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

Financial Report
June 30, 2016

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Contents

Independent Auditor's Report RSM US LLP

To the Board of Trustees
Metropolitan Tulsa Transit Authority
Tulsa, Oklahoma

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, 2016, and 2015, 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, 2016 and 2015, 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.

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Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8, and the pension information on pages 27 through 31 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 reports for the years ended June 30, 2016 and 2015 dated November 18, 2016 and January 25, 2016, respectively, 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 those reports is 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 internal control over financial reporting or on compliance. Those reports are 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
November 18, 2016

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, 2016 and 2015. The Authority is a component unit of the City of Tulsa, Oklahoma. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9. All amounts are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by approximately $13,952 (net position). For fiscal year 2015, assets exceeded liabilities by $17,315.
- During fiscal year 2016, the Authority's total net position decreased by approximately $3,363. For fiscal year 2015, the Authority's total net position decreased by $1,264.
- The Authority's total liabilities increased by approximately $5,229 during fiscal year 2016.
- For the year ended June 30, 2016, net capital assets decreased by approximately $2,659. For the year ended June 30, 2015, net capital assets decreased by approximately $1,287.

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 $3,363 for fiscal year ended June 30, 2016. The Authority's net position decreased by $1,264 for the fiscal year ended June 30, 2015. Capital assets decreased by $2,659 due to depreciation of assets exceeding capital outlay. Long-term liabilities increased due to changes in assumptions used in calculating the net pension liability for the pension plans in which the Authority participates.

Net Position
(in thousands of dollars)

	2016	2015	2014
Assets		(as restated)	
Current and other assets	**$ 4,293**	$ 3,572	$ 3,793
Capital assets, net	**20,761**	23,420	24,707
Total assets	**$ 25,053**	$ 26,992	$ 28,500
Deferred outflows of resources	**$ 4,461**	$ 1,442	$ -
Liabilities			
Current and other liabilities	**1,655**	1,372	1,691
Long-term liabilities	**12,850**	7,903	1,996
Total liabilities	**14,505**	9,275	3,687
Deferred inflows of resources	**1,057**	1,844	-
Net position			
Investment in capital assets	**20,761**	23,420	24,707
Restricted for other purposes	**986**	847	1,027
Unrestricted (deficit)	**(7,795)**	(6,952)	(921)
Total net position	**$ 13,952**	$ 17,315	$ 24,813

Change in Net Position

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

For the year ended June 30, 2015, the Authority's total operating revenues increased by $149 and operating expenses decreased by $1,483. The key factor for the increase in operating revenues was attributable to a $152 or 26 percent increase in advertising revenues. The decrease in operating expenses is due to a $529 or 20 percent decrease in Lift program expenses, which was driven by a 19 percent decrease in Lift ridership; in addition, a change in useful life for our Lift Program fleet, resulted in a $937 decrease in depreciation expense.

Changes in Net Position
(in thousands of dollars)

	2016	2015 (as restated)	2014
Operating revenues	**$ 3,593**	$ 3,623	$ 3,474
Nonoperating and capital revenues	**15,996**	15,464	17,284
Total revenues	**19,589**	19,087	20,758
Operating expenses	**22,877**	20,351	21,834
Nonoperating expenses	**75**	-	11
Total expenses	**22,952**	20,351	21,845
(Decrease) in net position	**$ (3,363)**	$ (1,264)	$ (1,087)

Capital Assets

The Authority's investment in capital assets as of June 30, 2016 amounts to approximately $20,761 (net of accumulated depreciation). This investment in capital assets includes revenue and service equipment, land, buildings and other equipment. Although the Authority made additional investments in capital assets, primarily new Lift buses, passenger shelters, and information technology equipment, investments trailed prior year resulting in a $2,659 decrease in net capital assets.

Net Capital Assets
(in thousands of dollars)

	2016	2015	2014
Revenue equipment	**$ 29,102**	$ 28,916	$ 28,318
Service equipment	**417**	472	416
Passenger shelters	**1,787**	1,821	1,766
Security equipment	**1,123**	1,127	1,127
Buildings	**12,013**	12,013	12,013
Shop and garage equipment	**2,421**	2,412	2,412
Other equipment	**3,170**	3,205	3,075
Furniture and fixtures	**327**	926	917
Construction in progress	**162**	-	39
Land	**2,634**	2,634	2,634
	53,156	53,526	52,717
Less accumulated depreciation	**(32,395)**	(30,106)	(28,010)
Net capital assets	**$ 20,761**	$ 23,420	$ 24,707

