TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)

FINANCIAL REPORT
June 30, 2017 and 2016

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Years Ended June 30, 2017 and 2016

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Independent Auditor's Report

Board of Trustees
Tulsa Metropolitan Utility Authority

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and each major fund of the Tulsa Metropolitan Utility Authority (the Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2017 and 2016, and the related notes to the basic 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. 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof 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 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.

RSM US LLP

Kansas City, Missouri
November 28, 2017

As management of the Tulsa Metropolitan Utility Authority (the "Authority"), a component unit of the City of Tulsa, Oklahoma (the "City"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the current year by $1,055,938. Of this amount, $134,026 is unrestricted and may be used to meet the Authority's ongoing obligations.

- The Authority's net position increased from $979,156 at June 30, 2016 to $1,055,938 at June 30, 2017. During 2017, the Authority generated an increase in net position of $76,782 compared to $59,149 during 2016.

- The Authority's cash and cash equivalents at June 30, 2017, were $240,240, representing an increase of $8,370 from June 30, 2016.

Overview of the Financial Statements

The Authority, a legally separate public trust, is reported by the City as a discretely presented component unit in the City's Comprehensive Annual Financial Report. The primary function of the Authority is to provide for water delivery and wastewater utility systems.

This discussion and analysis is intended to serve as an introduction to the Authority's audit report. The audit report consists of two parts: management's discussion and analysis, and the financial statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Financial Statements

The Authority uses fund accounting in its financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one fund type, proprietary, and reports two enterprise funds. Enterprise funds are used to report the functions presented as business-type activities.

These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and deferred outflows of resources and liabilities and deferred 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 its costs through its user fees and other charges, profitability, and credit worthiness. The third 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 operating, 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 the cash balance during the period.

Net Position

The Authority's net position increased $76,782 for the year ended June 30, 2017 and $59,149 for the year ended June 30, 2016. The following table provides a summary of net position.

SUMMARY OF NET POSITION

	2017	2016	2015
Current assets, unrestricted	$ 186,406	$ 155,087	$ 126,519
Restricted assets	106,180	121,063	111,233
Capital assets, net	1,254,038	1,221,004	1,198,228
Other assets	19,787	17,944	14,583
Total assets	1,566,411	1,515,098	1,450,563
Total deferred outflows of resources	14,734	23,007	3,534
Current liabilities	65,453	65,774	65,122
Noncurrent liabilities	450,517	479,643	450,764
Total liabilities	515,970	545,417	515,886
Total deferred inflows of resources	9,237	13,532	18,204
Net investment in capital assets	908,767	867,665	840,224
Restricted	13,145	13,494	12,759
Unrestricted	134,026	97,997	67,024
Total net position	$ 1,055,938	$ 979,156	$ 920,007

In 2017 total assets increased $51,313. The increase in unrestricted current assets of $31,319 is primarily related to increases in cash of $30,421, net utilities receivables of $11,763 offset by a decrease in property tax receivable of $1,198 due to the refunding of general obligation bond debt with a shorter maturity. The net decrease in restricted assets of $14,883 is attributable to spending of debt proceeds to fund capital expansion offset by proceeds of debt issued in the current year to fund capital expansion. The $33,034 increase in capital assets is consistent with the improvement and expansion of both utility systems and is necessary to provide adequate services to our customers and to assure compliance with all applicable laws and regulations. Total deferred outflows of resources decreased $8,273 due to a decrease in deferred outflows of pension related resources of $9,066 and an increase in deferred charge on refunding of previous revenue bonds of $793. Total liabilities decreased $29,447 due primarily to decreases in promissory notes of $49,072, general obligation debt of $6,574 and net pension liability of $4,264 offset by increases in revenue bonds of $24,870 and related unamortized premiums of $5,715. Total deferred inflows of resources decreased $4,295 primarily due to decreases in deferred inflows of pension related resources of $3,050 and deferred property taxes revenue of $1,198.

In 2016 total assets increased $64,535. The increase in unrestricted current assets of $28,568 is primarily related to increases in cash of $24,264, net utilities receivables of $4,086, and property tax receivable of $252 due to the refunding of general obligation bond debt with a shorter maturity. The net increase in restricted assets of $9,806 is attributable to proceeds of debt issued in the current year to fund capital expansion offset by the spending of debt proceeds to fund capital expansion. The $22,776 increase in capital assets is consistent with the improvement and expansion of both utility systems and is necessary to provide adequate services to our customers and to assure compliance with all applicable laws and regulations. Total deferred outflows of resources increased $19,473 due to an increase in deferred outflows of pension related resources of $19,806 and a decrease in deferred charge on refunding of previous revenue bonds of $333. Total liabilities increased $29,531 due primarily to increases in the net pension liability of $25,335, revenue bonds of $17,640, and decreases in promissory notes of $5,880, and general obligation debt of $5,046. Total deferred inflows of resources decreased $4,672 primarily due to deferred inflows of pension related resources of $4,872, offset by an increase in deferred property taxes revenue of $252.

SUMMARY OF CHANGES IN NET POSITION

	2017	2016	2015
Operating revenue	$ 226,692	$ 211,307	$ 191,340
Nonoperating revenue	4,089	2,808	3,078
Investment income	326	1,750	979
Total revenues	231,107	215,865	195,397
Depreciation expense	39,041	37,144	35,178
Other operating expense	105,857	112,338	95,223
Nonoperating expense	22,720	23,451	21,830
Total expenses	167,618	172,933	152,231
Income before contributions	63,489	42,932	43,166
Capital contributions	12,990	10,168	4,846
Capital contributions from City of Tulsa	303	6,049	2,894
Total capital contributions	13,293	16,217	7,740
Change in net position	76,782	59,149	50,906
Net position, beginning of year	979,156	920,007	869,101
Net position, end of year	$ 1,055,938	$ 979,156	$ 920,007

In 2017, total revenues increased $15,242, due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses decreased $6,481, due primarily to increases in personnel services of $1,081 and decreases in other services and charges of $7,037 due to decreases in water and sewer line repairs of $4,446 and consulting services for the water and wastewater comprehensive plans of $4,545 offset by increases in charges for paving cuts of $1,104. Nonoperating expenses decreased $731, due to a decrease in interest expense of $1,541 offset by an increase in bond issue costs of $219 and payments in lieu of taxes ("PILOT"), of $591 based on higher water and sewer service revenue. Investment income decreased $1,424 related to lower cash and investment balances. Capital contributions decreased $2,924 related to increases in contributed water and wastewater lines of $2,822 and decreased contributions from sales tax funds of $5,746. As a result of these changes, net position increased $76,782 during the year.

In 2016, total revenues increased $20,468, due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses increased $17,179, due to increases in personnel services of $8,088 and an increase in other services and charges of $9,311 primarily due to increases in water and sewer line repairs of $7,146 and consulting services for the water and wastewater comprehensive plans of $3,945 offset by decreases in charges for paving cuts of $1,861 and electric utilities of $275. Nonoperating expenses increased $1,557, due to an increase in interest expense of $957 and an increase in payments in lieu of taxes ("PILOT"), of $600 based on higher water and sewer service revenue. Investment income increased $771 related to larger cash and investment balances. Capital contributions increased $8,477 related to increases in contributed water and wastewater lines of $5,322 and contributions from sales tax funds for the Lower Bird Creek wastewater treatment plant. As a result of these changes, net position increased $59,149 during the year.

