	2,760	4,461
Liabilities			
Current and other liabilities	**2,702**	2,655	1,655
Long-term liabilities	**11,711**	11,427	12,573
Total liabilities	**14,413**	14,082	14,228
Deferred inflows of resources	**1,548**	1,606	1,057
Net position			
Investment in capital assets	**23,304**	24,911	20,761
Restricted for other purposes	**977**	1,581	986
Unrestricted (deficit)	**(9,481)**	(9,166)	(7,518)
Total net position	**$ 14,800**	$ 17,326	$ 14,229

Change in Net Position

For the year ended June 30, 2018, the Authority's total operating revenues decreased approximately $235 and operating expenses increased $267. The key factor for the decrease in operating revenues was attributable to the composition of the Authority's fixed route ridership; that is, although fixed route ridership decreased only three percent, discounted fares and free fares increased six percent. The combination of these two changes created the $235 decrease from prior year. The increase in operating expenses was primarily driven by an increase in expense for materials and supplies consumed.

For the year ended June 30, 2017, the Authority's total operating revenues decreased approximately $330 and operating expenses increased $144. 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.

Changes in Net Position
(in thousands of dollars)

	2018	(As Restated) 2017	2016
Operating revenues	**$ 3,028**	$ 3,263	$ 3,593
Nonoperating and capital revenues	**17,760**	23,057	15,996
Total revenues	**20,788**	26,320	19,589
Operating expenses	**23,288**	23,021	22,877
Nonoperating expenses	**25**	202	75
Total expenses	**23,313**	23,223	22,952
Increase (decrease) in net position	**$ (2,525)**	$ 3,097	$ (3,363)

Capital Assets
The Authority's investment in capital assets as of June 30, 2018 amounts to approximately $23,304 (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, facility improvements, service vehicles, and information technology equipment, investments fell from prior year resulting in a $1,607 decrease in net capital assets.

Net Capital Assets
(in thousands of dollars)

	2018	2017	2016
Revenue equipment	**$ 31,784**	$ 32,454	$ 29,102
Service equipment	**524**	529	417
Passenger shelters	**2,057**	1,969	1,787
Security equipment	**1,140**	1,141	1,123
Buildings	**12,114**	12,114	12,013
Shop and garage equipment	**2,559**	2,484	2,421
Other equipment	**3,569**	3,577	3,170
Furniture and fixtures	**360**	349	327
Construction in progress	**219**	181	162
Land	**2,634**	2,634	2,634
	56,960	57,432	53,156
Less accumulated depreciation	**(33,656)**	(32,521)	(32,395)
Net capital assets	**$ 23,304**	$ 24,911	$ 20,761

Economic Factors (in thousands)

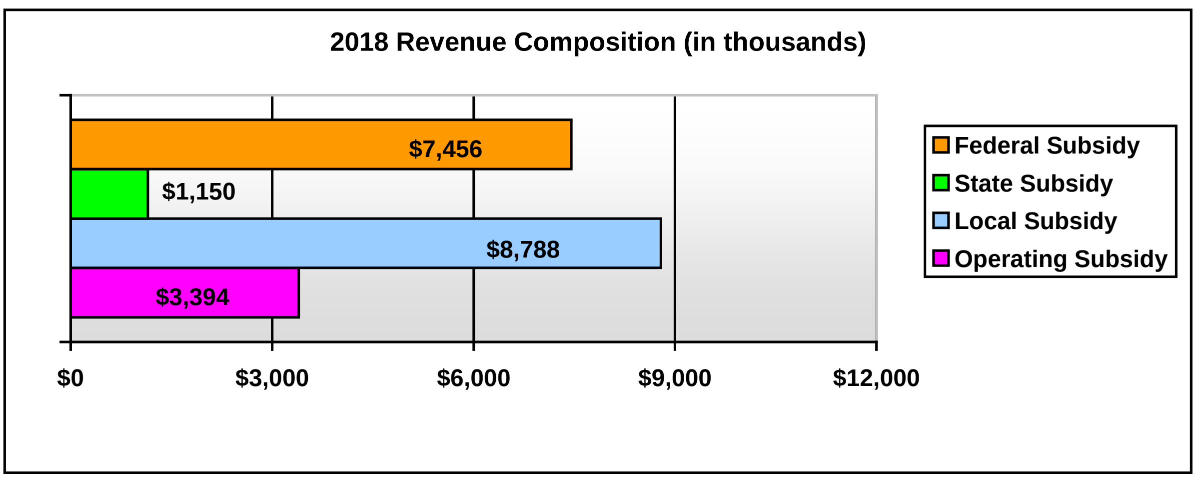
The Authority provides public transportation programs to residents in Tulsa, Broken Arrow, Jenks and Sand Springs. These services include fixed route bus service, ADA paratransit services for the disabled, commuter bus services, and evening deviated fixed-route services. To coordinate these services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

During FY18, the Authority implemented a Sunday Service. This was the first time that the Authority has provided a Sunday Service and it has been well received by our customers. Although it is a limited service, annual ridership of 86 exceeded the Authority's expectations. The City of Tulsa General Fund's FY18 apportionment was consistent with prior year, which was not adequate to cover increases in health insurance premiums and Lift program services; however, due to the carryover of CNG rebates of $570, the Authority was able to absorb the deficit without reducing service. The Authority's investment in CNG buses, fueling station, and other CNG technologies continue to provide fuel efficiencies. To date, the Authority has transitioned 100 percent of their Lift fleet and 65 percent of their Fixed Route fleet.