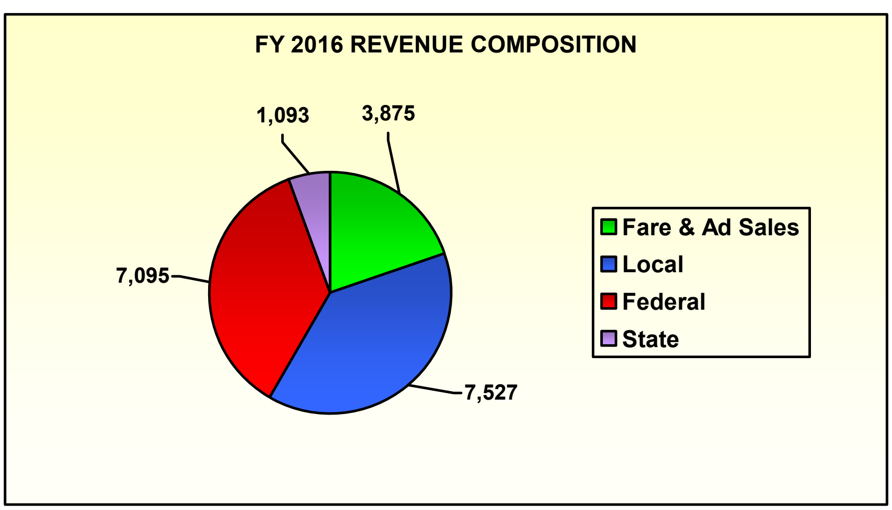
Economic Factors

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, evening deviated fixed-route services, and special event service. 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.

The 2016 total operating budget of $18.36M was consistent with prior year; however, the City of Tulsa's annual apportionment to the Authority was decreased from $7.44M to $7.18M, which translates to a $256K or 4 percent decrease in local appropriations. Due to our FY16 state subsidy being $118K or 12 percent more than projected and advertising revenues being $166K or 27 percent more than projected, the Authority was able to absorb the decrease in our local apportionment without any service reductions.

The Authority was able to stay on budget; however, we did experience increases in health and dental insurance and certain components of our materials and supplies. Subsequent to the FY17 budgeting process, the Authority has incurred a 24 percent rate increase from MV Transportation, the aforementioned service provider for the Authority's Lift program services. Please consider that other economic factors such as oil prices, natural gas prices, economic growth (or compression), and governmental funding can impact operational expense and revenues.

In addition to fare and advertising revenues, the Authority is subsidized by Local, Federal, and State revenues. An annual apportionment is provided by the City of Tulsa and by the State of Oklahoma Transit Revolving Fund. Federal subsidies are awarded through various Federal Transportation Administration (FTA) grant agreements. FTA grant agreements are the most restricted as they can only be used for a specific operating or capital purpose. Although FTA funds for operating purposes have not fluctuated a great deal from year to year, the FTA has restructured how funds for capital projects are now being awarded. Capital funds that were once discretionary are now formula driven with the end result being less capital funding to the Authority. To adjust for this development, the City of Tulsa approved a $29.7M Capital Improvement Plan that will fund a Bus Rapid Transit System and replenish fully depreciated rolling stock; in addition, during FY16, the City of Tulsa approved further investments in transit services by approving a 15-year, $57M, Capital and Operations funding package. The Authority's total operating and capital revenues for 2016 were $19.59M. The following chart details the Authorities revenue composition for 2016 (in thousands):