Capital Assets

The Authority's investment in capital assets as of June 30, 2017 and 2016 was $1,254,038 and $1,221,004, respectively (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment and a water storage lease. The Authority paid $51,979 and $50,455 during 2017 and 2016, respectively, related to the acquisition and purchase of capital assets.

	2017	2016	2015
Land	$ 34,772	$ 34,772	$ 34,592
Water storage lease	9,593	9,593	9,593
Buildings	49,148	49,121	48,434
Equipment	71,266	67,970	65,129
Land improvements, water and sewer lines	1,735,163	1,677,395	1,601,916
	1,899,942	1,838,851	1,759,664
Less accumulated depreciation	(709,707)	(672,764)	(637,632)
Construction-in-progress	63,803	54,917	76,196
Capital assets, net	$ 1,254,038	$ 1,221,004	$ 1,198,228

Debt

At June 30, 2017 and 2016, the Authority had outstanding general obligation bonded debt of $17,989 and $24,564, respectively. These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the City. The City's Charter requires that not less than 50% of the annual principal and interest requirements on general obligation bonds issued for waterworks and wastewater be funded by water and wastewater revenues, respectively.

	2017	2016	2015
General obligation bonds	$ 17,989	$ 24,564	$ 29,610
Revenue bonds	183,620	158,750	141,110
Promissory notes	193,595	242,667	248,547
Total debt	$ 395,204	$ 425,981	$ 419,267

During 2017, the Authority issued new debt to fund improvements to the water and wastewater systems. The Authority's debt decreased $30,776 or 7.2% during 2017. As an issuer of bonds, the Authority is subject to numerous covenants contained within the bond indentures. The Authority is in full compliance with all of these covenants.

Funds

The Authority has two funds, the Water Fund and the Sewer Fund. At June 30, 2017, the Water Fund net position of $545,471 reflected an increase of $39,155 from the net position of $506,316 at June 30, 2016. At June 30, 2017, the Sewer Fund net position of $510,467 reflected an increase of $37,627 from the net position of $472,840 at June 30, 2016.

Economic factors and next year's budgets and rates

At the national level, unemployment declined to 4.7 percent at June 30, 2017. Unemployment in the City of Tulsa was 4.9 percent at the end of fiscal year 2017 compared to 5.4 percent at the end of fiscal year 2016. The Authority has not experienced a significant decline in collection rates for accounts receivable as the economy continues to recover from the economic downturn.

The Authority's appointed officials considered many factors when setting the fees that will be charged for water and sewer services in 2018. The Authority approved a 4 percent increase in water fees and a 9 percent increase in sewer fees beginning in October 2017. The fee increases are to fund operations, maintenance, debt service, and capital improvements.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all 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 Office of the Controller, 175 E. Second Street, Suite 575, Tulsa, Oklahoma 74103.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

(In thousands of dollars)	2017			2016		
ASSETS	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Current assets:						
Cash and cash equivalents	$ 95,399	$ 56,262	$ 151,661	$ 76,286	$ 44,954	$ 121,240
Cash and cash equivalents, restricted	17,249	7,097	24,346	17,024	8,076	25,100
Accounts receivable:						
Utility services receivable, net	16,688	13,030	29,718	15,948	12,007	27,955
Other receivables	553	176	729	416	171	587
Property tax receivable	-	2,337	2,337	-	3,535	3,535
Inventories	1,642	319	1,961	1,528	242	1,770
Total current assets	131,531	79,221	210,752	111,202	68,985	180,187
Noncurrent assets:						
Cash and cash equivalents, restricted	28,075	36,158	64,233	38,360	47,170	85,530
Investments, restricted	8,407	9,194	17,601	3,955	6,454	10,409
Interest receivable	46	55	101	3	9	12
Advances to primary government	-	12	12	-	12	12
Equity interest in joint venture	-	19,674	19,674	-	17,944	17,944
Nondepreciable capital assets	61,537	46,631	108,168	55,251	44,031	99,282
Depreciable capital assets, net	514,548	631,322	1,145,870	505,900	615,822	1,121,722
Total noncurrent assets	612,613	743,046	1,355,659	603,469	731,442	1,334,911
Total assets	$ 744,144	$ 822,267	$ 1,566,411	$ 714,671	$ 800,427	$ 1,515,098
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	2,538	467	3,005	2,047	165	2,212
Deferred outflows of pension related resources	6,316	5,413	11,729	11,102	9,693	20,795
Total deferred outflows of resources	$ 8,854	$ 5,880	$ 14,734	$ 13,149	$ 9,858	$ 23,007

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TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION, Continued
June 30, 2017 and 2016

(In thousands of dollars)	2017			2016		
LIABILITIES	**Water Fund**	**Sewer Fund**	**Business-type Activities Total**	**Water Fund**	**Sewer Fund**	**Business-type Activities Total**
Current liabilities:						
Accounts payable and accrued liabilities	$ 9,914	$ 10,465	$ 20,379	$ 9,960	$ 9,433	$ 19,393
Current portion of watermain extension contracts	387	-	387	366	-	366
Current portion of compensated absences	1,345	1,088	2,433	1,478	1,122	2,600
Current portion of water storage lease	207	-	207	200	-	200
Deposits subject to refund	10,070	541	10,611	10,141	551	10,692
Current portion of general obligation debt	-	4,373	4,373	-	6,627	6,627
Current portion of promissory notes	-	12,813	12,813	-	15,436	15,436
Current portion of revenue bonds	10,555	3,695	14,250	10,040	420	10,460
Total current liabilities	32,478	32,975	65,453	32,185	33,589	65,774
Noncurrent liabilities:						
General obligation debt	-	13,616	13,616	-	17,937	17,937
Promissory notes	-	180,782	180,782	-	227,231	227,231
Revenue bonds	127,790	41,580	169,370	137,825	10,465	148,290
Unamortized bond premium	3,239	14,200	17,439	3,076	9,174	12,250
Unamortized bond discount	-	-	-	-	(76)	(76)
Watermain extension contracts	2,555	-	2,555	2,998	-	2,998
Compensated absences	913	738	1,651	584	443	1,027
Other post-employment benefits	2,907	2,455	5,362	3,096	2,677	5,773
Net pension liability	30,526	25,835	56,361	32,758	27,867	60,625
Water storage lease	3,381	-	3,381	3,588	-	3,588
Total noncurrent liabilities	171,311	279,206	450,517	183,925	295,718	479,643
Total liabilities	$ 203,789	$ 312,181	$ 515,970	$ 216,110	$ 329,307	$ 545,417
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on refunding	-	69	69	-	116	116
Deferred inflows of pension related resources	3,738	3,093	6,831	5,394	4,487	9,881
Property tax revenue	-	2,337	2,337	-	3,535	3,535
Total deferred inflows of resources	$ 3,738	$ 5,499	$ 9,237	$ 5,394	$ 8,138	$ 13,532
NET POSITION						
Net investment in capital assets	464,117	444,650	908,767	448,258	419,407	867,665
Restricted for debt service	5,899	7,246	13,145	5,428	8,066	13,494
Unrestricted	75,455	58,571	134,026	52,630	45,367	97,997
Total net position	$ 545,471	$ 510,467	$ 1,055,938	$ 506,316	$ 472,840	$ 979,156