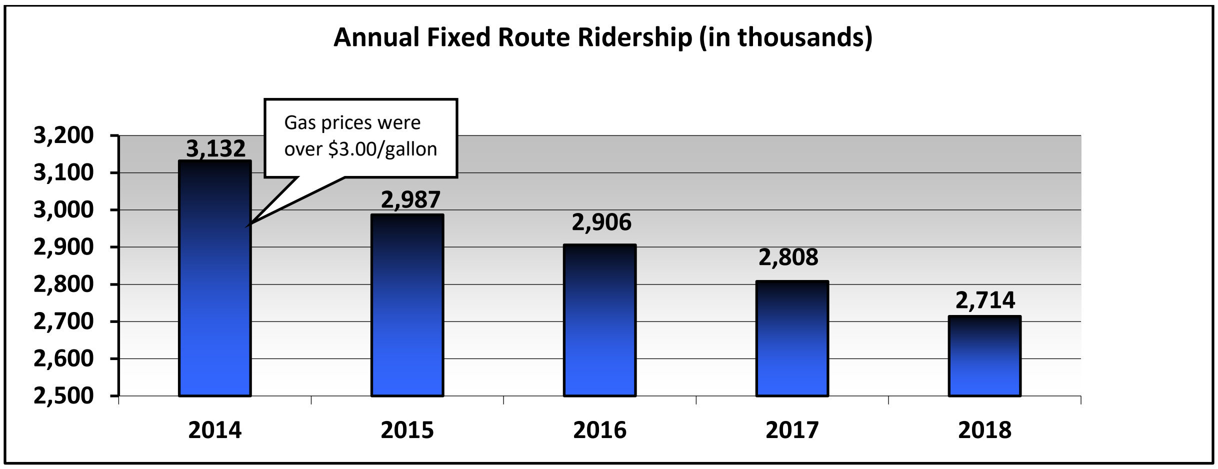
During FY18, the Authority replaced nine Lift buses totaling $1,616. In preparation for the 2019 Bus Rapid Transit System and to continue to replace aging rolling stock, the Authority issued procurement contracts for an additional 19 Fixed Route buses totaling $9,800. Replacement of aging rolling stock continues to be a fiscal challenge; however, to augment local funding, the Authority is aggressive in applying for federal subsidies.

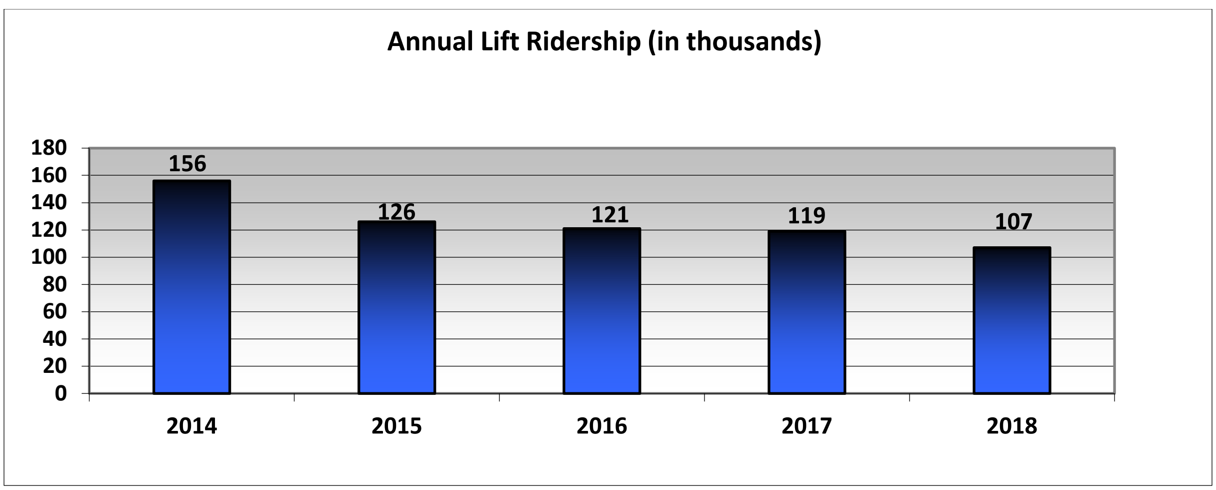
Additional capital investments were made for facility improvements, replacement of service vehicles, and various Information Technology projects. The Authority's total capital investments for FY18 totaled $1,982 with a funding ratio of 47 percent federal and 53 percent local.