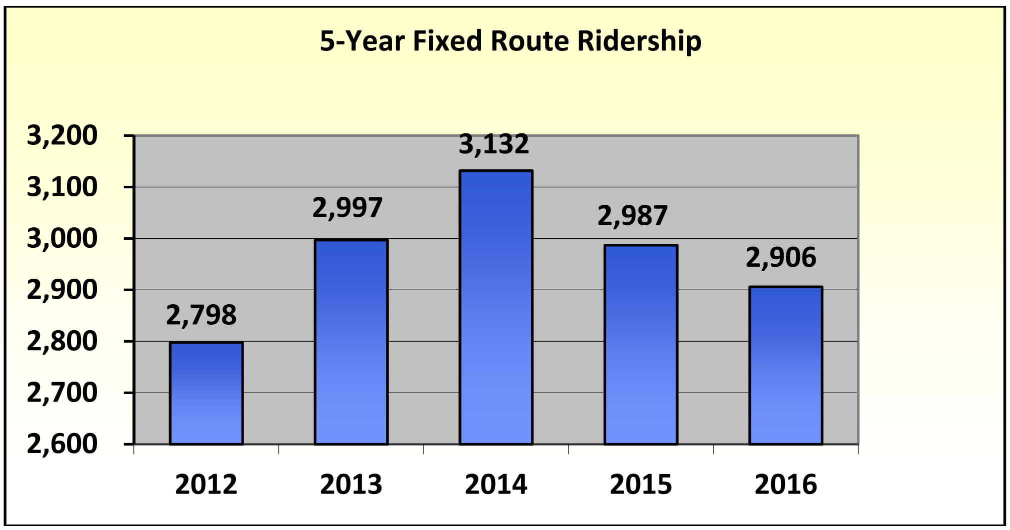


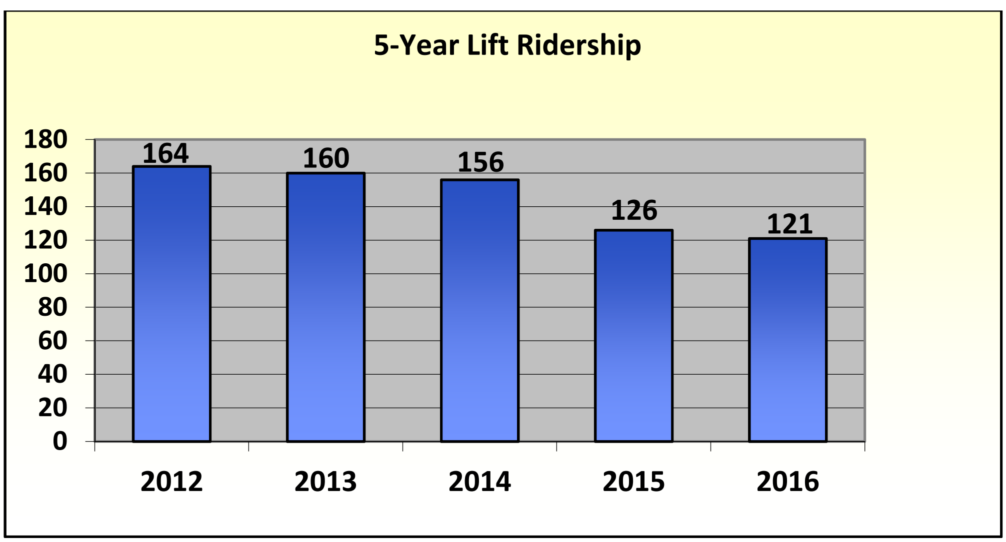
The Authority continues to face challenges in recruiting, hiring, and retention of employees, especially in the area of Bus Drivers. For FY 2016, the turnover rate for bus drivers was 31 percent. The lack of experienced bus drivers continues to have an adverse impact on different phases of the Authority's operations, this is best demonstrated by the table below which details the Authority's 2016 accidents, complaints, and on-time performance results and other metrics the Authority utilizes to measure the efficiency, quality, and safety of the transit system.

Goal 1. Operate a Safe Transit System				
Accidents (Per 100K Miles)	**FY16**	**FY15**	**Change**	**Target**
Fixed Route	1.75	1.68	4%	1.50
Lift Program	2.22	2.36	-6%	2.00
Goal 2. Meet and Exceed Customer Expectations				
Complaints (Per 10K Boardings)	**FY16**	**FY15**	**Change**	**Target**
Fixed Route	4.17	4.24	-2%	4.00
Lift Program	20.87	23.41	-11%	23.00
On-Time Performance				
Fixed Route	93%	92%	2%	95%
Lift Program	97%	94%	3%	95%
Goal 3. Maintain a Quality Workforce				
Absences (Per Weekday)	**FY16**	**FY15**	**Change**	**Target**
Operators	7	7	0%	8
All Employees	9	8	13%	11
Goal 4. Operate an Effective Transit System				
Passengers Per Hour	**FY16**	**FY15**	**Change**	**Target**
Fixed Route	16.04	16.9	-5%	17
Lift Program	2.1	2.07	1%	2
Goal 5. Operate an Efficient Transit System				
Cost Per Service Hour	**FY16**	**FY15**	**Change**	**Target**
Fixed Route	$ 76.20	$ 76.50	0%	$ 79.00
Lift Program	$ 61.81	$ 58.11	6%	$ 60.00
Cost Per Trip				
Fixed Route	$ 4.75	$ 4.53	5%	$ 4.70
Lift Program	$ 29.45	$ 28.11	5%	$ 29.50

Note: A bus is considered late if it is ten minutes or more late. Also, Cost Per Trip (CPT) is the ratio of allocated cost to ridership. In FY16, both Fixed Route and Lift ridership decreased; thus, CPT increased. The above metrics are monitored monthly, and if trends are identified, they may be adjusted during the course of the year. Finally, other factors can impact these metrics such as inclement weather, road construction, traffic and/or traffic accidents, and maintenance issues.

FY16 Fixed Route ridership decreased 3 percent from prior year; however, the Authority still had 2,906,000 riders, which are strong ridership numbers. The decrease in ridership is primarily driven by lower gas prices. The following charts show both fixed route and lift ridership over a five-year period (in thousands):





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, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,648,144**	$ 1,449,524
Restricted cash	**196,411**	101,920
Total cash and cash equivalents	**1,844,555**	1,551,444
Accounts receivable:		
Trade	**158,524**	157,968
Operating and capital grants	**737,475**	287,835
Inventories	**660,671**	674,137
Prepaid expenses and other	**101,219**	155,774
Total current assets	**3,502,444**	2,827,158
Noncurrent assets, restricted cash	**790,168**	744,638
Capital assets, at cost:		
Revenue equipment	**29,102,014**	28,916,933
Service equipment	**416,936**	471,801
Passenger shelters	**1,786,659**	1,820,569
Security equipment	**1,122,865**	1,127,091
Buildings	**12,013,229**	12,013,229
Shop and garage equipment	**2,420,961**	2,412,099
Other equipment	**3,170,049**	3,205,107
Furniture and fixtures	**326,669**	925,862
Land	**2,633,707**	2,633,707
Construction in progress	**161,786**	-
	53,154,875	53,526,398
Less accumulated depreciation	**32,394,231**	30,105,977
	20,760,644	23,420,421
Total assets	**25,053,256**	26,992,217
Deferred outflows of resources, pension related amounts	**4,460,678**	1,441,479

See notes to basic financial statements.