The accompanying notes are an integral part of the financial statements

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2017 and 2016

(In thousands of dollars)	2017			2016		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Operating revenues:						
Water and sewer services	$ 123,050	$ 103,642	$ 226,692	$ 115,006	$ 96,301	$ 211,307
Operating expenses:						
Personnel Services	27,848	23,809	51,657	27,231	23,345	50,576
Materials and supplies	7,297	4,635	11,932	7,881	4,576	12,457
Other services and charges	23,576	18,692	42,268	29,273	20,032	49,305
Depreciation	18,913	20,128	39,041	17,274	19,870	37,144
Total operating expenses	77,634	67,264	144,898	81,659	67,823	149,482
Operating income	45,416	36,378	81,794	33,347	28,478	61,825
Nonoperating revenues (expenses):						
Investment income	171	155	326	1,198	552	1,750
Interest and amortization expense	(3,097)	(6,144)	(9,241)	(3,456)	(7,326)	(10,782)
Bond issuance costs	(242)	(210)	(452)	(135)	(98)	(233)
Ad valorem taxes	-	3,674	3,674	-	2,729	2,729
Payments in lieu of taxes to City of Tulsa	(7,022)	(6,005)	(13,027)	(6,692)	(5,744)	(12,436)
Other, net	255	160	415	(16)	95	79
Net nonoperating expenses	(9,935)	(8,370)	(18,305)	(9,101)	(9,792)	(18,893)
Income before contributions	35,481	28,008	63,489	24,246	18,686	42,932
Capital contributions	3,674	9,316	12,990	3,303	6,865	10,168
Capital contributions from City of Tulsa	-	303	303	-	6,049	6,049
Total capital contributions	3,674	9,619	13,293	3,303	12,914	16,217
Change in net position	39,155	37,627	76,782	27,549	31,600	59,149
Net position, beginning of year	506,316	472,840	979,156	478,767	441,240	920,007
Net position, end of year	$ 545,471	$ 510,467	$ 1,055,938	$ 506,316	$ 472,840	$ 979,156

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

(In thousands of dollars)	2017			2016		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Cash flows from operating activities:						
Received from customers, including cash deposits	$ 122,077	$ 102,638	$ 224,715	$ 112,180	$ 95,358	$ 207,538
Payments to suppliers for goods and services	(34,169)	(22,940)	(57,109)	(35,513)	(25,027)	(60,540)
Payments to personnel for services	(26,941)	(22,916)	(49,857)	(27,106)	(22,949)	(50,055)
Net cash provided by operating activities	60,967	56,782	117,749	49,561	47,382	96,943
Cash flows from non-capital and related financing activities:						
Payments in lieu of taxes to the primary government	(7,022)	(6,005)	(13,027)	(6,692)	(5,744)	(12,436)
Collection of advances to City of Tulsa	-	-	-	-	194	194
Net cash used by non-capital and related financing activities	(7,022)	(6,005)	(13,027)	(6,692)	(5,550)	(12,242)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(25,841)	(26,138)	(51,979)	(12,277)	(38,178)	(50,455)
Investment in joint venture	-	(2,182)	(2,182)	-	(3,692)	(3,692)
Payments from City of Tulsa	-	303	303	-	6,049	6,049
Proceeds from sale of capital assets	275	231	506	163	106	269
Principal paid on long-term debt	(9,400)	(19,457)	(28,857)	(13,168)	(19,405)	(32,573)
Interest paid on long-term debt	(5,051)	(10,428)	(15,479)	(4,561)	(9,989)	(14,550)
Payment of bond issuance costs	(242)	(210)	(452)	(135)	(98)	(233)
Refunding payments	(28,085)	(40,484)	(68,569)	-	(5,916)	(5,916)
Proceeds from long-term debt issuance	27,765	38,684	66,449	16,565	28,444	45,009
Premium received on debt issuance	782	7,179	7,961	919	695	1,614
Payment of call premium on debt refunding	(532)	-	(532)	-	(109)	(109)
Ad valorem taxes received for debt service	-	3,674	3,674	-	2,729	2,729
Payments on watermain extension contracts	(239)	-	(239)	(305)	-	(305)
Net cash used by capital and related financing activities	$ (40,568)	$ (48,828)	$ (89,396)	$ (12,799)	$ (39,364)	$ (52,163)

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TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF CASH FLOWS, Continued
Years Ended June 30, 2017 and 2016

(In thousands of dollars)	2017			2016		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Cash flows from investing activities:						
Interest received on investments	$ 126	$ 138	$ 264	$ 1,248	$ 592	$ 1,840
Sale or maturity of investments	3,951	5,044	8,995	9,966	15,198	25,164
Purchases of investments	(8,401)	(7,814)	(16,215)	-	(1,399)	(1,399)
Net cash provided (used) by investing activities	(4,324)	(2,632)	(6,956)	11,214	14,391	25,605
Net increase (decrease) in cash and cash equivalents	9,053	(683)	8,370	41,284	16,859	58,143
Cash and cash equivalents, beginning of year	131,670	100,200	231,870	90,386	83,341	173,727
Cash and cash equivalents, end of year	$ 140,723	$ 99,517	$ 240,240	$ 131,670	$ 100,200	$ 231,870
Reconciliation of cash and cash equivalents to the Statement of Net Position:						
Current unrestricted cash and cash equivalents	$ 95,399	$ 56,262	$ 151,661	$ 76,286	$ 44,954	$ 121,240
Current restricted cash and cash equivalents	17,249	7,097	24,346	17,024	8,076	25,100
Noncurrent restricted cash and cash equivalents	28,075	36,158	64,233	38,360	47,170	85,530
	$ 140,723	$ 99,517	$ 240,240	$ 131,670	$ 100,200	$ 231,870
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	$ 45,416	$ 36,378	$ 81,794	$ 33,347	$ 28,478	$ 61,825
Adjustments:						
Depreciation	18,913	20,128	39,041	17,274	19,870	37,144
Increase in accounts receivable	(877)	(1,028)	(1,905)	(3,283)	(996)	(4,279)
(Increase) decrease in inventories	(114)	(77)	(191)	237	(12)	225
Decrease in joint venture	-	451	451	-	332	332
Decrease (increase) in deferred outflows pension	4,786	4,280	9,066	(10,751)	(9,055)	(19,806)
Increase (decrease) in accounts payable and other accrued liabilities	(3,009)	309	(2,700)	1,193	(772)	421
Increase (decrease) in other post employment benefit	(189)	(222)	(411)	34	30	64
Increase (decrease) in deposits subject to refund	(71)	(10)	(81)	468	84	552
Increase (decrease) net pension liability	(2,233)	(2,032)	(4,265)	13,641	11,696	25,337
Decrease deferred inflows pension	(1,655)	(1,395)	(3,050)	(2,599)	(2,273)	(4,872)
Net cash provided by operating activities	$ 60,967	$ 56,782	$ 117,749	$ 49,561	$ 47,382	$ 96,943
Noncash capital and related financing activities:						
Contributions from area developers	$ 3,674	$ 9,316	$ 12,990	$ 3,303	$ 6,865	$ 10,168
Additions included in accounts payable and retainage	$ 5,815	$ 4,891	$ 10,706	$ 2,576	$ 3,767	$ 6,343
Expiring watermain extension contracts	$ 182	$ -	$ 182	$ 133	$ -	$ 133

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS AND REPORTING ENTITY – The Tulsa Metropolitan Utility Authority (the "Authority") was created under the provisions of the Oklahoma Public Trust Act. The Trustees of the Authority consist of the Mayor of the City of Tulsa (the "City") and six other members appointed by the Mayor and confirmed by the City Council. The City is the sole beneficiary of the Trust. The Authority meets the requirements for, and is included in, the City's Comprehensive Annual Financial Report as a discretely presented component unit.