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 $8,788 from the City of Tulsa apportionments funded operating expenses and the aforementioned capital purchases. Excluding loss on Sale of Assets, the Authority's 2018 total revenues were $20,788. The following chart details the Authorities revenue composition for 2018:



Due to new transportation alternatives, gas prices and nation-wide economics, the Authority has seen a 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. The Authority provided 2,714 for Tulsa citizens. The charts 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, 2018 and 2017

	2018	2017 (as restated)
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,797,451**	$ 1,449,051
Restricted cash	**207,507**	213,637
Total cash and cash equivalents	**3,004,958**	1,662,688
Accounts receivable:		
Trade	**136,071**	182,801
Operating and capital grants	**594,103**	1,298,331
Inventories	**670,560**	683,064
Prepaid expenses and other	**311,623**	148,632
Total current assets	**4,717,315**	3,975,516
Noncurrent assets, restricted cash	**769,161**	1,367,234
Capital assets, at cost:		
Revenue equipment	**31,783,849**	32,454,504
Service equipment	**524,195**	528,564
Passenger shelters	**2,057,298**	1,969,296
Security equipment	**1,140,285**	1,141,271
Buildings	**12,113,562**	12,113,562
Shop and garage equipment	**2,558,827**	2,483,657
Other equipment	**3,569,076**	3,577,288
Furniture and fixtures	**359,997**	349,189
Land	**2,633,707**	2,633,707
Construction in progress	**219,637**	181,505
	56,960,433	57,432,543
Less accumulated depreciation	**33,655,995**	32,521,356
	23,304,438	24,911,187
Total assets	**28,790,914**	30,253,937
Deferred outflows of resources		
Pension related amounts	**1,939,701**	2,732,063
Other postemployment benefits related amounts	**30,027**	28,090
Total deferred outflows of resources	**1,969,728**	2,760,153

See notes to basic financial statements.

		2018		2017 (as restated)
Liabilities				
Current liabilities:				
Accounts payable:				
Trade	**$**	**1,669,857**	$	1,414,630
Other		**25,120**		55,192
Accrued wages payable		**304,750**		309,009
Accrued compensated absences		**81,888**		79,890
Accrued insurance claims		**519,059**		724,992
Accrued pension contributions		**100,956**		71,565
Total current liabilities		**2,701,630**		2,655,278
Noncurrent liabilities:				
Advances payable to the City of Tulsa		**326,000**		326,000
Net pension liability—MERP		**3,789,382**		3,515,360
Net pension liability—Union plan		**6,815,763**		6,828,038
Total OPEB liability		**149,179**		142,603
Accrued compensated absences		**630,179**		614,803
Total noncurrent liabilities		**11,710,503**		11,426,804
Total liabilities		**14,412,133**		14,082,082
Deferred inflows of resources				
Pension related amounts		**1,535,579**		1,600,530
Other postemployment benefits related amounts		**12,742**		5,755
Total deferred inflows of resources		**1,548,321**		1,606,285
Net position				
Investment in capital assets		**23,304,438**		24,911,187
Restricted, expendable for capital acquisitions		**769,161**		1,367,234
Restricted, expendable for worker's compensation		**207,507**		213,637
Unrestricted, deficit		**(9,480,918)**		(9,166,335)
Total net position	**$**	**14,800,188**	$	17,325,723

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, 2018 and 2017

	2018	2017 (as restated)
Operating revenues:		
Passenger	**$ 2,407,390**	$ 2,626,758
Advertising	**582,029**	590,341
Other	**38,088**	45,790
Total operating revenues	**3,027,507**	3,262,889
Operating expenses:		
Labor	**7,164,230**	7,247,860
Purchased transportation	**2,912,964**	2,883,237
Materials and supplies consumed	**2,312,693**	1,944,524
Fringes	**5,077,937**	5,040,257
Services	**1,022,916**	861,119
Insurance	**358,933**	371,386
Utilities	**476,891**	534,228
Depreciation	**3,546,065**	3,637,450
Other	**415,342**	501,532
Total operating expenses	**23,287,971**	23,021,593
Operating loss	**(20,260,464)**	(19,758,704)
Nonoperating revenues (expenses):		
Federal Transit Administration operating grants	**6,517,999**	6,182,827
State of Oklahoma operating grants	**1,150,000**	1,092,500
City of Tulsa operating appropriations	**7,739,000**	7,444,000
Interest	**4,472**	3,970
Loss on disposal of capital assets	**(24,841)**	(202,928)
Other	**362,179**	279,554
Total nonoperating revenues	**15,748,809**	14,799,923
Deficiency of revenues over expenses before capital contributions and capital grants	**(4,511,655)**	(4,958,781)
Capital grants, Federal Transit Administration	**936,677**	1,249,060
Capital contributions, City of Tulsa	**1,049,443**	6,806,543
Change in net position	**(2,525,535)**	3,096,822
Net position, beginning of year, as restated	**17,325,723**	14,228,901
Net position, end of year	**$ 14,800,188**	$ 17,325,723

