

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

Financial Report
June 30, 2021

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Independent Auditor's Report

RSM US LLP

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, 2021 and 2020, 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 entity'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 entity'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, 2021 and 2020, 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 January 18, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
January 18, 2022

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

**Management's Discussion and Analysis
Year Ended June 30, 2021**

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, 2021 and 2020. 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 \$14,598 (net position). For fiscal year 2020, the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$15,541.
- During fiscal year 2021, the Authority's total net position decreased by approximately \$942. For fiscal year 2020, the Authority's total net position increased by approximately \$3,606.
- The Authority's total liabilities decreased by approximately \$7,423 during fiscal year 2021.
- For the year ended June 30, 2021, net capital assets decreased by approximately \$1,817. For the year ended June 30, 2020, net capital assets increased by approximately \$4,675.

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 \$942 for the fiscal year ending June 30, 2021. The Authority's net position increased by \$3,606 for the fiscal year ended June 30, 2020. Capital assets decreased by \$1,817 due to less capital asset purchases. Long-term liabilities decreased by \$6,695 due to decreases in net pension liability for the pension plans in which the Authority participates.

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

**Management's Discussion and Analysis
Year Ended June 30, 2021**

Net Position
(in thousands of dollars)

	2021	2020	2019
Assets			
Current and other assets	\$ 6,181	\$ 6,809	\$ 4,526
Capital assets, net	24,802	26,619	21,944
Total assets	30,983	33,428	26,470
Deferred outflows of resources	953	1,775	1,433
Liabilities			
Current and other liabilities	3,648	4,375	1,657
Long-term liabilities	7,132	13,827	12,513
Total liabilities	10,780	18,202	14,170
Deferred inflows of resources	6,558	1,460	1,797
Net position			
Investment in capital assets	24,802	26,619	21,944
Restricted for other purposes	1,090	1,002	903
Unrestricted (deficit)	(11,294)	(12,080)	(10,911)
Total net position	\$ 14,598	\$ 15,541	\$ 11,936

Change in Net Position

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

For the year ended June 30, 2020, the Authority's total operating revenues decreased by \$266 and operating expenses increased by \$2,082, The key factor in the decrease in operating revenues is attributed to the decrease in ridership during the COVID-19 pandemic. Beginning in March 2020, the Authority with the approval of our Board of Directors moved to a modified service level that allowed the Authority to continue to provide service to our frontline workers who relied on the service to get to and from work, The pandemic also affected the ridership on our Lift program reducing ridership to approximately 50%, The increase in operating expense was primary driven by expenses related to new cleaning standards implemented as a result of the pandemic,

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

Management's Discussion and Analysis
Year Ended June 30, 2021

Changes in Net Position (in thousands of dollars)			
	2021	2020	2019
Operating revenues	\$ 2,199	\$ 2,465	\$ 3,051
Nonoperating and capital revenues	21,385	27,170	18,031
Total revenues	23,584	29,635	21,082
Operating expenses	24,526	26,029	23,947
Nonoperating expenses	-	-	-
Total expenses	24,526	26,029	23,947
Increase (decrease) in net position	\$ (942)	\$ 3,606	\$ (2,865)

Capital Assets

The Authority's investment in capital assets as of June 30, 2021 amounts to approximately \$24,801 (net of accumulated depreciation). This investment in capital assets includes revenue and service equipment, land, buildings information technology and other equipment.

Net Capital Assets (in thousands of dollars)			
	2021	2020	2019
Revenue equipment	\$ 36,777	\$ 35,752	\$ 30,954
Service equipment	620	620	524
Passenger shelters	2,091	2,091	2,057
Security equipment	1,140	1,140	1,140
Buildings	12,233	12,216	12,209
Shop and garage equipment	2,617	2,617	2,596
Other equipment	4,446	4,246	3,542
Furniture and fixtures	365	371	371
Construction in progress	2,634	2,634	1,009
Land	2,309	2,544	2,634
	65,232	64,231	57,036
Less accumulated depreciation	(40,431)	(37,612)	(35,092)
Net capital assets	\$ 24,801	\$ 26,619	\$ 21,944

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

**Management’s Discussion and Analysis
Year Ended June 30, 2021**

Economic Factors (in thousands)

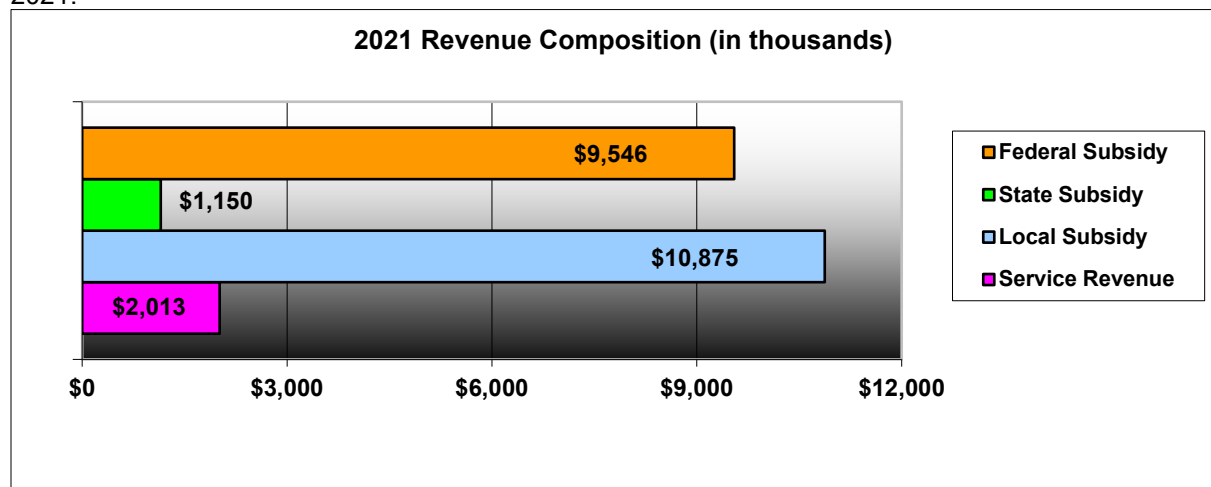
The Authority provides public transportation programs to residents in Tulsa, Broken Arrow, Jenks, Sand Springs and Turley. These services include fixed route bus service, ADA paratransit services for the disabled, commuter bus services, and evening deviated fixed-route services. To coordinate these services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