	2016	2015
Liabilities		
Current liabilities:		
Accounts payable:		
Trade	**$ 618,549**	$ 388,162
Other	**31,256**	44,623
Accrued wages payable	**278,414**	199,590
Accrued compensated absences	**81,770**	74,726
Accrued insurance claims	**573,936**	593,632
Accrued pension contributions	**71,426**	71,426
Total current liabilities	**1,655,351**	1,372,159
Noncurrent liabilities:		
Advances payable to the City of Tulsa	**326,000**	326,000
Net pension liability - MERP	**3,892,331**	2,241,425
Net pension liability - Union plan	**7,590,263**	4,353,624
Other postemployment benefits	**411,260**	406,711
Accrued compensated absences	**629,273**	575,067
Total noncurrent liabilities	**12,849,127**	7,902,827
Total liabilities	**14,504,478**	9,274,986
Deferred inflows of resources, pension related amounts	**1,057,241**	1,843,611
Net position		
Investment in capital assets	**20,760,644**	23,420,421
Restricted, expendable for capital acquisitions	**790,168**	744,638
Restricted, expendable for worker's compensation	**196,411**	101,920
Unrestricted, deficit	**(7,795,008)**	(6,951,880)
Total net position	**$ 13,952,215**	$ 17,315,099

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, 2016 and 2015

	2016	2015
Operating revenues:		
Passenger	$ 2,767,263	$ 2,844,871
Advertising	777,965	735,229
Other	47,548	42,731
Total operating revenues	3,592,776	3,622,831
Operating expenses:		
Labor	6,921,740	6,504,406
Purchased transportation	2,429,669	2,326,005
Materials and supplies consumed	2,938,514	3,270,639
Fringes	4,710,380	3,514,998
Services	1,029,831	976,588
Insurance	187,519	88,165
Utilities	524,311	491,148
Depreciation	3,749,304	2,777,427
Other	385,687	402,094
Total operating expenses	22,876,955	20,351,470
Operating loss	(19,284,179)	(16,728,639)
Nonoperating revenues (expenses):		
Federal Transit Administration operating grants	5,890,579	5,045,323
State of Oklahoma operating grants	1,092,500	1,092,500
City of Tulsa operating appropriations	7,183,300	7,439,300
Interest	2,492	2,641
Gain (loss) on disposal of capital assets	(75,193)	40,831
Other	279,483	274,000
Total nonoperating revenues	14,373,161	13,894,595
Deficiency of revenues over expenses before capital contributions and capital grants	(4,911,018)	(2,834,044)
Capital grants, Federal Transit Administration	1,203,971	780,637
Capital contributions, City of Tulsa	344,163	789,729
Change in net position	(3,362,884)	(1,263,678)
Net position, beginning of year	17,315,099	18,578,777
Net position, end of year	$ 13,952,215	$ 17,315,099

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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from customers	**$ 3,592,220**	$ 3,671,775
Cash payments to suppliers for goods and services	**(7,230,186)**	(7,707,100)
Cash payments to employees	**(10,405,521)**	(10,006,069)
Net cash used in operating activities	**(14,043,487)**	(14,041,394)
Cash flows from noncapital financing activities:		
Operating grants received from Federal Transit Administration	**5,440,939**	5,173,675
Operating appropriations received from the City of Tulsa	**7,183,300**	7,439,300
Operating grants received from the state of Oklahoma	**279,483**	274,000
Other assistance received	**1,092,500**	1,092,500
Net cash provided by noncapital financing activities	**13,996,222**	13,979,475
Cash flows from capital and related financing activities:		
Capital expenditures	**(1,174,261)**	(1,676,603)
Capital contributions from Federal Transit Administration	**1,203,971**	780,637
Capital contributions from the City of Tulsa	**344,163**	789,729
Proceeds from sale of capital assets	**9,541**	41,484
Net cash provided by (used in) capital and related financing activities	**383,414**	(64,753)
Cash flows provided by investing activities, interest earned	**2,492**	2,641
Increase (decrease) in cash and cash equivalents	**338,641**	(124,031)
Cash and cash equivalents, beginning of year	**2,296,082**	2,420,113
Cash and cash equivalents, end of year	**$ 2,634,723**	$ 2,296,082
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating loss	**$ (19,284,179)**	$ (16,728,639)
Depreciation	**3,749,304**	2,777,427
Changes in operating assets and liabilities:		
Accounts receivable	**(556)**	48,944
Inventories	**13,466**	(48,528)
Prepaid expenses and other	**54,555**	(31,362)
Accounts payable	**217,020**	(191,680)
Accrued liabilities	**(19,696)**	119,109
Payable to employees	**144,623**	906,744
Change in net pension liability and other pension related amounts	**1,081,976**	(893,409)
Net cash used in operating activities	**$ (14,043,487)**	$ (14,041,394)
Noncash capital and related financing activities, capital assets recorded in accounts payable at year-end	**$ -**	$ (185,307)

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 enterprise activities of governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

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

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

Restricted cash: The Authority is required to maintain a capital match account for its local share of capital assets purchased with the Federal Transit Administration (FTA). Restricted cash also includes reserves to comply with the worker’s compensation agreement.