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, 2018 and 2017

	2018	2017 (as restated)
Cash flows from operating activities:		
Cash received from customers	**$ 3,074,237**	$ 3,238,610
Cash payments to suppliers for goods and services	**(6,685,689)**	(7,143,073)
Cash payments to employees	**(11,198,877)**	(11,155,330)
Net cash used in operating activities	**(14,810,329)**	(15,059,793)
Cash flows from noncapital financing activities:		
Operating grants received from Federal Transit Administration	**7,222,227**	5,621,971
Operating appropriations received from the City of Tulsa	**7,739,000**	7,444,000
Operating grants received from the state of Oklahoma	**1,150,000**	1,092,500
Other assistance received	**362,179**	279,554
Net cash provided by noncapital financing activities	**16,473,406**	14,438,025
Cash flows from capital and related financing activities:		
Construction and purchase of capital assets	**(2,933,356)**	(7,095,594)
Capital contributions from Federal Transit Administration	**936,677**	1,249,060
Capital contributions from the City of Tulsa	**1,049,443**	6,806,543
Proceeds from sale of capital assets	**23,884**	52,988
Net cash (used in) provided by capital and related financing activities	**(923,352)**	1,012,997
Cash flows provided by investing activities, interest earned	**4,472**	3,970
Increase in cash and cash equivalents	**744,197**	395,199
Cash and cash equivalents, beginning of year	**3,029,922**	2,634,723
Cash and cash equivalents, end of year	**$ 3,774,119**	$ 3,029,922
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (20,260,464)**	$ (19,758,704)
Depreciation	**3,546,065**	3,637,450
Changes in operating assets and liabilities:		
Accounts receivable	**46,730**	(24,279)
Inventories	**12,504**	(22,393)
Prepaid expenses and other	**(162,991)**	(47,413)
Accounts payable	**1,170,470**	(128,297)
Accrued liabilities	**(205,933)**	151,056
Payable to employees	**42,506**	(16,384)
Change in total OPEB liability and other OPEB related amounts	**11,626**	16,463
Change in net pension liability and other pension related amounts	**989,158**	1,132,708
Net cash used in operating activities	**$ (14,810,329)**	$ (15,059,793)
Noncash capital and related financing activities, capital assets recorded in accounts payable at year-end	**$ 3,000**	$ 948,315

See 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 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). The balance is $769,161 and $1,367,434 as of June 30, 2018 and 2017, respectively. Restricted cash also includes reserves to comply with the worker's compensation agreement. The balance is $207,507 and $213,437 as of June 30, 2018 and 2017, respectively.

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.

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.

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.

	2017	Additions	Deletions	2018	Due in One Year
Compensated absences	$ 694,693	$ 712,067	$ 694,693	$ 712,067	$ 81,888

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

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.

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 and OPEB 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 and OPEB 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, 2018 and 2017, 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, 2018 and 2017, none of the Authority's bank balances of $3,963,748 and $3,462,153, respectively, were uninsured and uncollateralized.

Note 3. Capital Assets

The changes in capital assets for the years ended June 30, 2018 and 2017 were as follows:

	2018				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Construction in progress	$ 181,505	$ 141,130	$ -	$ (102,998)	$ 219,637
Land	2,633,707	-	-	-	2,633,707
Total capital assets not being depreciated	2,815,212	141,130	-	(102,998)	2,853,344
Capital assets being depreciated:					
Revenue equipment	32,454,504	1,616,033	(2,286,688)	-	31,783,849
Service equipment	528,564	24,075	(28,444)	-	524,195
Passenger shelters	1,969,296	60,170	(9,785)	37,617	2,057,298
Security equipment	1,141,271	-	(986)	-	1,140,285
Buildings	12,113,562	-	-	-	12,113,562
Shop and garage equipment	2,483,657	81,283	(6,113)	-	2,558,827
Other equipment	3,577,288	54,542	(128,135)	65,381	3,569,076
Furniture and fixtures	349,189	10,808	-	-	359,997
Total capital assets being depreciated	54,617,331	1,846,911	(2,460,151)	102,998	54,107,089
Accumulated depreciation:					
Revenue equipment	16,662,466	2,590,686	(2,260,465)	-	16,992,687
Service equipment	276,234	63,790	(5,940)	-	334,084
Passenger shelters	1,686,620	110,430	(9,785)	-	1,787,265
Security equipment	992,381	58,920	(988)	-	1,050,313
Buildings	8,313,279	338,274	-	-	8,651,553
Shop and garage equipment	1,261,961	170,090	(6,113)	-	1,425,938
Other equipment	3,024,613	199,363	(128,135)	-	3,095,841
Furniture and fixtures	303,802	14,512	-	-	318,314
Total accumulated depreciation	32,521,356	3,546,065	(2,411,426)	-	33,655,995
Total capital assets being depreciated, net	22,095,975	(1,699,154)	(48,725)	102,998	20,451,094
Capital assets, net	$ 24,911,187	$ (1,558,024)	$ (48,725)	$ -	$ 23,304,438

Note 3. Capital Assets (Continued)

	2017				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
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

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 Comprehensive Annual 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 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, 2018 and 2017. The Authority was required to contribute 15.5 percent and 11.5 percent of pensionable wages for the years ended June 30, 2018 and 2017, respectively. The Authority is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceeds the 15.5 percent of pensionable wages. Actual contributions to the pension plan from the Authority were $355,380 and $247,369 for the years ended June 30, 2018 and 2017, respectively.

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, 2018, the Authority reported a liability of $3,789,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The liability for June 30, 2017 was $3,515,360. Standard update procedures were used to roll forward the total pension liability to June 30, 2018. 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, 2018 and 2017, the Authority's proportion was 1.9302 percent and 1.7793 percent, respectively.