During FY21, the Authority purchased four new electric buses and charging station to help reduce the carbon footprint and aging buses. In addition, the Authority purchased new software equipment, Visual Lease, which will in turn help the accounting department with GASB 87 requirements. The Authority updated firewalls and moved fiber cables due to a snowstorm that caused major destruction and brought to light some insecurities of aging equipment. Overall, the assets purchased in FY21 will help the Authority for many years to come with up-to-date equipment, buses, and financial requirements.

During FY20, the Authority implemented the State of Oklahoma’s first Bus Rapid Transit System, Peoria AERO, which includes eleven new AERO branded buses, level boarding platforms and real-time digital information, In addition, the Authority purchased four replacement buses and began our Information Technology Virtualization project. The virtualization project updates the Authority’s aged infrastructure making ready the way for cloud-hosted solutions coming in FY21 and beyond.

Additional capital investments were made for facility improvements and various Information Technology projects. The Authority’s total capital investments for FY21 totaled \$1,001 with a funding ratio of 89% federal and 11% local.

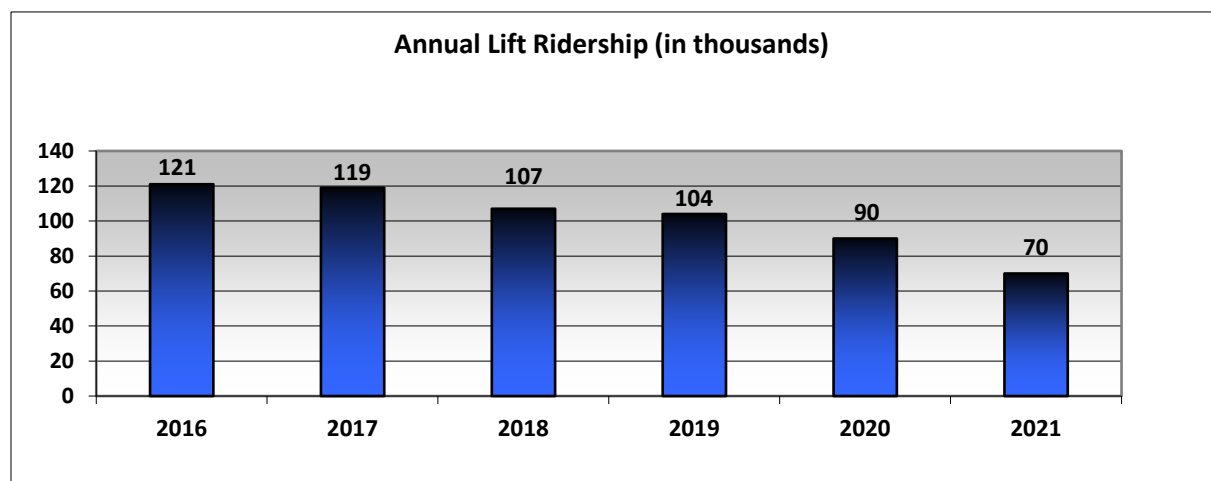
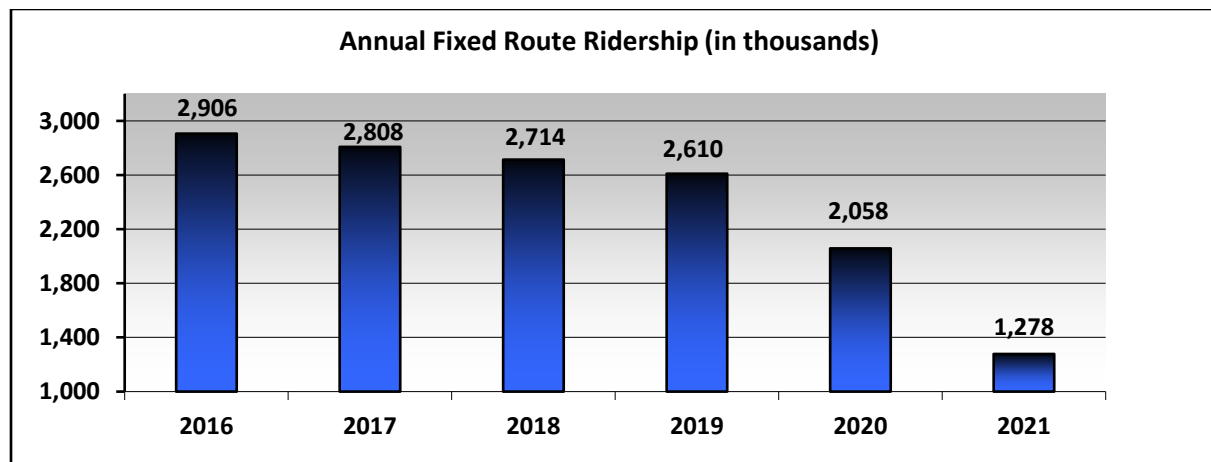
The Authority is funded by fare and advertising revenues, annual apportionments from the City of Tulsa, State of Oklahoma Transit Fund, and Federal subsidies awarded through various Federal Transportation Administration (FTA) grant agreements. Revenues of \$10,875 from the City of Tulsa apportionments funded operating expenses and the capital purchases. Including a gain on sale of assets, the Authority’s 2021 total revenues were \$23,584. The following chart details the Authorities revenue composition for 2021:



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

**Management’s Discussion and Analysis
Year Ended June 30, 2021**

Due to transportation alternatives, gas prices and nation-wide economics, the Authority has seen a decrease in ridership. FY21 and FY20 also brought additional decrease in ridership as the Tulsa Area responded to the COVID-19 Pandemic, During the months of April and May FY20, the Authority provided free fares and reduced service during the early stages of the pandemic, During FY21, the Authority experienced ridership of approximately half of pre-pandemic ridership. This is not an issue that is specific to the City of Tulsa; transit agencies nation-wide are experiencing decreased ridership due to the pandemic. The charts below details Fixed Route and Lift Ridership for the last six years:



Request for Information

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

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

Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 596,633	\$ 382,167
Designated cash and cash equivalents	1,500,306	-
Restricted cash	181,391	187,303
Total cash and cash equivalents	2,278,330	569,470
Accounts receivable:		
Trade	145,862	92,181
Operating and capital grants	1,413,293	4,111,760
Inventories	902,391	866,059
Prepaid expenses and other	531,197	354,992
Total current assets	5,271,073	5,994,462
Noncurrent assets, restricted cash	909,952	814,819
Capital assets, at cost:		
Revenue equipment	36,776,756	35,751,757
Service equipment	620,415	620,415
Passenger shelters	2,091,138	2,091,138
Security equipment	1,140,285	1,140,285
Buildings	12,233,311	12,215,746
Shop and garage equipment	2,616,645	2,616,645
Other equipment	4,446,201	4,246,282
Furniture and fixtures	364,971	371,121
Land	2,633,707	2,633,707
Construction in progress	2,308,842	2,544,314
	65,232,271	64,231,410
Less accumulated depreciation	40,430,540	37,612,467
	24,801,731	26,618,943
Total assets	30,982,756	33,428,224
Deferred outflows of resources		
Pension related amounts	953,459	1,775,085
Total deferred outflows of resources	953,459	1,775,085

See notes to basic financial statements.

	2021	2020
Liabilities		
Current liabilities:		
Accounts payable:		
Trade	\$ 2,764,292	\$ 3,622,775
Other	85,984	20,125
Accrued wages payable	417,409	435,998
Accrued compensated absences	101,560	88,737
Accrued insurance claims	118,401	88,387
Accrued pension contributions	97,786	118,504
Unearned revenue	62,416	-
Total current liabilities	3,647,848	4,374,526
Noncurrent liabilities:		
Advances payable to the City of Tulsa	326,674	326,000
Net pension liability—MERP	3,613,801	4,940,348
Net pension liability—Union plan	2,409,163	7,878,074
Accrued compensated absences	781,569	682,892
Total noncurrent liabilities	7,131,207	13,827,314
Total liabilities	10,779,055	18,201,840
Deferred inflows of resources		
Pension related amounts	6,558,363	1,460,756
Total deferred inflows of resources	6,558,363	1,460,756
Net position		
Investment in capital assets	24,801,731	26,618,943
Restricted, expendable for capital acquisitions	909,952	814,819
Restricted, expendable for worker's compensation	181,391	187,303
Unrestricted, deficit	(11,294,277)	(12,080,352)
Total net position	\$ 14,598,797	\$ 15,540,713

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, 2021 and 2020

	2021	2020
Operating revenues:		
Passenger	\$ 1,521,017	\$ 1,826,039
Advertising	668,366	615,027
Other	9,731	24,139
Total operating revenues	2,199,114	2,465,205
Operating expenses:		
Labor	7,637,844	7,927,977
Purchased transportation	3,122,736	3,041,532
Materials and supplies consumed	3,287,538	3,444,107
Fringes	3,513,009	5,034,982
Services	1,525,476	1,251,143
Insurance	461,903	517,393
Utilities	598,357	515,523
Depreciation	4,004,090	3,671,064
Other	375,398	625,278
Total operating expenses	24,526,351	26,028,999
Operating loss	(22,327,237)	(23,563,794)
Nonoperating revenues (expenses):		
Federal Transit Administration operating grants	9,249,564	7,994,830
State of Oklahoma operating grants	1,149,996	1,150,010
City of Tulsa operating appropriations	9,722,167	9,615,175
Interest	3,733	7,855
Gain on disposal of capital assets	27,410	5,524
Other	321,503	415,398
Total nonoperating revenues	20,474,373	19,188,792
Deficiency of revenues over expenses before capital contributions and capital grants	(1,852,864)	(4,375,002)
Capital grants, Federal Transit Administration	297,074	4,252,125
Capital contributions, City of Tulsa	613,874	3,728,649
Change in net position	(941,916)	3,605,772
Net position, beginning of year	15,540,713	11,934,941
Net position, end of year	\$ 14,598,797	\$ 15,540,713