On February 1, 1984, the Authority leased from the City its existing and subsequently acquired water treatment and distribution systems (Water System) along with the rights to the gross revenues generated by the System. The terms of the agreement provide for the lease of the Water System for a term of 50 years or until all bonds and indebtedness collateralized by and payable from revenues is retired.

Under the terms of the lease, the City collects the Water System's operating revenues. The Water System is operated by City personnel and the City also pays the operating expenses and maintenance costs, and makes additions, replacements and improvements necessary to keep the Water System in proper working order on behalf of the Authority.

The Authority is to utilize gross revenues to reimburse the City for the cost of operating and maintaining the Water System. Also, the Authority will issue bonds to finance improvements to the Water System and set rates, fees and charges to users of the Water System.

On July 1, 1989, the Authority entered into a Wastewater System Lease Agreement and Operation and Maintenance Contract with the City. The terms of the agreement provide for the lease of the City's revenue producing sanitary sewer and wastewater treatment, collection, transportation, processing, and disposal systems and facilities, along with the transfer of related liabilities, for a term of 50 years or until such time as all bonds and indebtedness collateralized by and payable from revenues from the wastewater system are retired.

All operating costs, including personnel, are provided by the City and reimbursed by the Authority. For financial reporting purposes, personnel and other operating costs are reported as costs incurred directly by the Authority. Accordingly, the Authority reports these costs in its financial statements and makes appropriate disclosures in the notes to the financial statements. The Authority has no employees. All references to "employees" are references to City employees who perform operation and maintenance work under the terms of the lease agreements. Payments to and amounts owed to employees are part of the payments the Authority makes to the City pursuant to the terms of the lease agreements.

The Authority accounts for and reports using separate funds for water and sewer utility fees and other revenue dedicated to the Authority.

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

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 are prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows/outflows from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

GAAP requires the Authority to present in its financial statements, inclusive of the notes to the financial statements, the economic substance of its operations and the assets under lease.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents reported on the statement of net position include both the amounts held within the City's pooled portfolio and other cash and cash equivalents. Cash and cash equivalents also consist of money market accounts which are reported at amortized cost.

The Authority's cash and cash equivalents included in the City's pooled portfolio are recorded at the net asset value of their position in the City's pooled portfolio. The Authority is allocated interest monthly based on their average daily position in the City's pooled portfolio. Changes in fair value of the City's pooled portfolio are allocated annually based on the Authority's position as of June 30.

For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased, and amounts held in the City's portfolio pool, to be cash equivalents.

The amounts held in the City's pooled portfolio are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

INVESTMENTS – the Authority may invest in fixed income obligations of the U.S. Government, its agencies, or instrumentalities. The investments of the Authority are reported at fair value.

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

FAIR VALUE MEASUREMENTS – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Authority categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

> Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.
>
> Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the asset or liability.
>
> Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority's own assumptions as there is little, if any, related market activity.

Hierarchy – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs – If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

INVENTORIES – Inventories are stated at cost (first-in, first-out), which is not in excess of market.

RESTRICTED ASSETS – Certain assets of the Authority are restricted under the terms of its bond indentures or state statutes.

UTILITY SERVICES RECEIVABLE – This balance consists of amounts due from customers within and around the Tulsa metropolitan area for utility service. Unbilled revenue is accrued and included in utility services receivable for services that were provided, but not billed at year end. Utility services receivable included $8,129 and $6,434 of accrued unbilled revenue for the Water fund and Sewer fund, respectively, as of June 30, 2017 and $8,040 and $6,122 for the Water fund and Sewer fund, respectively, as of June 30, 2016. The Authority recorded an allowance for uncollectible accounts of $148 and $111 for Water fund and Sewer fund, respectively, as of June 30, 2017 and $31 and $76 for Water fund and Sewer fund, respectively, as of June 30, 2016.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

CAPITAL ASSETS – Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at acquisition value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Included in the capital assets is the interest capitalized during construction. Interest capitalized during fiscal years 2017 and 2016 was $3,016 and $3,045, respectively.

DEPRECIATION – Capital assets placed in service are depreciated on the straight-line basis over the following estimated useful lives:

Land improvements	30 years
Buildings	50 years
Water and sewer lines	33 - 100 years
Equipment	3 - 20 years

Capital assets sold or disposed have their cost and accumulated depreciation removed from the Authority's records. The related gain or loss is recorded in the period of sale or disposal.

CAPITAL CONTRIBUTIONS – Capital contributions include payments made by developers for the construction of water and sewer lines, grants, and amounts contributed by City sales tax funds. Amounts contributed to the Authority from City sales tax funds are reported as capital contributions and are included as increases to construction in progress (nondepreciable capital assets) until those assets are complete and placed in service.

COMPENSATED ABSENCES – Vacation and sick leave is granted to all employees. Vacation time earned varies from 14 to 26 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount which may be earned in one calendar year. Accumulated vacation leave vests and the Authority is obligated to make payment upon termination or retirement. Accumulated sick leave is not paid out to employees upon separation, if separation occurs before retirement eligibility. Upon retirement an employee is eligible to receive a lump sum payout of one hour for every three hours earned and unused if the employee has at least 960 hours. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation payments and other employees who are expected to become eligible in the future to receive such payments upon separation are included. The amount of unpaid vacation and sick leave is charged to expense during the period earned if probable of payout, and a corresponding liability is established.

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

POST-EMPLOYMENT BENEFITS (PENSION AND OTHER) – Post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are used while the employees are in active service, whereas other benefits, including retirement and post-employment healthcare, are used after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. Additional information regarding these liabilities is included in Notes 7 and 8.

UNAMORTIZED DISCOUNTS AND PREMIUMS – Original issue discounts and premiums on the Authority's revenue bonds are amortized over the lives of the bonds using the effective interest method.

NET POSITION – Net position of the Authority represents the difference between assets and liabilities and deferred inflows/outflows. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Net investment in capital assets as of June 30, 2017 excludes unspent bond proceeds of $36,481 and $42,239 for Water and Sewer, respectively, and as of June 30, 2016 excludes unspent bond proceeds of $42,366 and $50,474 for Water and Sewer, respectively. 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 is the difference between assets, liabilities and deferred inflow/outflows of resources that do not meet the definition of net investment in capital assets or restricted.

PROPERTY TAX REVENUE – Oklahoma statutes require that the City make a property tax levy for a sinking fund (Debt Service Fund) which shall, with cash and investments in the fund, be sufficient to pay all general obligation bonded indebtedness, interest and one-third of all outstanding judgments coming due in the following fiscal year.

The sinking fund requirements are submitted by the City to the County Excise Board to determine the property tax levy. This submission is made by August 27th of each year. The County Assessor is required to file a tax roll report on or before October 1st each year with the County Treasurer indicating the net assessed valuation for all real and public service property.

The Oklahoma Tax Commission determines property assessed valuations. The assessment ratio in Tulsa County currently averages 11% of market value.