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

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

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 in operations.

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

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

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

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

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

	2014	Additions	Deletions	2015	Due in One Year
Compensated absences	$ 675,393	$ 649,793	$ 675,393	$ 649,793	$ 74,726

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 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 recognize against pension expense.

Net position: Net position of the Authority represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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.

Risk management: The Authority is exposed to various risks of loss from torts; theft of damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased in conjunction with the City for claims arising from such matters other than bodily injury, property damage and workers' compensation. For bodily injury and property damage, 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. For workers' compensation, losses incurred for the first $350,000 per claim and any excess over $5,000,000 per claim are retained by the Authority. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Authority is self-insured for a portion of its exposure to risk of loss from bodily injury, property damages and workers' compensation. Annual estimated provisions are accrued for the self-insured portion of bodily injury, property damage and workers' compensation claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

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.

Reclassifications: Certain comparative balances for the year ended June 30, 2015 have been reclassified to make them consistent with the current year presentation. The reclassifications had no effect on change in net position or net position.

Note 2. Deposits and Investments

Deposits: As of June 30, 2016 and 2015, 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, 2016 and 2015, none of the Authority's bank balances of $2,803,685 and $2,821,820, respectively, were uninsured and uncollateralized.

Note 3. Capital Assets

The changes in capital assets for the years ended June 30, 2016 and 2015 were as follows:

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

Note 3. Capital Assets (Continued)

	2015				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated,					
Construction in progress	$ 38,371	$ -	$ -	$ (38,371)	$ -
Land	2,633,707	-	-	-	2,633,707
Total capital assets not being depreciated	2,672,078	-	-	(38,371)	2,633,707
Capital assets being depreciated:					
Revenue equipment	28,317,432	1,246,830	(647,329)	-	28,916,933
Service equipment	431,819	39,982	-	-	471,801
Passenger shelters	1,766,073	54,496	-	-	1,820,569
Security equipment	1,127,091	-	-	-	1,127,091
Buildings	12,013,229	-	-	-	12,013,229
Shop and garage equipment	2,412,099	-	-	-	2,412,099
Other equipment	3,075,588	179,838	(50,319)	-	3,205,107
Furniture and fixtures	917,341	8,521	-	-	925,862
Total capital assets being depreciated	50,060,672	1,529,667	(697,648)	-	50,892,691
Accumulated depreciation:					
Revenue equipment	14,248,533	1,654,184	(647,329)	-	15,255,388
Service equipment	370,209	26,277	-	-	396,486
Passenger shelters	1,383,038	126,227	-	-	1,509,265
Security equipment	479,418	195,198	-	-	674,616
Buildings	7,300,802	337,108	-	-	7,637,910
Shop and garage equipment	750,829	187,483	-	-	938,312
Other equipment	2,592,315	237,745	(49,666)	-	2,780,394
Furniture and fixtures	900,401	13,205	-	-	913,606
Total accumulated depreciation	28,025,545	2,777,427	(696,995)	-	30,105,977
Total capital assets being depreciated, net	22,035,127	(1,247,760)	(653)	-	20,786,714
Capital assets, net	$ 24,707,205	$ (1,247,760)	$ (653)	$ (38,371)	$ 23,420,421

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: Employees of the Authority are provided with pensions through the Municipal Employees' Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City). MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City of Tulsa's Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 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 are required to contribute 6.5 percent of their pensionable wages for the years ended June 30, 2016 and 2015. The Authority is required to contribute 11.5 percent of pensionable wages for the years ended June 30, 2016 and 2015. The Authority is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceeds the 11.5 percent of pensionable wages. Actual contributions to the pension plan from the Authority were $237,982 and $224,071 for the years ended June 30, 2016 and 2015, respectively.

There were no non-employer contributing entities at MERP.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the Authority reported a liability of $3,892,331 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The liability for June 30, 2015 was $2,241,425. Standard update procedures were used to roll forward the total pension liability to June 30, 2016. 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 governments. At June 30, 2016 and 2015, the Authority's proportion was 1.7994 percent and 1.7895 percent, respectively.

Note 4. Pension Plans (Continued)

For the year ended June 30, 2016, the Authority recognized pension expense of $277,791. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 41,553	$ (100,737)	$ -	$ (138,371)
Changes of assumptions	851,501	(520,542)	-	(768,978)
Net difference between projected and actual earnings on pension plan investments	395,588	-	-	(29,675)
Changes in proportion and differences between Authority contributions and proportionate share of contributions	13,632	(19,850)	-	(27,149)
Total	$ 1,302,274	$ (641,129)	$ -	$ (964,173)

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

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

Year ended June 30:	
2017	$ 21,671
2018	21,671
2019	395,278
2020	222,525
	$ 661,145

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the MP-2014 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, 2016 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	0.50
Timber	4	4.25
Cash	1	0.11
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the participating employers will be made as specified in MERP's funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 14.85 percent of payroll, which is the actuarially determined contribution rate. Based on those assumptions, MERP's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate: The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	$ 5,231,164	$ 3,892,331	$ 2,770,515

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.