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from customers	\$ 2,207,849	\$ 2,500,774
Cash payments to suppliers for goods and services	(12,129,963)	(8,890,231)
Cash payments to employees	(11,954,885)	(12,217,805)
Net cash used in operating activities	(21,876,999)	(18,607,262)
Cash flows from noncapital financing activities:		
Operating grants received from Federal Transit Administration	11,948,031	4,685,867
Operating appropriations received from the City of Tulsa	9,722,167	9,615,175
Operating grants received from the state of Oklahoma	1,149,996	1,150,010
Other assistance received	321,503	415,398
Net cash provided by noncapital financing activities	23,141,697	15,866,450
Cash flows from capital and related financing activities:		
Construction and purchase of capital assets	(421,886)	(6,279,898)
Capital contributions from Federal Transit Administration	297,074	4,252,125
Capital contributions from the City of Tulsa	613,874	3,728,649
Proceeds from sale of capital assets	46,500	5,524
Net cash provided by capital and related financing activities	535,562	1,706,400
Cash flows provided by investing activities, interest earned	3,733	7,855
Increase (decrease) in cash and cash equivalents	1,803,993	(1,026,557)
Cash and cash equivalents, beginning of year	1,384,289	2,410,846
Cash and cash equivalents, end of year	\$ 3,188,282	\$ 1,384,289
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (22,327,237)	\$ (23,563,794)
Depreciation	4,004,090	3,671,064
Changes in operating assets and liabilities:		
Accounts receivable	(48,949)	35,569
Inventories	(36,332)	(100,858)
Prepaid expenses and other	(176,205)	64,631
Accounts payable	(2,576,706)	548,993
Accrued liabilities	88,372	(8,021)
Payable to employees	72,193	106,760
Change in total OPEB liability and other OPEB related amounts	-	(139,605)
Change in net pension liability and other pension related amounts	(876,225)	777,999
Net cash used in operating activities	\$ (21,876,999)	\$ (18,607,262)
Noncash capital and related financing activities, capital assets recorded in accounts payable at year-end	\$ 1,784,084	\$ 2,066,456

See notes to basic financial statements.

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

Notes to Basic Financial Statements

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

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

Reporting entity: The City of Tulsa, Oklahoma (the City) is the beneficiary of the trust operated by the Authority and upon termination of the trust, title to the assets of the Authority shall pass to the City. The Authority is a component unit of the City and is included in the City's Annual Comprehensive Financial Report as a discretely presented component unit as the City is the sole beneficiary and finances a significant portion of the Authority's annual operations. The City's Mayor appoints the trustees of the Authority 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 \$909,952 and \$814,819 as of June 30, 2021 and 2020, respectively. Restricted cash includes reserves to comply with the worker's compensation agreement. The balance is \$181,391 and \$187,303 as of June 30, 2021 and 2020, respectively.

Designated cash: Designated cash includes the Financial Reserve Fund, established and approved by the Board of Trustees, to assist the Authority bridge any potential interruptions in funding as well as providing resources to address extraordinary circumstances with the intent to stabilize operations. The balance is \$1,500,306 and \$0 as of June 30, 2021 and 2020, 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.

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

Notes to Basic Financial Statements

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

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

Revenue equipment	4–12 years
Service, shop, garage and other equipment	3–10 years
Furniture and fixtures	4–10 years
Buildings and passenger shelters	10–30 years

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

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

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

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

	2020	Additions	Deletions	2021	Due in One Year
Compensated absences	\$ 771,629	\$ 883,128	\$ 771,628	\$ 883,129	\$ 101,560

	2019	Additions	Deletions	2020	Due in One Year
Compensated absences	\$ 774,628	\$ 771,629	\$ 774,628	\$ 771,629	\$ 88,737

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

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

Notes to Basic Financial Statements

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

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

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

Net position: Net position of the Authority represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets consist of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Authority first applies restricted resources. Unrestricted net position (deficit) is the remaining assets less the remaining liabilities that do not meet the definition of net investment in capital assets or restricted. The Board of Trustees has an established a Financial Reserve Fund for stabilization purposes, which is included within unrestricted net position (deficit), with a cash balance of \$1,500,306 as of June 30, 2021. The Board of Trustees must approve expenses from this internally designated fund.

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

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

Note 2. Deposits and Investments

Deposits: As of June 30, 2021 and 2020, 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, 2021 and 2020, none of the Authority's bank balances of \$3,832,632 and \$2,096,135, respectively, were uninsured or 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, 2021 and 2020 were as follows:

	2021				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital assets not being depreciated:					
Construction in progress	\$ 2,544,314	\$ 1,872,132	\$ -	\$ (2,107,604)	\$ 2,308,842
Land	2,633,707	-	-	-	2,633,707
Total capital assets not being depreciated	5,178,021	1,872,132	-	(2,107,604)	4,942,549
Capital assets being depreciated:					
Revenue equipment	35,751,757	157,500	(1,198,957)	2,066,456	36,776,756
Service equipment	620,415	-	-	-	620,415
Passenger shelters	2,091,138	-	-	-	2,091,138
Security equipment	1,140,285	-	-	-	1,140,285
Buildings	12,215,746	-	-	17,565	12,233,311
Shop and garage equipment	2,616,645	-	-	-	2,616,645
Other equipment	4,246,282	176,336	-	23,583	4,446,201
Furniture and fixtures	371,121	-	(6,150)	-	364,971
Total capital assets being depreciated	59,053,389	333,836	(1,205,107)	2,107,604	60,289,722
Accumulated depreciation:					
Revenue equipment	19,305,550	3,053,020	(1,179,867)	-	21,178,703
Service equipment	398,061	62,491	-	-	460,552
Passenger shelters	1,913,817	53,597	-	-	1,967,414
Security equipment	1,133,860	4,272	-	-	1,138,132
Buildings	9,330,499	337,288	-	-	9,667,787
Shop and garage equipment	1,743,564	158,079	-	-	1,901,643
Other equipment	3,438,520	322,962	-	-	3,761,482
Furniture and fixtures	348,596	12,381	(6,150)	-	354,827
Total accumulated depreciation	37,612,467	4,004,090	(1,186,017)	-	40,430,540
Total capital assets being depreciated, net	21,440,922	(3,670,254)	(19,090)	2,107,604	19,859,182
Capital assets, net	\$ 26,618,943	\$ (1,798,122)	\$ (19,090)	\$ -	\$ 24,801,731