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

Property tax is levied each October 1st on the assessed valuation of non-exempt real property located in the City as of the preceding January 1st, the lien date. Property taxes are due on November 1st following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1st, the second installment is not delinquent until April 1st). Property taxes are collected by the County Treasurers of Tulsa, Wagoner and Osage Counties, Oklahoma, and are remitted to the City. Property tax receivables are recorded on the lien date, although the related Authority revenue is reported as a deferred inflow of resources and will not be recognized until the year for which it is levied.

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 in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

INCOME TAXES – With regards to federal income taxes, the Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES – The Authority records deferred outflows or inflows of resources for the consumption or acquisition of net position that is applicable to a future reporting period and will not be reported as an outflow (expense) or inflow (revenue) until then. The financial statements reflect deferred outflows and inflows of resources recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions, and deferred inflows of resources related to property tax revenue.

DEFERRED CHARGES/GAINS ON REFUNDING – Deferred charges/gains on refunding represents the difference in the reacquisition price and the net carrying amount of the old debt. These charges are presented as a deferred outflow/inflow of resources, amortized using the effective interest method, and recognized as a component of interest expense over the life of the old or new debt, whichever is shorter.

PENSION PLAN – 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 additions to/deductions from MERP's fiduciary net position have been determined on the same basis as they are reported by MERP. 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.

RECLASSIFICATIONS – Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on total net position or changes in net position.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

2. CASH DEPOSITS AND INVESTMENTS

CASH AND CASH EQUIVALENTS – Cash deposits of the Authority, not held in trust accounts, are held within the City's pooled portfolio. The City's pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2017 and 2016 the Authority held $155,680 and $130,233, respectively, in the City's pooled portfolio, which represented 19.3% and 17.9%, respectively of the City's pooled portfolio.

The City's pooled portfolio is collateralized by securities held by the City or its agent in the City's name as of June 30, 2017 and 2016.

Please refer to the City's Comprehensive Annual Financial Report for additional disclosures related to the City's pooled portfolio, including required disclosures of risks and fair value measurements. A copy of the City's Comprehensive Annual Financial Report may be obtained at www.cityoftulsa.org.

In addition, the Authority has money market accounts reported as cash equivalents on the statement of net position of $84,560 and $101,637 as of June 30, 2017 and 2016, respectively.

INVESTMENTS – For the years ended June 30, the Authority had the following investments:

		June 30, 2017		Fair Value
		Maturities in years		Measurement
	Fair Value	Less than 1	1-5	
U.S. Treasury Securities	$ 17,601	$ 1,396	$ 16,205	Level 1

		June 30, 2016		Fair Value
		Maturities in years		Measurement
	Fair Value	Less than 1	1-5	
U.S. Treasury Securities	$ 10,409	$ 9,005	$ 1,404	Level 1

Interest Rate Risk – Interest rate risk is the risk that a change in interest rates will adversely affect the value of an investment. For restricted funds, bond requirements limit the type of investments that can be acquired and consist of U.S. Treasury Securities.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority utilizes the City of Tulsa investment policy and bond indenture restrictions on authorized investments to limit its exposure to credit risks. The Authority's investments in U.S. Treasury Securities are not subject to credit risk.

2. CASH DEPOSITS AND INVESTMENTS, continued

Custodial Credit Risk – For deposits with financial institutions, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Authority's deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized by at least 110% of the amount that is not federally insured. The Authority's investments in U.S. Treasury Securities at June 30, 2017 and 2016 are insured or are registered securities held by the Authority or by its agent in the Authority's name. Therefore, at June 30, 2017 and 2016 none of the Authority's money market accounts of $84,560 and $101,637, respectively, nor investments of $17,601 and $10,409, respectively, were exposed to custodial credit risk.

Concentration of Credit Risk – The Authority utilizes the City of Tulsa investment policy to determine the amount that may be invested in any one issuer. At June 30, 2017 and 2016, the Authority's investments in U.S Treasury Securities are not subject to concentration of credit risk disclosure.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

3. RESTRICTIONS ON ASSET USE

Unspent debt proceeds, as well as resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants and they are maintained in separate bank accounts. A summary of the purpose for which these assets are restricted as of June 30, 2017 and 2016, is as follows:

	2017	2016
General Obligation Bonds:		
Sinking funds	$ 2,853	$ 2,952
Deposits subject to refund:		
Escrow deposits	10,611	10,692
Sewer Debt:		
Debt service fund	6,816	7,785
Construction fund	28,600	35,940
Reserve fund	13,639	14,472
Debt service, reserves, construction funds	49,055	58,197
Water Debt:		
Debt service fund	7,179	6,884
Construction fund	21,337	26,898
Reserve fund	15,145	15,416
Debt service, reserves, construction funds	43,661	49,198
Total restricted assets	$ 106,180	$ 121,039

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

4. CAPITAL ASSETS

The changes in capital assets are summarized as follows:

June 30, 2017	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable assets:				
Land	$ 34,772	$ -	$ -	$ 34,772
Water rights	9,593	-	-	9,593
Construction-in-progress	54,917	45,471	(36,585)	63,803
Total nondepreciable capital assets	99,282	45,471	(36,585)	108,168
Depreciable assets:				
Land improvements, water and sewer lines	1,677,395	22,660	35,108	1,735,163
Buildings	49,121	27	-	49,148
Equipment	67,970	4,009	(713)	71,266
Total depreciable capital assets	1,794,486	26,696	34,395	1,855,577
Accumulated depreciation:				
Land improvements, water and sewer lines	(598,580)	(33,468)	792	(631,256)
Buildings	(32,794)	(883)	-	(33,677)
Equipment	(41,390)	(4,690)	1,306	(44,774)
	(672,764)	(39,041)	2,098	(709,707)
Depreciable capital assets, net	1,121,722	(12,345)	36,493	1,145,870
Capital assets, net	$ 1,221,004	$ 33,126	$ (92)	$ 1,254,038

June 30, 2016	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable assets:				
Land	$ 34,592	$ -	$ 180	$ 34,772
Water rights	9,593	-	-	9,593
Construction-in-progress	76,196	39,013	(60,292)	54,917
Total nondepreciable capital assets	120,381	39,013	(60,112)	99,282
Depreciable assets:				
Land improvements, water and sewer lines	1,601,680	17,093	58,622	1,677,395
Buildings	48,434	-	687	49,121
Equipment	65,365	4,004	(1,399)	67,970
Total depreciable capital assets	1,715,479	21,097	57,910	1,794,486
Accumulated depreciation:				
Land improvements, water and sewer lines	(566,653)	(31,927)	-	(598,580)
Buildings	(31,919)	(875)	-	(32,794)
Equipment	(39,060)	(4,342)	2,012	(41,390)
	(637,632)	(37,144)	2,012	(672,764)
Depreciable capital assets, net	1,077,847	(16,047)	59,922	1,121,722
Capital assets, net	$ 1,198,228	$ 22,966	$ (190)	$ 1,221,004

5. JOINT VENTURE

The Authority is a participant in a joint venture, the Regional Metropolitan Utility Authority ("RMUA"). RMUA was created to operate a sewage treatment facility. The Authority contributes approximately one-half of RMUA's operating and capital budget, operates a facility for RMUA, and leases the facility site to RMUA. The City appoints two of the ten trustees with the remaining trustees appointed two each by the four other participating cities. Services are provided approximately 50% each to the City and the City of Broken Arrow, Oklahoma. In accordance with the Trust Agreement, the Authority is entitled, on both an interim and final basis, to its pro-rata interest based on its contributions to RMUA.