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, 2016 and 2015 included:

	2016	2015
Active members	93	87
Retirees and beneficiaries currently receiving benefits	81	78
Inactive members entitled to but not yet receiving benefits	10	8
	184	173

Contributions: The employer and employee contribution rates are determined by the Agreement. The employee contribution rate for fiscal years 2016 and 2015 was 4 percent. The employer contribution rate for fiscal years 2016 and 2015 was 9.8 percent and 9 percent, respectively.

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

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
Cash and equivalents	1.22%	1.0%
Corporate equities	12.60	2.0
Pooled equity funds	44.78	8.5
Pooled fixed income funds	41.40	2.3
	100.00%	

Note 4. Pension Plans (Continued)

Rate of return: For the year ended June 30, 2016, the annual weighted rate of return on pension plan investments, net of pension plan investment expense was 0.7 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability: The total pension liability was determined using an actuarial valuation date of June 30, 2016 using generally accepted actuarial principals and methods. In fiscal year 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Authority is utilizing June 30, 2016 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements.

A schedule of the Authority's changes in its net pension liability for the Union Plan for the year ended June 30, 2016 is as follows:

Total pension liability	
Service cost	$ 568,416
Interest	798,109
Benefit payments, including refunds of member contributions	(797,315)
Difference between expected and actual experience of the Total Pension Liability	45,690
Changes in assumptions	2,234,197
Net change in total pension liability	2,849,097
Total pension liability - beginning	14,705,113
Total pension liability - ending (a)	$ 17,554,210
Plan fiduciary net position	
Contributions - employer	$ 285,705
Contributions - employee	121,365
Net investment income	70,587
Benefit payments, including refunds of member contributions	(797,315)
Administrative expense	(67,884)
Net change in plan fiduciary net position	(387,542)
Plan fiduciary net position - beginning	10,351,489
Plan fiduciary net position - ending (b)	$ 9,963,947
Net pension liability - ending (a) - (b)	$ 7,590,263
Plan fiduciary net position as a percentage of the total pension liability	56.76%

Note: The change in assumption is due to the lowering of the discount rate in 2016, from 5.47 percent as of June 30, 2015 to 4.23 percent as of June 30, 2016.

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using mortality rates based on the RP-2000 Blue Collar Combined Mortality Table, fully generational, projected with scale BB for males and females, as appropriate. The actuary used a 7.50 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 (2.85 percent for fiscal year 2016) resulting in a long-term blended rate of return of 4.23 percent.

Note 4. Pension Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2016 and 2015 was 4.23 percent and 5.47 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 2036 at June 30, 2016. As a result, for fiscal year 2016, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, 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 4.23 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 (3.23 percent) or 1-percentage-point higher (5.23 percent) than the current rate.

	1% Decrease (3.23%)	Discount Rate (4.23%)	1% Increase (5.23%)
Authority's net pension liability as of June 30, 2016	$ 9,784,373	$ 7,590,263	$ 5,752,310

Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions: For the year ended June 30, 2016, the Authority recognized pension expense of $1,342,092. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Union Plan pension from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 35,488	$ 416,112	$ -	$ 563,893
Changes of assumptions	2,208,720	-	641,507	-
Net difference between projected and actual earnings on pension plan investments	914,196	-	484,427	-
Total deferred amounts to be recognized in pension expense expense in future periods	$ 3,158,404	$ 416,112	$ 1,125,934	$ 563,893

Note 4. Pension Plans (Continued)

Deferred outflows and inflows of resources are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period, which was 4.4786 years. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 4-year period beginning in the current year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows of Resources
Year ended June 30:	
2017	$ 788,230
2018	788,230
2019	784,478
2020	381,354
	$ 2,742,292

Note 5. Other Postemployment Benefits (OPEB)

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

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

The actuarial valuation of liabilities under the Plan is calculated using the entry age normal cost method as of the July 1, 2016, 2015 and 2014 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability which was approximately $9,713, $12,180 and $14,216 for the City as of June 30, 2016, 2015 and 2014, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable. The Authority's OPEB information is presented below:

	Annual OPEB Cost Information - City			
Year	Actuarial Required Contribution	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2016	$ 977,000	$ 796,000	81%	$ 411,260
2015	1,207,000	618,000	51	406,711
2014	1,376,000	1,332,000	97	382,062

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, 2016, the Authority has entered into contracts totaling approximately $3,371,000 which will be funded primarily by federal grants, as well as local capital contributions.

Note 7. Related-Party Transactions

During the years ended June 30, 2016 and 2015, the Authority received no advances from the City, although $326,000 of prior advances were outstanding as of June 30, 2016 and 2015.