Note 4. Pension Plans (Continued)

For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of $368,586 and $312,693, respectively. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 41,456	$ (93,655)	$ 29,179	$ (152,155)
Changes of assumptions	383,892	(16,263)	597,935	(264,859)
Net difference between projected and actual earnings on pension plan investments	-	(32,399)	33,114	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	216,845	(24,322)	9,680	(40,098)
Total	$ 642,193	$ (166,639)	$ 669,908	$ (457,112)

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:	
2019	$ 337,069
2020	164,316
2021	(41,715)
2022	15,884
	$ 475,554

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement. The assumptions remained unchanged from 2017.

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, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

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:

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class:		
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 be 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:

2018	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	$ 5,295,990	$ 3,789,382	$ 2,527,035
2017			
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.

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, 2018 and 2017 included:

	2018	2017
Active members	126	121
Retirees and beneficiaries currently receiving benefits	86	87
Inactive members entitled to but not yet receiving benefits	20	9
	232	217

Contributions: The employer and employee contribution rates are determined by the Agreement. The employee contribution rate for the period from January 1, 2018 to June 30, 2018 was 5.0 percent. The employee contribution rate for the period from July 1, 2017 to December 31, 2017 and for fiscal year 2017 was 4.0 percent. The required minimum employer contribution rate for the period from January 1, 2018 to June 30, 2018 was 10.0 percent. The required minimum employer contribution rate for the period from July 1, 2017 to December 31, 2017 and for fiscal year 2017 was 9.0 percent. The actual employer contribution rate for fiscal years 2018 and 2017 was 10.9 percent and 11.2 percent, respectively.

Note 4. Pension Plans (Continued)

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	2.28%	1.0%
Corporate equities	15.90	2.0
Pooled equity funds	45.17	8.5
Pooled fixed income funds	36.65	2.3
	100.00%	

Rate of return: For the years ended June 30, 2018 and 2017, the annual weighted rate of return on pension plan investments, net of pension plan investment expense was 5.38 percent and 9.57 percent, respectively. 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, 2018 using generally accepted actuarial principals and methods. The Authority is utilizing June 30, 2018 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements.

Note 4. Pension Plans (Continued)

A schedule of the Authority's changes in its net pension liability for the Union Plan for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Total pension liability		
Service cost	$ 995,022	$ 820,290
Interest	807,543	740,466
Benefit payments, including refunds of member contributions	(913,428)	(918,508)
Difference between expected and actual experience of the total pension liability	(667,467)	(211,294) (911,983)
Changes in assumptions	(95,085)	67,797
Net change in total pension liability	126,585	(413,232)
Total pension liability—beginning	17,140,978	17,554,210
Total pension liability—ending (a)	$ 17,267,563	$ 17,140,978
Plan fiduciary net position		
Contributions—employer	$ 383,632	$ 310,926
Contributions—employee	189,386	125,333
Net investment income	543,608	925,956
Benefit payments, including refunds of member contributions	(913,428)	(918,508)
Administrative expense	(64,338)	(94,714)
Net change in plan fiduciary net position	138,860	348,993
Plan fiduciary net position—beginning	10,312,940	9,963,947
Plan fiduciary net position—ending (b)	$ 10,451,800	$ 10,312,940
Net pension liability—ending (a) - (b)	$ 6,815,763	$ 6,828,038
Plan fiduciary net position as a percentage of the total pension liability	60.53%	60.17%

Note: The 2018 change in assumption is due to the increase of the discount rate in 2018, from 4.70 percent as of June 30, 2017 to 4.75 percent as of June 30, 2018. The 2017 change in assumption is due to the increase of the discount rate in 2017, from 4.23 percent as of June 30, 2016. The long-term rate of return was also decreased from 7.50 percent to 7.00 percent.

Actuarial assumptions: The total pension liability in the June 30, 2018 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 (3.62 percent for fiscal years 2018 and 2017, respectively) resulting in a long-term blended rate of return of 4.75 percent and 4.70 for 2018 and 2017, respectively.

Note 4. Pension Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2018 and 2017 was 4.75 percent and 4.70 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 2040 at June 30, 2018. As a result, for fiscal year 2018, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2040, 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 4.75 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 (3.75 percent) or 1-percentage-point higher (5.75 percent) than the current rate.

2018	1% Decrease (3.75%)	Discount Rate (4.75%)	1% Increase (5.75%)
Authority's net pension liability as of June 30, 2018	$ 8,889,148	$ 6,815,763	$ 5,073,998

2017	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, 2018, the Authority recognized pension expense of $1,361,526. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Union Plan pension from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,084	$ 782,467	$ 25,286	$ 432,938
Changes of assumptions	874,752	586,473	1,541,736	710,480
Net difference between projected and actual earnings on pension plan investments	407,672	-	495,133	-
Total deferred amounts to be recognized in pension expense expense in future periods	$ 1,297,508	$ 1,368,940	$ 2,062,155	$ 1,143,418

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 5.4059 years and 4.5259 as of June 30, 2018 and 2017, respectively. 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 Inflows of Resources
Years ended June 30:	
2019	$ 387,997
2020	(15,127)
2021	(278,814)
2022	(108,231)
2023	(57,257)
	$ (71,432)

Note 5. Other Postemployment Benefits (OPEB)

Restatement: The Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The effect on fiscal year 2017 is as follows:

	2017 Previously Presented	Restatement	2017 Restated
Deferred outflows of resources, other postemployment benefit related amounts	$ -	$ 28,090	$ 28,090
Total other postemployment benefits liability	380,491	(237,888)	142,603
Deferred inflows of resources, other postemployment benefit related amounts	-	5,755	5,755
Net position, unrestricted	(9,426,558)	260,223	(9,166,335)
Operating expenses,-fringes	5,023,794	16,463	5,040,257
Change in net position	3,113,285	(16,463)	3,096,822
Net position, beginning of year	13,952,215	276,686	14,228,901

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

General Information about the OPEB Plan:

Plan description: The Authority provides postemployment health care benefits for retired employees and their dependents through participation in the City of Tulsa Postretirement Medical Plan (the Plan), a multiple-employer 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 and are funded on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a stand-alone financial report.