The Authority's equity interest was $19,674 and $17,944 as of June 30, 2017 and 2016, respectively. The Authority's other services and charges have been increased to reflect the change in equity interest by $452 and $332 for the years ended June 30, 2017 and 2016, respectively. The Authority contributed $2,182 and $3,692 to RMUA for capital improvements during the years ended June 30, 2017 and 2016, respectively.

Request for an audited financial report or additional information concerning RMUA should be addressed to the Office of the Controller, 175 E. Second Street, Tulsa, Oklahoma 74103.

6. WATERMAIN EXTENSION CONTRACTS

The Authority contracts with developers for the construction of watermains to provide water service for areas under development. Such watermains are an extension of the City's existing water distribution system. Under such contracts, the contractor pays for all construction costs. When the work is complete, the area has been prepared for development and the developer certifies their net allowable costs (this is the maximum amount recoverable by the developer), the Authority enters into a contract with the developer. The Authority records a capital asset equal to 100% of the developer costs per the contract and a liability for the net allowable costs. The difference between the total and net allowable costs is recorded as a capital contribution. The non-interest bearing repayments to contractors are payable over a ten year period and are generally limited to 40% of the collected revenues generated by the respective watermain extension, not to exceed the maximum amount recoverable by the developer. The Authority has no liability after the ten year period if the contractor's portion of the respective revenues generated is insufficient to cover the contractor's costs.

Amounts due under the contracts were $2,942 and $3,364 at June 30, 2017 and 2016 respectively. The Authority estimates the current portion of the contractual liability based upon amounts payable in the following year. The Authority made payments of $239 and $305 in accordance with these contracts for the years ended June 30, 2017 and 2016, respectively.

7. MUNICIPAL EMPLOYEES' PENSION PLAN

Plan description – Employees are provided with pensions through MERP **–** a cost-sharing multiple-employer defined benefit pension plan administered by the City. The Authority is not defined as an employer in the MERP plan document, but as described in Note 1, payroll and associated costs of City employees performing functions on behalf of the Authority, are reported in the financial statements of the Authority. MERP benefits are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City'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. 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 – The Contributions are set by City ordinance. Employees contributed 6.5 percent of their pensionable wages for the years ended June 30, 2017 and 2016. The Authority was charged 11.5 percent of pensionable wages for the years ended June 30, 2017 and 2016 for employees whose payroll costs were charged to the Authority. The Authority is also charged for Actuarially Determined Employer Contributions (ADEC) that exceed the 11.5 percent of pensionable wages. Actual charges to the Authority for pension plan contributions were $3,822 and $3,741 for the years ended June 30, 2017 and 2016, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017 and 2016, the Authority reported $56,361 and $60,625, respectively, for its proportionate charged share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to June 30, 2017. The Authority's charged proportion of the net pension liability was based on the Authority's share of charged contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2017 and 2016, the Authority's proportion was 28.5271 percent and 28.0267 percent, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

For the year ended June 30, 2017, the Authority recognized pension expense of $5,621. For the year ended June 30, 2016, the Authority recognized pension expense of $4,586. At June 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources					
	2017			2016		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Net difference between projected and actual plan earnings on pension plan investments	$ 289	$ 244	$ 533	$ 3,329	$ 2,833	$ 6,162
Changes of assumptions	5,192	4,394	9,586	7,166	6,096	13,262
Differences between expected and actual plan experience	253	214	467	350	297	647
Changes in proportion and differences between the Authority's charges and proportionate share of charges	582	561	1,143	257	467	724
Total	$ 6,316	$ 5,413	$ 11,729	$ 11,102	$ 9,693	$ 20,795

	Deferred Inflows of Resources					
	2017			2016		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Changes of assumptions	$ (2,300)	$ (1,947)	$ (4,247)	$ (4,381)	$ (3,727)	$ (8,108)
Differences between expected and actual plan experience	(1,321)	(1,118)	(2,439)	(848)	(721)	(1,569)
Changes in proportion and differences between the Authority's charges and proportionate share of charges	(117)	(28)	(145)	(165)	(39)	(204)
Total	$ (3,738)	$ (3,093)	$ (6,831)	$ (5,394)	$ (4,487)	$ (9,881)

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

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

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

	Water Fund	Sewer Fund	Business-type Activities Total
Year ended June 30:			
2018	$ (466)	$ (302)	$ (768)
2019	2,664	2,322	4,986
2020	1,055	878	1,933
2021	(675)	(578)	(1,253)
	$ 2,578	$ 2,320	$ 4,898

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

	2017
Inflation	3.0%
Salary increases, including inflation	4.0% to 11.75%
Investment rate of return Compounded annually, net of investment expense and including inflation	7.5%
Valuation date	January 1, 2017

Mortality rates were based on RP-2014 Combined Healthy Tables with Blue Collar adjustments. Generational mortality improvements with Scale MP-2015 are from the table's base year of 2014.

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

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	24%	1.16%
Domestic equity	36%	6.19%
International equity	24%	6.59%
Real estate	8%	4.24%
Commodities	3%	0.40%
Timber	4%	3.75%
Cash	1%	0.11%
	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 the MERP funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 15.50 percent of payroll, which is the actuarial determined contribution rate. Based on those assumptions, the 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	$ 77,942	$ 56,361	$ 38,271

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.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Authority, through its General Fund payments to the City, provides post-employment healthcare benefits for retired employees and their dependents through participation in the City of Tulsa Postretirement Medical Plan (the "Plan"), a multiple- employer defined benefit health care plan. The benefits, coverage levels and employee contributions are governed by the City through its personnel and union contracts and is funded on a pay-as-you-go basis.

Healthcare 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. Employees are eligible for membership in the plan if they retire from the City on or after age 55 with 5 years of service or with age and service totaling 80 points. Coverage ceases upon eligibility of the member (retiree or dependent) for Medicare. Coverage for dependents can continue upon the death of the retiree. Spouses of employees eligible for benefits and who die in active service can receive coverage.

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

Annual OPEB Cost Information - City				
Year	Actuarially Required Contributions	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2017	$ 585	$ 1,234	211%	$ 5,362
2016	977	796	81%	5,773
2015	1,207	618	51%	5,710

The Authority's OPEB obligation is based on the number of active eligible employees whose payroll costs are charged to the Authority, compared to the total number of active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report. Additional information regarding these liabilities is included in Note 1.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City purchases commercial insurance for general liability and property damage as well as employee health and dental. The Authority is covered in the City's insurance policies and premium costs are passed on to the Authority through indirect cost allocation. The Authority is responsible for deductibles relating to specific claims pertaining to the Authority. There have been no significant reductions in insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years. The Authority also participates in the City's workers' compensation self-insurance program through its General Fund payments to the City. The City retains all risk of loss for workers' compensation claims.

10. NONCURRENT LIABILITIES

REVENUE BONDS – Revenue bonds outstanding consist of debt issued by the Authority. The debt does not constitute debt of the City and is payable solely from resources of the Authority. Revenue bonds are collateralized primarily by the trust estates and revenues derived from the operations of the Authority.