During the years ended June 30, 2016 and 2015, the Authority received operating appropriations from the City of $7,183,300 and $7,439,000, respectively. During the years ended June 30, 2016 and 2015, the Authority received capital appropriations from the City of $344,163 and $789,729, 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 is also self-insuring its liability for workers' compensation losses incurred for the first $350,000 per claim and any excess over $5,000,000 per claim. 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, 2016, 2015 and 2014:

	2016	2015	2014
Liability, beginning of year	$ 543,102	$ 451,723	$ 448,499
Claims incurred:			
Auto/general	43,365	43,317	36,007
Workers' compensation	186,224	128,235	217,824
Claims paid	(198,755)	(80,173)	(250,607)
Liability, end of year	$ 573,936	$ 543,102	$ 451,723

The accrued insurance claims liability as of June 30, 2016 and 2015, also includes a workers' compensation bonus accrual of $0 and $50,530, respectively, for union employees without any worker's compensation claims during the year.

Note 9. Future Changes in Accounting Pronouncements

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

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

GASB Statement No. 82, *Pension Issues*, issued April 2016, will be effective for the Authority beginning with its fiscal year ending June 30, 2017. Statement No. 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

Required Supplementary Information
Municipal Employees' Retirement Plan Schedule of Authority's Proportionate Share of the Net Pension Liability and Schedule of Contributions
June 30, 2016 and 2015

	2016	2015
Authority's proportion of the net pension liability	**1.7994%**	1.7895%
Authority's proportionate share of the net pension liability	**$ 3,892,331**	$ 2,241,425
Authority's covered-employee payroll	**2,143,730**	2,004,148
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**1.82%**	112%
Plan fiduciary net position as a percentage of the total pension liability	**65.62%**	77.13%
Contractually required contribution	**$ 246,529**	$ 230,477
Contributions in relation to the contractually required contribution	**246,529**	230,477
Contribution deficiency (excess)	**$ -**	$ -
Authority's covered-employee payroll	**$ 2,143,730**	$ 2,004,148
Contributions as a percentage of covered-employee payroll	**11.50%**	11.50%

Prior year information is not available.

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

Metropolitan Tulsa Transit Authority

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

	2016	2015
Total Pension Liability		
Service cost	$ 568,416	$ 532,080
Interest	798,109	837,382
Benefit payments	(797,315)	(858,804)
Difference between expected and actual experience	45,690	(711,676)
Changes in assumptions	2,234,197	809,630
Net change in total pension liability	2,849,097	608,612
Total pension liability - beginning of year	14,705,113	14,096,501
Total pension liability - end of year	$ 17,554,210	$ 14,705,113
Plan Net Position		
Contributions - employer	$ 285,705	$ 285,705
Contributions - employee	121,365	117,267
Investment income, net of investment expenses	70,587	177,578
Benefit payments	(797,315)	(858,804)
Administrative expenses	(67,884)	(79,342)
Net change in plan net position	(387,542)	(357,596)
Total plan net position - beginning of year	10,351,489	10,709,085
Total plan net position - end of year	$ 9,963,947	$ 10,351,489
Net pension liability	$ 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

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

	2016	2015
Total pension liability - end of year	$ 17,554,210	$ 14,705,113
Plan net position - end of year	9,963,947	10,351,489
Net pension liability	$ 7,590,263	$ 4,353,624
Plan net position as a percentage of the total pension liability	56.76%	70.39%
Covered employee payroll	$ 2,863,557	$ 3,174,496
Net pension liability as a percentage of covered payroll	265.06%	137.14%

Prior year information is not available.

See note to required supplementary information.

Metropolitan Tulsa Transit Authority

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

Plan year ended June 30:	
2007	17.35%
2008	(10.17)
2009	(18.11)
2010	9.86
2011	31.72
2012	1.09
2013	11.07
2014	15.24
2015	1.70
2016	0.70

See note to required supplementary information.

Metropolitan Tulsa Transit Authority

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
2007	$ 151,479	$ 151,479	$ -	$ 2,939,372	5.15%
2008	183,332	195,303	(11,971)	3,255,034	6.00
2009	259,756	217,626	42,130	3,108,933	7.00
2010	377,831	316,813	61,018	3,520,150	9.00
2011	340,700	273,980	66,720	3,044,226	9.00
2012	330,850	252,465	78,385	2,805,171	9.00
2013	408,337	283,904	124,433	3,154,486	9.00
2014	417,630	285,450	132,180	3,171,667	9.00
2015	486,470	285,705	200,765	3,174,496	9.00
2016	436,582	285,705	150,877	2,863,557	9.98

See note to required supplementary information.

Metropolitan Tulsa Transit Authority

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:	4.23%
Long-term expected rate of return	7.50%
Long-term municipal bond rate	2.85%
Salary increases	3.00%
Retirement age	20% assumed at Rule of 85; 100% retirement assumed at Normal Retirement Age
Mortality	RP-2000 Blue Collar Combined Mortality Table, fully generational, projected with scale BB for males and females
Disability	Not applicable