Metropolitan Tulsa Transit Authority
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Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	2020				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital assets not being depreciated:					
Construction in progress	\$ 1,008,680	\$ 2,284,250	\$ -	\$ (748,616)	\$ 2,544,314
Land	2,633,707	-	-	-	2,633,707
Total capital assets not being depreciated	3,642,387	2,284,250	-	(748,616)	5,178,021
Capital assets being depreciated:					
Revenue equipment	30,954,101	5,948,624	(1,150,968)	-	35,751,757
Service equipment	524,195	96,220	-	-	620,415
Passenger shelters	2,057,298	-	-	33,840	2,091,138
Security equipment	1,140,285	-	-	-	1,140,285
Buildings	12,208,583	-	-	7,163	12,215,746
Shop and garage equipment	2,596,168	17,260	-	3,217	2,616,645
Other equipment	3,541,886	-	-	704,396	4,246,282
Furniture and fixtures	371,121	-	-	-	371,121
Total capital assets being depreciated	53,393,637	6,062,104	(1,150,968)	748,616	59,053,389
Accumulated depreciation:					
Revenue equipment	17,700,090	2,756,428	(1,150,968)	-	19,305,550
Service equipment	341,404	56,657	-	-	398,061
Passenger shelters	1,870,410	43,407	-	-	1,913,817
Security equipment	1,104,696	29,164	-	-	1,133,860
Buildings	8,989,714	340,785	-	-	9,330,499
Shop and garage equipment	1,585,287	158,277	-	-	1,743,564
Other equipment	3,166,739	271,781	-	-	3,438,520
Furniture and fixtures	334,031	14,565	-	-	348,596
Total accumulated depreciation	35,092,371	3,671,064	(1,150,968)	-	37,612,467
Total capital assets being depreciated, net	18,301,266	2,391,040	-	748,616	21,440,922
Capital assets, net	\$ 21,943,653	\$ 4,675,290	\$ -	\$ -	\$ 26,618,943

**Metropolitan Tulsa Transit Authority
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Notes to Basic Financial Statements

Note 4. Pension Plans

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

Municipal Employees' Retirement Plan:

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

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

Contributions: Contributions are set per City of Tulsa ordinance. Employees were required to contribute 6.5% of their pensionable wages for the year ended June 30, 2020, and from July 1, 2020 to December 31, 2020, and 7.5% thereafter. The Authority was required to contribute 15.5% of pensionable wages for the year ended June 30, 2020, and from July 1, 2020 to December 31, 2020, and then 16.5% thereafter. Actual contributions to the pension plan from the Authority were \$414,267 and \$392,277 for the years ended June 30, 2021 and 2020, 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, 2021, the Authority reported a liability of \$3,613,801 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. Standard update procedures were used to roll forward the total pension liability to June 30, 2021. At June 30, 2020, the Authority reported a liability of \$4,940,348 for its proportionate share of the net pension liability. The 2020 liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Standard update procedures were used to roll forward the total pension liability to June 30, 2020. 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, 2021 and 2020, the Authority's proportion was 1.9982% and 1.9453%, 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, 2021 and 2020, the Authority recognized pension expense of \$416,399 and \$842,837, respectively. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ 1,331	\$ (47,367)	\$ 8,498	\$ (85,851)
Changes of assumptions	682,769	-	277,028	-
Net difference between projected and actual earnings on pension plan investments	-	(1,440,867)	332,640	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	182,359	(31,613)	202,409	(62,732)
Total	<u>\$ 866,459</u>	<u>\$ (1,519,847)</u>	<u>\$ 820,575</u>	<u>\$ (148,583)</u>

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

Years ended June 30:	
2022	\$ 12,754
2023	(45,528)
2024	(182,066)
2025	(438,548)
	<u>\$ (653,388)</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

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

Mortality rates were based on the Pub-2010 General Employee Mortality Table, projected with the ultimate rates of scale MP-2020 from the year 2010.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2020.

**Metropolitan Tulsa Transit Authority
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Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

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

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	-0.36%
Domestic equity	36	5.92
International equity	24	6.75
Real estate	12	4.57
Commodities	3	0.25
Timber	4	2.70
Cash	1	(1.01)
Total	100%	

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
2021			
Authority's proportionate share of the net pension liability	\$ 5,535,308	\$ 3,613,801	\$ 2,015,289
2020			
Authority's proportionate share of the net pension liability	\$ 6,635,788	\$ 4,940,348	\$ 3,526,436

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

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

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

Union Employees' Pension Plan:

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

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

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

**Metropolitan Tulsa Transit Authority
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Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

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

All full-time employees represented by the Union who have both completed one year of employment and attained age 21 are eligible to participate in the Union Plan. Participants become 100% vested after ten years of service. The membership data at June 30, 2021 and 2020 included:

	2021	2020
Active members	127	131
Retirees and beneficiaries currently receiving benefits	83	85
Inactive members entitled to but not yet receiving benefits	11	9
	<u>221</u>	<u>225</u>

Contributions: The employer and employee contribution rates are determined by the Agreement. The employee contribution rate for the period from January 1, 2021 to December 31, 2022 is 7.5%. The employee contribution rate for the period from January 1, 2020 to December 31, 2020 was 7.0%. The required minimum employer contribution rate for the period from January 1, 2019 to June 30, 2021 was 11.0%. The actual employer contribution rate for fiscal years 2021 and 2020 was 7.6% and 8.9%, respectively.