Benefits provided: 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.

Contributions: Retiree plan participants pay the entire amount of the premium charged by the insurer for coverage thus the City does not directly contribute to the Plan. Retiree and active employee participants are included in the same cost pool used to determine rates set by the insurer. An implicit subsidy results from this method of rate setting.

OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2018, the Authority reported a liability of $149,179 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018. The OPEB liability for June 30, 2017 was $142,603. The Authority's proportion of the OPEB liability was based on the Authority's share of active employee participants relative to the active employees of all participating employers. At June 30, 2018 and 2017, the Authority's proportion was 2.3626 percent and 2.5310 percent, respectively.

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

For the year ended June 30, 2018 the Authority recognized OPEB expense of $16,406 and for the year ended June 30, 2017, OPEB expense of $16,931. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 23,862	$ -
Changes of assumptions	4,837	4,386
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	1,328	8,356
Total	$ 30,027	$ 12,742

2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 21,180	$ -
Changes of assumptions	6,910	5,272
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	-	483
Total	$ 28,090	$ 5,755

Amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Authority’s OPEB expense over the average remaining service lives of plan participants (actives and retirees) as follows:

Years ended June 30:	
2019	$ 5,110
2020	5,110
2021	5,110
2022	1,692
2023	263
	$ 17,285

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

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement. The assumptions remained consistent with 2017.

Inflation	3.0 percent
Salary increases	4.00 to 11.75 percent, including 3.0% inflation and 1.0% productivity
Healthcare cost trend rate	9.0% for 2018, decreasing by 0.5% annually to an ultimate rate of 5%

Thirty-five percent of future retirees with coverage are assumed to elect healthcare coverage.

Mortality rates were based on RPH-2017 Total Dataset Mortality fully generational using Scale 2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015, with the exception of the healthcare election rate which was based on an experience study from June 30, 2010 through 2016.

Discount rate: The OPEB plan is financed on a pay-as-you-go basis, thus a long-term rate of return was not used. The discount rate used to measure the total OPEB liability was 3.56 and 3.87 percent for June 30, 2017 and 2018, respectively based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Authority's proportionate share of the total OPEB liability to changes in the discount rate: The following presents the Authority's proportionate share of the total OPEB liability calculated using the discount rate of 3.87 percent, as well as what the Authority's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

2018	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's proportionate share of the total OPEB liability	$ 160,261	$ 149,179	$ 139,051

2017	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Authority's proportionate share of the total OPEB liability	$ 152,611	$ 142,603	$ 133,306

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

Sensitivity of the Authority's proportionate share of the total OPEB liability to changes in the healthcare cost trend rate: The following presents the Authority's proportionate share of the total OPEB liability calculated using the healthcare cost trend rate of 9.0 percent decreasing to 5.0 percent, as well as what the Authority's proportionate share of the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (8.0 percent) or 1-percentage-point higher (10.0 percent) than the current rate:

2018	1% Decrease (8.0% decreasing to 4.0%)	Current Rate (9.0% decreasing to 5.0%)	1% Increase (10.0% decreasing to 6.0%)
Authority's proportionate share of the total OPEB liability	$ 136,585	$ 149,179	$ 163,698

2017	1% Decrease (7.5% decreasing to 4.0%)	Current Rate (8.5% decreasing to 5.0%)	1% Increase (9.5% decreasing to 6.0%)
Authority's proportionate share of the total OPEB liability	$ 129,102	$ 142,603	$ 158,199

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, 2018, the Authority has entered into contracts totaling approximately $1,510,000 which will be funded by federal grants.

Note 7. Related-Party Transactions

During the years ended June 30, 2018 and 2017, the Authority received no advances from the City, although $326,000 of prior advances were outstanding as of June 30, 2018 and 2017.

During the years ended June 30, 2018 and 2017, the Authority received operating appropriations from the City of $7,739,000 and $7,444,000, respectively. During the years ended June 30, 2018 and 2017, the Authority received capital appropriations from the City of $1,049,443 and $6,806,543, 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, 2018, 2017 and 2016:

	2018	2017	2016
Liability, beginning of year	$ 724,992	$ 573,936	$ 543,102
Claims incurred:			
Auto/general	318,149	158,143	43,365
Workers' compensation	125,031	278,918	186,224
Claims paid	(649,113)	(286,005)	(198,755)
Liability, end of year	$ 519,059	$ 724,992	$ 573,936

Note 9. Future Changes in Accounting Pronouncements

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.

GASB Statement No. 87, *Leases,* issued June 2017, will be effective for the Authority beginning with its fiscal year ending June 30, 2021. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Authority must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties. Management is still evaluating the applicability of Statement No. 87 to the Authority.