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

Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/ Program Title	Project Number	CFDA #	Program or Award Amount	Unexpended Balance at July 1, 2015
U.S Department of Transportation (Direct)				
	OK-34-0002-00	20.500	$ 701,024	$ 701,024
	OK-34-0004-00	20.526	701,409	-
	OK-95-X006-00	20.507	250,000	191,113
	OK-95-X008-00	20.507	250,000	250,000
	OK-2016-005-00	20.507	250,000	-
	OK-90-X095-01	20.507	6,953,517	108,074
	OK-90-X100-00	20.507	6,465,926	156,639
	OK-95-X003-00	20.507	650,000	81,958
	OK-90-X104-00	20.507	6,595,908	180,695
	OK-04-0014-00	20.519	2,500,000	52,202
	OK-90-X109-00	20.507	6,340,747	365,622
	OK-95-X005-00	20.507	607,323	13,100
	OK-90-X113-00	20.507	6,284,345	171,883
	OK-90-X117-00	20.507	6,588,277	1,413,264
	OK-90-X122-00	20.507	6,572,959	4,375,969
	OK-2016-001-00	20.507	6,692,783	-
			$ 58,404,218	$ 8,061,543

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, 2016
$ -	$ 175,256	$ 701,024	$ 876,280	$ -
701,409	5,857	23,428	29,285	677,981
-	8,976	18,510	27,486	172,603
-	14,506	51,439	65,945	198,561
250,000	-	-	-	250,000
-	27,019	108,074	135,093	-
-	10,054	40,216	50,270	116,423
-	7,989	31,957	39,946	50,001
-	7,611	30,445	38,056	150,250
-	13,051	52,202	65,253	-
-	8,095	32,380	40,475	333,242
-	-	-	-	13,100
-	2,793	11,171	13,964	160,712
-	589,563	1,203,161	1,792,724	210,103
2,196,990	1,770,301	4,766,675	6,536,976	1,806,284
6,692,783	-	-	-	6,692,783
$ 9,841,182	$ 2,641,071	$ 7,070,682	$ 9,711,753	$ 10,832,043

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

Schedule of Operating Expenses, Excluding Depreciation
Year Ended June 30, 2016

Labor:	
Operator salaries and wages	$ 3,780,206
Transportation administration	328,985
System security	243,256
Servicing of revenue vehicles	202,674
Maintenance administration	282,894
Maintenance and inspection of revenue vehicles	768,290
Service development	46,927
General office administration	1,246,845
Safety and training administration	21,663
Total labor	6,921,740
Purchased transportation:	
Lift program, ADA	2,123,310
Fixed route	306,359
Total purchased transportation	2,429,669
Materials and supplies consumed:	
Diesel fuel	476,465
Compressed natural gas	203,737
Gasoline service	18,808
Oil and lubricants	111,309
Tires and tubes	130,505
Shop and garage building repair	447,813
Service and shop equipment	44,464
Other shop and garage expense	89,988
Repair parts for revenue vehicles	949,006
Servicing supplies	324,709
Transportation and safety	8,991
Schedules	17,237
Tickets and transfers	35,949
General office expenses	79,533
Total materials and supplies consumed	2,938,514

(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, 2016

Fringes:	
FICA taxes	573,526
Pension plan expenses	1,606,175
Health and dental expense	1,402,322
Life and disability insurance	56,450
Workers' compensation insurance (including self-insurance)	182,078
Sick leave	195,229
Holiday pay	181,764
Vacation pay	325,175
Uniform allowance - drivers	48,947
Work clothing and tool allowance, mechanics	35,916
Unemployment tax, state	18,801
Other	83,997
Total fringes	4,710,380
Services:	
Legal fees	111,696
Audit and other outside services	37,400
Office equipment maintenance	9,203
Advertising	357,081
Professional and technical services	294,725
Building, vehicle and facility services	185,077
Security services	34,649
Total services	1,029,831
Insurance, property and liability insurance (including self-insurance)	187,519
Utilities:	
Heat, power and water	324,564
Communications	199,747
Total utilities	524,311

(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, 2016

Other:	
Planning expense	109,274
Dues and subscriptions	25,695
Travel and meetings, staff	25,834
Marketing and advertising	127,383
Training	14,004
Other miscellaneous expenses	65,686
Leases and rentals	17,811
Total other	385,687
Total operating expenses, excluding depreciation	$ 19,127,651

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

Schedule of Project Costs
Year Ended June 30, 2016

Total operating expenses:	
Labor	$ 6,921,740
Purchased transportation	2,429,669
Materials and supplies consumed	2,938,514
Fringes	4,710,380
Services	1,029,831
Insurance	187,519
Utilities	524,311
Other	385,687
Total operating expenses, excluding depreciation	19,127,651
Depreciation	3,749,304
Total operating expenses	22,876,955
Less exclusions:	
Ineligible expenses:	
Depreciation	3,749,304
Contra-expense, interest earned on working capital	(2,492)
Other exclusions, expenses reimbursable by:	
Planning assistance, FTA	1,115,654
Revolving transit funds, Oklahoma	1,092,500
CMAQ operating assistance, FTA	101,907
Operating assistance, FTA	1,564,405
Preventative maintenance assistance, FTA	2,240,860
Lift program assistance, FTA	742,907
Lease assistance, FTA	124,846
Total exclusions	10,729,891
Eligible operating expenses	12,147,064
Less:	
Passenger farebox revenues	2,767,263
Contract services and other	47,548
	2,814,811
Net eligible project cost	9,332,253
Less local share of operating assistance:	
City of Tulsa	7,183,300
Advertising revenues	777,965
Other	279,483
	8,240,748
Net revenues before applying FTA operating funds	$ 1,091,505