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

Following is the plan's asset allocation policy as of June 30, 2021 and the long-term expected geometric real rate of return for each major asset class.

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
Cash and equivalents	2.48%	1.0%
Corporate equities	21.01	2.0
Pooled equity funds	47.61	8.5
Pooled fixed income funds	28.90	2.3
	<u>100.00%</u>	

**Metropolitan Tulsa Transit Authority
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Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Rate of return: For the years ended June 30, 2021 and 2020, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was 25.00% and -2.21%, 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 net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

A schedule of the Authority's changes in its net pension liability for the Union Plan for the years ended June 30, 2021 and 2020 is as follows:

	2021	2020
Total pension liability		
Service cost	\$ 1,192,937	\$ 1,061,248
Interest	849,407	822,905
Benefit payments, including refunds of member contributions	(908,986)	(981,205)
Changes of benefit terms	(1,050)	(21,331)
Difference between expected and actual experience of the total pension liability	(91,565)	(412,395)
Changes in assumptions	(4,076,346)	-
Net change in total pension liability	(3,035,603)	469,222
Total pension liability—beginning	18,164,218	17,694,996
Total pension liability—ending (a)	<u>\$ 15,128,615</u>	<u>\$ 18,164,218</u>
Plan fiduciary net position		
Contributions—employer	\$ 538,316	\$ 523,337
Contributions—employee	369,692	312,859
Net investment income (loss)	2,555,958	(234,314)
Benefit payments, including refunds of member contributions	(908,986)	(981,205)
Administrative expense	(121,672)	(65,588)
Net change in plan fiduciary net position	2,433,308	(444,911)
Plan fiduciary net position—beginning	10,286,144	10,731,055
Plan fiduciary net position—ending (b)	<u>\$ 12,719,452</u>	<u>\$ 10,286,144</u>
Net pension liability—ending (a) - (b)	<u>\$ 2,409,163</u>	<u>\$ 7,878,074</u>
Plan fiduciary net position as a percentage of the total pension liability	84.08%	56.63%

Note: The 2021 change in assumption is due to the increase of the discount rate in 2021, from 4.64% as of June 30, 2020 to 7.00% as of June 30, 2021.

**Metropolitan Tulsa Transit Authority
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Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2021 actuarial valuation was determined using mortality rates based on the RP-2014 Blue Collar Mortality Table, fully generational, projected with the ultimate rates of the MP-2014 projection for males and females, as appropriate. The actuary used a 7.00% long-term rate of return until the projected fiduciary net position of the Union Plan is exhausted (which did not occur in the fiscal year 2021 analysis) at which point a 20-year general obligation municipal bond rate is used (1.92% and 2.45% for fiscal years 2021 and 2020, respectively) resulting in a long-term blended rate of return of 7.00% and 4.64% for 2021 and 2020 respectively. The source of the municipal bond rate is the Fidelity Index's 20-year Municipal GO AA Index.

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2021 and 2020 was 7.00% and 4.64%, respectively. The projection of cash flows used to determine the current discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made at rates equal to the difference between actuarially determined contribution rates and the member (employee) rate. Based on those assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the future benefit payments through the year 2121. As a result, for fiscal year 2021, the long-term expected rate of return on pension plan investments was applied to projected benefit payments for all years.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
2021			
Authority's net pension liability as of June 30, 2021	\$ 3,944,065	\$ 2,409,163	\$ 761,512
2020			
Authority's net pension liability as of June 30, 2020	\$ 10,033,155	\$ 7,878,074	\$ 6,068,961

**Metropolitan Tulsa Transit Authority
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Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions: For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of \$(336,742) and \$853,492, respectively. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Union Plan pension from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 846,217	\$ -	\$ 1,163,884
Changes of assumptions	87,000	3,353,574	125,793	148,289
Net difference between projected and actual earnings on pension plan investments	-	838,725	828,717	-
Total deferred amounts to be recognized in pension expense in future periods	<u>\$ 87,000</u>	<u>\$ 5,038,516</u>	<u>\$ 954,510</u>	<u>\$ 1,312,173</u>

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 5.4533 years and 4.8240 years as of June 30, 2021 and 2020, 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:

Years ended June 30:	
2022	\$ (1,243,696)
2023	(1,192,721)
2024	(1,036,311)
2025	(1,132,337)
2026	(346,451)
	<u>\$ (4,951,516)</u>

Note 5. 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, 2021, the Authority has entered into contracts totaling approximately \$6,000,000 which will be funded by federal grants.

**Metropolitan Tulsa Transit Authority
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Notes to Basic Financial Statements

Note 6. Related-Party Transactions

During the years ended June 30, 2021 and 2020, the Authority received no advances from the City, although \$326,000 of prior advances were outstanding as of June 30, 2021 and 2020.

During the years ended June 30, 2021 and 2020, the Authority received operating appropriations from the City of \$9,722,167 and \$9,615,175, respectively. During the years ended June 30, 2021 and 2020, the Authority received capital appropriations from the City of \$613,874 and \$3,728,649, respectively.