Note 10. Subsequent Events

In January 2019, the Authority's Board of Trustees approved the issuance of a $4 million line of credit for additional cash reserves. The issuance of debt requires the approval of the City Council as well, which has not yet occurred.

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,			
	2018	2017	2016	2015
Authority's proportion of the net pension liability	**1.9302%**	1.7793%	1.7994%	1.7895%
Authority's proportionate share of the net pension liability	**$ 3,789,382**	$ 3,515,360	$ 3,892,331	$ 2,241,425
Authority's covered-employee payroll	**2,477,181**	2,234,017	2,143,730	2,004,148
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**153%**	157%	182%	112%
Plan fiduciary net position as a percentage of the total pension liability	**70.61%**	69.39%	65.62%	77.13%
Contractually required contribution	**$ 383,963**	$ 256,912	$ 246,529	$ 230,477
Contributions in relation to the contractually required contribution	**383,963**	256,912	246,529	230,477
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
Authority's covered-employee payroll	**$ 2,477,181**	$ 2,234,017	$ 2,143,730	$ 2,004,148
Contributions as a percentage of covered-employee payroll	**15.50%**	11.50%	11.50%	11.50%

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 percent to 7.50 percent.

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,			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	**$ 995,022**	$ 820,290	$ 568,416	$ 532,080
Interest	**807,543**	740,466	798,109	837,382
Benefit payments	**(913,428)**	(918,508)	(797,315)	(858,804)
Difference between expected and actual experience	**(667,467)**	(211,294)	45,690	(711,676)
Changes in assumptions	**(95,085)**	(911,983)	2,234,197	809,630
Changes in benefit terms	**-**	67,797	-	-
Net change in total pension liability	**126,585**	(413,232)	2,849,097	608,612
Total pension liability—beginning of year	**17,140,978**	17,554,210	14,705,113	14,096,501
Total pension liability—end of year	**$ 17,267,563**	$ 17,140,978	$ 17,554,210	$ 14,705,113
Plan Net Position				
Contributions—employer	**$ 383,632**	$ 310,926	$ 285,705	$ 285,705
Contributions—employee	**189,386**	125,333	121,365	117,267
Investment income, net of investment expenses	**543,608**	925,956	70,587	177,578
Benefit payments	**(913,428)**	(918,508)	(797,315)	(858,804)
Administrative expenses	**(64,338)**	(94,714)	(67,884)	(79,342)
Net change in plan net position	**138,860**	348,993	(387,542)	(357,596)
Total plan net position—beginning of year	**10,312,940**	9,963,947	10,351,489	10,709,085
Total plan net position—end of year	**$ 10,451,800**	$ 10,312,940	$ 9,963,947	$ 10,351,489
Net pension liability	**$ 6,815,763**	$ 6,828,038	$ 7,590,263	$ 4,353,624

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

See note to required supplementary information.

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,			
	2018	2017	2016	2015
Total pension liability—end of year	**$ 17,267,563**	$ 17,140,978	$ 17,554,210	$ 14,705,113
Plan net position—end of year	**10,451,800**	10,312,940	9,963,947	10,351,489
Net pension liability	**$ 6,815,763**	$ 6,828,038	$ 7,590,263	$ 4,353,624
Plan net position as a percentage of the total pension liability	**60.53%**	60.17%	56.76%	70.39%
Covered employee payroll	**$ 4,038,237**	$ 3,180,653	$ 2,863,557	$ 3,174,496
Net pension liability as a percentage of covered payroll	**168.78%**	214.67%	265.06%	137.14%

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

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

Plan year ended June 30:	
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
2018	5.38

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
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
2018	694,344	383,632	310,712	4,038,237	9.50

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:	4.75%
Long-term expected rate of return	7.00%
Long-term municipal bond rate	3.62%
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

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

Required Supplementary Information
Postemployment Benefits Other than Pension Plan

Schedule of Proportionate Share—For the Current and Prior Two Years

Year	Authority's Proportion of OPEB Liability	Authority's Proportionate Share of Total OPEB Liability	Authority's Covered Payroll	Authority's Proportionate Share of Total OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2018	2.3626%	$ 149,179	2,445,557	6.1%	0.00%
2017	2.5310%	142,603	2,640,796	5.4%	0.00%
2016	2.5420%	152,963	2,549,383	6.0%	0.00%

No information available for years prior to June 30, 2016.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.87%
2017	3.56%
2016	4.00%

Schedule of Employer Contributions—Last Three Years

Year	Contractually Required Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2018	$ 4,776	$ 4,776	$ -	$ 2,445,557	0.20%
2017	31,239	31,239	-	2,640,796	1.18%
2016	20,247	20,247	-	2,549,383	0.79%

No information available for years prior to June 30, 2016.