Note 7. Self-Insurance Liability

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

The following is a summary of the self-insurance activity during the fiscal years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019
Liability, beginning of year	\$ 88,387	\$ 96,408	\$ 519,059
Claims incurred (recovered):			
Auto/general	162,795	44,711	(36,792)
Workers' compensation	-	-	-
Claims paid	(132,781)	(52,732)	(385,859)
Liability, end of year	<u>\$ 118,401</u>	<u>\$ 88,387</u>	<u>\$ 96,408</u>

Note 8. Future Changes in Accounting Pronouncements

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the Authority beginning with its fiscal year ending June 30, 2022. 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.

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

Notes to Basic Financial Statements

Note 9. Contingency

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. Further, financial markets have experienced significant volatility attributed to coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which the coronavirus impacts the Authority's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Authority, but such an impact could have a material adverse effect on the financial condition of the Authority.

**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,		
	2021	2020	2019
Authority's proportion of the net pension liability	1.9982%	1.9453%	1.8649%
Authority's proportionate share of the net pension liability	\$ 3,613,801	\$ 4,940,348	\$ 4,379,463
Authority's covered payroll	2,535,831	2,548,329	2,316,200
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	143%	194%	189%
Plan fiduciary net position as a percentage of the total pension liability	76.92%	65.22%	66.91%
Contractually required contribution	\$ 405,733	\$ 394,991	\$ 359,011
Contributions in relation to the contractually required contribution	405,733	394,991	359,011
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 2,535,831	\$ 2,548,329	\$ 2,316,200
Contributions as a percentage of covered payroll	16.00%	15.50%	15.50%

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

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

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

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

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

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

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

	June 30,		
	2021	2020	2019
Total Pension Liability			
Service cost	\$ 1,192,937	\$ 1,061,248	\$ 1,035,074
Interest	849,407	822,905	822,281
Benefit payments	(908,986)	(981,205)	(947,848)
Difference between expected and actual experience	(91,565)	(412,395)	(833,236)
Changes in assumptions	(4,076,346)	-	203,379
Changes in benefit terms	(1,050)	(21,331)	147,783
Net change in total pension liability	(3,035,603)	469,222	427,433
Total pension liability—beginning of year	18,164,218	17,694,996	17,267,563
Total pension liability—end of year	\$ 15,128,615	\$ 18,164,218	\$ 17,694,996
Plan Net Position			
Contributions—employer	\$ 538,316	\$ 523,337	\$ 403,824
Contributions—employee	369,692	312,859	233,037
Investment income, net of investment expenses	2,555,958	(234,314)	683,110
Benefit payments	(908,986)	(981,205)	(947,848)
Administrative expenses	(121,672)	(65,588)	(92,868)
Net change in plan net position	2,433,308	(444,911)	279,255
Total plan net position—beginning of year	10,286,144	10,731,055	10,451,800
Total plan net position—end of year	\$ 12,719,452	\$ 10,286,144	\$ 10,731,055
Net pension liability	\$ 2,409,163	\$ 7,878,074	\$ 6,963,941

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

See note to required supplementary information.

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

**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,		
	2021	2020	2019
Total pension liability—end of year	\$ 15,128,615	\$ 18,164,218	\$ 17,694,996
Plan net position—end of year	12,719,452	10,286,144	10,731,055
Net pension liability	\$ 2,409,163	\$ 7,878,074	\$ 6,963,941
Plan net position as a percentage of the total pension liability	84.08%	56.63%	60.64%
Covered payroll	\$ 4,913,251	\$ 4,267,182	\$ 4,309,219
Net pension liability as a percentage of covered payroll	49.03%	184.62%	161.61%

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

See note to required supplementary information.

June 30,

2018	2017	2016	2015
\$ 17,267,563	\$ 17,140,978	\$ 17,554,210	\$ 14,705,113
10,451,800	10,312,940	9,963,947	10,351,489
<u>\$ 6,815,763</u>	<u>\$ 6,828,038</u>	<u>\$ 7,590,263</u>	<u>\$ 4,353,624</u>

60.53% 60.17% 56.76% 70.39%

\$ 4,038,237 \$ 3,180,653 \$ 2,863,557 \$ 3,174,496

168.78% 214.67% 265.06% 137.14%

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

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

Plan year ended June 30:	
2012	1.09%
2013	11.07
2014	15.24
2015	1.70
2016	0.70
2017	9.57
2018	5.38
2019	6.66
2020	(2.21)
2021	25.00

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
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
2019	704,233	403,824	300,409	4,309,219	9.37
2020	698,141	523,337	174,804	4,267,182	12.26
2021	690,882	538,316	152,566	4,913,251	10.96

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

See note to required supplementary information.

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

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

Actuarial valuation:	
Frequency	Annual
Cost method	Entry Age Normal
Amortization	The amortization method used is Level Percentage of Payroll, Open The weighted average remaining period is 30 years.
Assumptions:	
Single discount rate:	7.00%
Long-term expected rate of return	7.00%
Long-term municipal bond rate	1.92
Salary increases	3.00%
Retirement age	20% assumed at Rule of 85; 100% retirement assumed at Normal Retirement Age
Mortality	MP-2014 Blue Collar Mortality Table, fully generational, projected with the ultimate rates of the MP-2014 for males and females
Disability	Not applicable to the MP-2014 projection scale

Changes of assumptions:

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

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

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

**Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Federal Grantor/ Program Title	Project Number	Federal Assistance Listing Number	Program or Award Amount	Unexpended Balance at June 30, 2020
U.S Department of Transportation (Direct)				
	OK-2017-025-00	20.526	\$ 645,986	\$ 98,810
	OK-2017-026-00	20.526	642,193	306,792
	OK-2020-022-00	20.507	19,669,217	-
	OK-2018-018-00	20.526	4,202,870	652,238
	OK-2018-007-00	20.526	1,092,133	106,509
	OK-95-X008-00	20.507	250,000	-
	OK-2016-005-00	20.507	250,000	66,349
	OK-2019-024-00	20.507	6,804,413	1,492,917
	OK-2020-030-00	20.507	6,500,000	-
	OK-2016-001-00	20.507	6,692,783	30,649
	OK-2017-009-00	20.507	6,614,777	330,016
	OK-2018-011-00	20.507	6,776,061	344,685
			\$ 60,140,433	\$ 3,428,965

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, 2021
\$ -	\$ -	\$ -	\$ -	\$ 98,810
-	10,745	42,981	53,726	263,811
19,669,217	-	9,139,036	9,139,036	10,530,181
-	-	-	-	652,238
-	-	-	-	106,509
-	-	-	-	-
-	16,587	66,349	82,936	-
-	155,631	622,522	778,153	870,395
6,500,000	-	-	-	6,500,000
-	-	-	-	30,649
-	-	-	-	330,016
-	-	-	-	344,685
<u>\$ 26,169,217</u>	<u>\$ 182,963</u>	<u>\$ 9,870,888</u>	<u>\$ 10,053,851</u>	<u>\$ 19,727,294</u>

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

Schedule of Operating Expenses, Excluding Depreciation
Supplementary Information
Year Ended June 30, 2021

Labor:	
Operator salaries and wages	\$ 3,834,635
Transportation administration	368,397
System security	376,140
Servicing of revenue vehicles	397,157
Maintenance administration	305,948
Maintenance and inspection of revenue vehicles	940,589
Service development	603,853
General office administration	716,496
Safety and training administration	94,629
Total labor	<u>7,637,844</u>
Purchased transportation:	
Lift program, ADA	2,143,947
Fixed route	978,789
Total purchased transportation	<u>3,122,736</u>
Materials and supplies consumed:	
Diesel fuel	109,756
Compressed natural gas	317,191
Gasoline service	30,601
Oil and lubricants	147,675
Tires and tubes	134,115
Shop and garage building repair	713,903
Service and shop equipment	38,871
Other shop and garage expense	66,945
Repair parts for revenue vehicles	892,877
Servicing supplies	583,831
Transportation and safety	38,314
Schedules	14,728
Tickets and transfers	18,693
General office expenses	180,038
Total materials and supplies consumed	<u>3,287,538</u>

(Continued)

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

Schedule of Operating Expenses, Excluding Depreciation (Continued)
Supplementary Information
Year Ended June 30, 2021

Fringes:	
FICA taxes	\$ 675,796
Pension plan and OPEB expenses	44,768
Health and dental expense	1,315,209
Life and disability insurance	115,136
Sick leave	347,970
Holiday pay	339,621
Vacation pay	412,397
Uniform allowance—drivers	67,046
Work clothing and tool allowance, mechanics	29,274
Unemployment tax, state	58,942
Other	106,850
Total fringes	<u>3,513,009</u>
Services:	
Legal fees	92,691
Audit and other outside services	33,800
Office equipment maintenance	2,137
Advertising	343,065
Professional and technical services	819,260
Building, vehicle and facility services	226,514
Security services	8,009
Total services	<u>1,525,476</u>
Insurance, property and liability insurance (including self-insurance)	<u>461,903</u>
Utilities:	
Heat, power and water	323,404
Communications	274,953
Total utilities	<u>598,357</u>

(Continued)

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

Schedule of Operating Expenses, Excluding Depreciation (Continued)
Supplementary Information
Year Ended June 30, 2021

Other:	
Planning expense	\$ 86,354
Dues and subscriptions	22,294
Travel and meetings, staff	26,646
Marketing and advertising	154,286
Training	35,887
Other miscellaneous expenses	27,651
Leases and rentals	22,280
Total other	<u>375,398</u>
Total operating expenses, excluding depreciation	<u><u>\$ 20,522,261</u></u>

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

Schedule of Project Costs
Supplementary Information
Year Ended June 30, 2021

<hr/>	
Total operating expenses:	
Labor	\$ 7,637,844
Purchased transportation	3,122,736
Materials and supplies consumed	3,287,538
Fringes	3,513,009
Services	1,525,476
Insurance	461,903
Utilities	598,357
Other	375,398
Total operating expenses, excluding depreciation	<u>20,522,261</u>
Depreciation	4,004,090
Total operating expenses	<u>24,526,351</u>
Less exclusions:	
Ineligible expense, depreciation	4,004,090
Contra-expense, interest earned on working capital	(3,733)
Other exclusions, expenses reimbursable by:	
Planning assistance, FTA	300,630
Revolving transit funds, Oklahoma	1,149,996
CMAQ operating assistance, FTA	144,434
Operating assistance, FTA	4,031,848
Preventative maintenance assistance, FTA	2,938,276
Lift program assistance, FTA	1,707,146
Lease assistance, FTA	127,230
Total exclusions	<u>14,399,917</u>
Eligible operating expenses	<u>10,126,434</u>
Less:	
Passenger farebox revenues	1,521,017
Contract services and other	9,731
	<u>1,530,748</u>
Net eligible project cost	<u>8,595,686</u>
Less local share of operating assistance:	
City of Tulsa	9,722,167
Advertising revenues	668,366
Other	321,503
	<u>10,712,036</u>
Net revenues before applying FTA operating funds	<u><u>\$ (2,116,350)</u></u>