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

Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/ Program Title	Project Number	CFDA #	Program or Award Amount	Unexpended Balance at June 30, 2017
U.S Department of Transportation (Direct)				
	OK-2017-025-00	20.526	$ -	$ -
	OK-2017-026-00	20.526	-	-
	OK-2016-016-00	20.507	-	32,414
	OK-34-0004-00	20.526	701,409	677,981
	OK-2018-007-00	20.507	-	-
	OK-95-X006-00	20.507	250,000	55,963
	OK-95-X008-00	20.507	250,000	82,548
	OK-2016-005-00	20.507	250,000	209,968
	OK-90-X104-00	20.507	6,595,908	71,988
	OK-90-X109-00	20.507	6,340,747	234,459
	OK-90-X113-00	20.507	6,284,345	138,640
	OK-90-X117-00	20.507	6,588,277	42,185
	OK-90-X122-00	20.507	6,572,959	49,797
	OK-2016-001-00	20.507	6,692,783	1,846,920
	OK-2017-009-00	20.507	6,614,777	6,614,777
	OK-2018-011-00	20.507	-	-
			$ 47,141,205	$ 10,057,640

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, 2018	
$	645,986	$	12,082	$	48,328	$	60,410	$	597,658
	642,193		1,880		7,520		9,400		634,673
	-		10,287		32,306		42,593		108
	-		169,495		677,981		847,476		-
	302,750		-		-		-		302,750
	-		13,991		55,963		69,954		-
	-		5,554		22,216		27,770		60,332
	-		16,702		66,808		83,510		143,160
	-		18,095		71,988		90,083		-
	-		58,615		234,459		293,074		-
	-		34,660		138,640		173,300		-
	-		4,317		17,266		21,583		24,919
	-		12,449		49,797		62,246		-
	-		422,505		1,690,018		2,112,523		156,902
	-		2,224,729		4,241,497		6,466,226		2,373,280
	3,106,870		99,887		99,887		199,774		3,006,983
$	4,697,799	$	3,105,248	$	7,454,674	$	10,559,922	$	7,300,765

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

Schedule of Operating Expenses, Excluding Depreciation
Year Ended June 30, 2018

Labor:	
Operator salaries and wages	$ 3,757,292
Transportation administration	327,190
System security	265,545
Servicing of revenue vehicles	179,770
Maintenance administration	296,858
Maintenance and inspection of revenue vehicles	794,376
Service development	15,360
General office administration	1,503,246
Safety and training administration	24,593
Total labor	7,164,230
Purchased transportation:	
Lift program, ADA	2,276,568
Fixed route	636,396
Total purchased transportation	2,912,964
Materials and supplies consumed:	
Diesel fuel	460,012
Compressed natural gas	(69,476)
Gasoline service	18,158
Oil and lubricants	107,441
Tires and tubes	122,389
Shop and garage building repair	305,009
Service and shop equipment	42,754
Other shop and garage expense	97,538
Repair parts for revenue vehicles	809,150
Servicing supplies	269,298
Transportation and safety	14,066
Schedules	25,453
Tickets and transfers	32,100
General office expenses	78,801
Total materials and supplies consumed	2,312,693

(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, 2018

Fringes:		
FICA taxes	$	582,875
Pension plan and OPEB expenses		1,769,826
Health and dental expense		1,717,929
Life and disability insurance		62,592
Workers' compensation insurance (including self-insurance)		-
Sick leave		229,626
Holiday pay		194,819
Vacation pay		338,115
Uniform allowance - drivers		46,363
Work clothing and tool allowance, mechanics		32,933
Unemployment tax, state		6,776
Other		96,083
Total fringes		5,077,937
Services:		
Legal fees		65,681
Audit and other outside services		41,600
Office equipment maintenance		3,497
Advertising		271,318
Professional and technical services		431,300
Building, vehicle and facility services		170,300
Security services		39,220
Total services		1,022,916
Insurance, property and liability insurance (including self-insurance)		358,933
Utilities:		
Heat, power and water		366,876
Communications		110,015
Total utilities		476,891

(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, 2018

Other:		
Planning expense	$	132,803
Dues and subscriptions		24,144
Travel and meetings, staff		27,997
Marketing and advertising		147,142
Training		9,612
Other miscellaneous expenses		53,249
Leases and rentals		20,395
Total other		415,342
Total operating expenses, excluding depreciation	$	19,741,906

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

Schedule of Project Costs
Year Ended June 30, 2018

Total operating expenses:	
Labor	$ 7,164,230
Purchased transportation	2,912,964
Materials and supplies consumed	2,312,693
Fringes	5,077,937
Services	1,022,916
Insurance	358,933
Utilities	476,891
Other	415,342
Total operating expenses, excluding depreciation	19,741,906
Depreciation	3,546,065
Total operating expenses	23,287,971
Less exclusions:	
Ineligible expense, depreciation	3,546,065
Contra-expense, interest earned on working capital	(4,472)
Other exclusions, expenses reimbursable by:	
Planning assistance, FTA	1,327,833
Revolving transit funds, Oklahoma	1,150,000
CMAQ operating assistance, FTA	144,987
Operating assistance, FTA	1,599,888
Preventative maintenance assistance, FTA	2,716,282
Lift program assistance, FTA	669,000
Lease assistance, FTA	60,009
Total exclusions	11,209,592
Eligible operating expenses	12,078,379
Less:	
Passenger farebox revenues	2,407,390
Contract services and other	38,088
	2,445,478
Net eligible project cost	9,632,901
Less local share of operating assistance:	
City of Tulsa	7,739,000
Advertising revenues	582,029
Other	362,174
	8,683,203
Net revenues before applying FTA operating funds	$ 949,698