Various bond indentures, loan agreements, and pledge and security agreements contain significant limitations and restrictions of debt service reserves and flow of monies through various restricted accounts. The Authority has pledged future water revenues, net of operating expenses and sewer revenues, net of operating expenses and net of amounts pledged for promissory note debt service to repay $138,345 and $45,275 of outstanding Utility Revenue Bonds, respectively. The Utility Revenue Bonds are payable through 2036. Annual principal and interest payments on the bonds required 17 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $226,256. Principal and interest paid for the current year and water and sewer net revenues as described above for the current year were $16,566 and $97,706, respectively.

DEFEASED DEBT – Series 2010 Revenue Bonds – The Trust has placed the proceeds of refunding bonds and cash received in an irrevocable escrow account held and managed by bank trustees, and invested in US Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow accounts and the defeased bonds are not included in the Authority’s financial statements. The defeased 2010 Revenue bonds are considered extinguished and had an outstanding balance of $11,935.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

Utility Revenue Bond payable activity for the year ended June 30, 2017 is as follows:

June 30, 2017

Series	Issue Amount	Maturity Date	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water:								
Series 2009	$ 21,500	2029	3.25-4.75%	$ 16,460	$ -	$ (16,460)	$ -	$ -
Series 2010	14,510	2030	3.00-4.00%	12,235	-	(12,235)	-	-
Series 2011	24,100	2031	3.00-4.375%	19,800	-	(900)	18,900	925
Refunding Series 2012	12,685	2025	2.00-2.65%	8,825	-	(975)	7,850	985
Refunding Series 2013	61,280	2025	2.50-3.00%	48,380	-	(4,480)	43,900	4,560
Series 2014	17,825	2034	2.00-3.50%	17,165	-	(665)	16,500	670
Refunding Series 2015	9,940	2027	2.00-3.00%	8,435	-	(670)	7,765	665
Series 2016A	16,565	2031	3.00-3.25%	16,565	-	(900)	15,665	910
Refunding Series 2017A	27,765	2030	3.00-3.125%	-	27,765	-	27,765	1,840
				147,865	27,765	(37,285)	138,345	10,555
Sewer:								
Series 2016B	10,885	2036	2.00-3.50%	10,885	-	(420)	10,465	425
Refunding Series 2016C	34,810	2025	5.00%	-	34,810	-	34,810	3,270
				10,885	34,810	(420)	45,275	3,695
Total utility revenue bonds				$158,750	$ 62,575	$ (37,705)	$183,620	$ 14,250

Other long-term liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water storage lease	$ 3,788	$ -	$ (200)	$ 3,588	$ 207
Watermain extension contracts	3,364	-	(422)	2,942	387
Other postemployment benefits	5,773	-	(411)	5,362	-
Compensated absences	3,627	2,497	(2,040)	4,084	2,433
Net pension liability	60,625	-	(4,264)	56,361	-
Total other long-term liabilities	$ 77,177	$ 2,497	$ (7,337)	$ 72,337	$ 3,027

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

Utility Revenue Bond payable activity for the year ended June 30, 2016 is as follows:

June 30, 2016

Series	Issue Amount	Maturity Date	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water:								
Series 2009	$ 21,500	2029	3.00-4.75%	$ 17,270	$ -	$ (810)	$ 16,460	$ 840
Series 2010	14,510	2030	2.50-4.00%	12,825	-	(590)	12,235	610
Series 2011	24,100	2031	3.00-4.375%	20,675	-	(875)	19,800	900
Refunding Series 2012	12,685	2025	2.00-2.65%	9,795	-	(970)	8,825	975
Refunding Series 2013	61,280	2025	2.50-3.00%	52,780	-	(4,400)	48,380	4,480
Series 2014	17,825	2034	2.00-3.50%	17,825	-	(660)	17,165	665
Refunding Series 2015	9,940	2027	2.00-3.00%	9,940	-	(1,505)	8,435	670
Series 2016A	16,565	2031	3.00-3.25%	-	16,565	-	16,565	900
				141,110	16,565	(9,810)	147,865	10,040
Sewer:								
Series 2016B	10,885	2036	2.00-3.50%	-	10,885	-	10,885	420
Total utility revenue bonds				$141,110	$ 27,450	$ (9,810)	$158,750	$ 10,460

Other long-term liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water storage lease	$ 3,982	$ -	$ (194)	$ 3,788	$ 200
Watermain extension contracts	3,801	-	(437)	3,364	366
Other postemployment benefits	5,710	63	-	5,773	-
Compensated absences	3,827	2,311	(2,511)	3,627	2,600
Net pension liability	35,290	25,335	-	60,625	-
Total other long-term liabilities	$ 52,610	$ 27,709	$ (3,142)	$ 77,177	$ 3,166

10. NONCURRENT LIABILITIES, continued

PROMISSORY NOTES - The Authority's outstanding promissory notes with the Oklahoma Water Resources Board are collateralized by a first lien and security interest in the Authority's wastewater treatment system and the revenues derived from the entire system and generally require semi-annual principal and interest payments.

The Authority has pledged future sewer revenue, net of operating expenses to repay $193,595 of promissory notes. The promissory notes are payable through 2040. Annual principal and interest payments on the promissory notes required 38 percent of net revenues. The total principal and interest remaining to be paid on the promissory notes is $252,295. Principal and interest paid for the current year and sewer net revenues for the current year were $19,963 and $53,169, respectively.

The promissory notes contain certain covenants. The covenants require that net revenues of the wastewater system, as defined by the debt agreement, provide for minimums of 100% of the maximum debt service on all notes and 125% of the maximum debt service on senior notes.

The Authority participates in the Oklahoma Water Resources Board's Clean Water State Revolving Fund Program. Promissory notes issued and outstanding under this program were $206,718 and $99,380, respectively, as of June 30, 2017. Loan proceeds are received on a reimbursement basis. The Authority had $57,988 available to be drawn as of June 30, 2017.

On June 29, 2017, the Authority issued Clean Water State Revolving Fund Loan Promissory Note Series 2017A for $21,725, maturing 2040 with an interest rate of 2.26%. Draws, received on a reimbursement basis, will provide funds for making necessary improvements to the wastewater system. As of June 30, 2017, there was no outstanding balance on Promissory Note 2017A.

On November 19, 2015, the Authority issued Clean Water State Revolving Fund Loan Promissory Note Series 2015A for $28,330. Draws, received on a reimbursement basis, provide funds for making necessary improvements to the wastewater system. As of June 30, 2017, $446 was outstanding on Promissory Note 2015A.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

Promissory note payable activity for the year ended June 30, 2017 is as follows:

Promissory Notes and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer:							
Series 1997A - 2016	$ 4,035	0.50%	$ 103	$ -	$ (103)	$ -	$ -
Series 1998B - 2017	4,392	0.50%	344	-	(229)	115	115
Series 2001B - 2020	4,996	0.50%	1,052	-	(263)	789	263
Series 2002D - 2021	6,813	0.50%	1,922	-	(350)	1,572	349
Series 2004B - 2023	1,560	0.50%	600	-	(80)	520	80
Series 2005B - 2027	7,900	0.50-2.74%	4,903	-	(360)	4,543	372
Series 2005C - 2025	1,203	0.50%	571	-	(60)	511	60
Series 2006A - 2027	3,130	0.50-2.74%	1,893	-	(139)	1,754	143
Series 2006C - 2029	17,825	0.50-2.77%	12,441	-	(753)	11,688	777
Series 2006 - 2025	52,585	4.145-5.145%	32,885	-	(32,885)	-	-
Series 2007A - 2026	5,131	0.50%	2,763	-	(263)	2,500	263
Series 2007B - 2026	8,365	4.020-4.645%	5,496	-	(5,496)	-	-
Series 2009A - 2032	11,320	3.22%	7,743	195	(566)	7,372	566
Series 2009B - 2032	7,350	2.91%	4,431	-	(221)	4,210	227
Series 2010A - 2032	27,757	2.89%	22,214	32	(1,388)	20,858	1,387
Series 2010B - 2030	29,380	3.145-5.145%	23,885	-	(1,195)	22,690	1,230
Series 2011A - 2033	23,480	3.11%	20,141	157	(1,846)	18,452	1,174
Series 2011B - 2031	14,275	2.145-5.145%	12,215	-	(555)	11,660	580
Series 2011C - 2034	16,700	2.55%	14,197	672	(835)	14,034	835
Series 2012A - 2034	4,347	2.43%	3,213	397	(217)	3,393	217
Series 2012B - 2032	11,355	3.145-3.395%	9,815	-	(455)	9,360	465
Series 2012C - 2017	2,450	4.145%	1,000	-	(495)	505	505
Series 2013A - 2035	9,850	2.24%	4,258	706	(519)	4,445	518
Series 2013B - 2033	27,605	2.645-5.145%	25,290	-	(985)	24,305	1,010
Series 2014A - 2035	2,910	2.58%	2,324	-	(146)	2,178	146
Series 2014B - 2033	10,180	2.145-4.06%	9,540	-	(420)	9,120	430
Series 2014C - 2034	17,735	2.145-5.145%	17,215	-	(640)	16,575	655
Series 2015A - 2038	28,330	2.46%	213	233	-	446	446
			$ 242,667	$ 2,392	$ (51,464)	$ 193,595	$ 12,813

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

Promissory note payable activity for the year ended June 30, 2016 is as follows:

Promissory Notes and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer:							
Series 1997A - 2016	$ 4,035	0.50%	$ 309	$ -	$ (206)	$ 103	$ 103
Series 1998B - 2017	4,392	0.50%	573	-	(229)	344	229
Series 2001B - 2020	4,996	0.50%	1,315	-	(263)	1,052	263
Series 2002D - 2021	6,813	0.50%	2,271	-	(349)	1,922	349
Series 2004B - 2023	1,560	0.50%	680	-	(80)	600	80
Series 2005B - 2027	7,900	0.50-2.74%	5,252	-	(349)	4,903	360
Series 2005C - 2025	1,203	0.50%	631	-	(60)	571	60
Series 2006A - 2027	3,130	0.50-2.74%	2,027	-	(134)	1,893	139
Series 2006B - 2016	835	1.51%	105	-	(105)	-	-
Series 2006C - 2029	17,825	0.50-2.77%	13,170	-	(729)	12,441	753
Series 2006 - 2025	52,585	4.145-5.145%	35,430	-	(2,545)	32,885	2,650
Series 2007A - 2026	5,131	0.50%	3,026	-	(263)	2,763	263
Series 2007B - 2026	8,365	4.020-4.645%	5,880	-	(384)	5,496	402
Series 2009A - 2032	11,320	3.22%	8,309	-	(566)	7,743	566
Series 2009B - 2032	7,350	2.91%	4,644	-	(213)	4,431	221
Series 2010A - 2032	27,757	2.89%	20,522	3,080	(1,388)	22,214	1,388
Series 2010B - 2030	29,380	3.145-5.145%	25,045	-	(1,160)	23,885	1,195
Series 2011A - 2033	23,480	3.11%	19,828	1,487	(1,174)	20,141	1,174
Series 2011B - 2031	14,275	2.145-5.145%	12,750	-	(535)	12,215	555
Series 2011C - 2034	16,700	2.55%	15,032	-	(835)	14,197	835
Series 2012A - 2034	4,347	2.43%	1,450	1,980	(217)	3,213	217
Series 2012B - 2032	11,355	2.145-3.395%	10,260	-	(445)	9,815	455
Series 2012C - 2017	2,450	2.145-4.145%	1,490	-	(490)	1,000	495
Series 2013A - 2035	9,850	2.24%	922	3,336	-	4,258	493
Series 2013B - 2033	27,605	2.645-5.145%	26,250	-	(960)	25,290	985
Series 2014A - 2035	2,910	2.58%	522	1,875	(73)	2,324	146
Series 2014B - 2033	10,180	2.145-4.06%	9,955	-	(415)	9,540	420
Series 2014C - 2034	17,735	2.145-5.145%	17,735	-	(520)	17,215	640
Series 2015A - 2038	28,330	2.46%	-	213	-	213	-
			245,383	11,971	(14,687)	242,667	15,436
Water:							
Series 2009C - 2031	5,225	3.32%	3,164	-	(3,164)	-	-
			$ 248,547	$ 11,971	$ (17,851)	$ 242,667	$ 15,436

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

GENERAL LONG-TERM DEBT – General long-term debt of the Authority consists of general obligation bonds approved by the voters and issued by the City for water and wastewater capital assets. These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the City. The City's Charter requires not less than 50% of the annual principal and interest requirements on general obligation bonds issued for waterworks and wastewater be funded by water and wastewater revenues, respectively. General obligation bond activity during 2017 and 2016 was as follows:

2017:

Bonds and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2009- 2029	$ 3,347	3.00-4.25%	$ 2,279	$ -	$ (2,279)	$ -	$ -
Series 2009A- 2019	5,532	3.00-4.00%	1,746	-	(586)	1,160	573
Series 2009B- 2021	6,340	3.00-5.00%	2,734	-	(559)	2,175	550
Series 2012A- 2017	10,575	4.00%	1,955	-	(1,955)	-	-
Series 2013A- 2025	8,534	2.50%	6,066	-	(769)	5,297	744
Series 2014A- 2026	430	2.00-3.00%	385	-	(45)	340	43
Series 2015A- 2027	4,222	2.00-2.50%	3,812	-	(397)	3,415	384
Series 2016A- 2019	5,587	5.00%	5,587	-	(2,140)	3,447	2,079
Series 2017A- 2021	2,155	5.00%	-	2,155	-	2,155	-
			$ 24,564	$ 2,155	$ (8,730)	$ 17,989	$ 4,373

2016:

Bonds and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2004A- 2016	$ 949	5.00%	$ 84	$ -	$ (84)	$ -	$ -
Series 2008- 2028	8,659	4.00-4.75%	5,916	-	(5,916)	-	-
Series 2009- 2029	3,347	3.00-4.25%	2,457	-	(178)	2,279	178
Series 2009A- 2019	5,532	3.00-4.00%	2,343	-	(597)	1,746	586
Series 2009B- 2021	6,340	3.00-5.00%	3,306	-	(572)	2,734	559
Series 2012A- 2017	10,575	4.00%	3,990	-	(2,035)	1,955	1,955
Series 2013A- 2025	8,534	2.50%	6,862	-	(796)	6,066	769
Series 2014A- 2026	430	2.00-3.00%	430	-	(45)	385	44
Series 2015A- 2027	4,222	2.00-2.50%	4,222	-	(410)	3,812	396
Series 2016A- 2019	5,587	5.00%	-	5,587	-	5,587	2,140
			$ 29,610	$ 5,587	$ (10,633)	$ 24,564	$ 6,627

10. NONCURRENT LIABILITIES, continued

LINE OF CREDIT –The Authority has a line of credit agreement with a banking institution of $10,000. The line of credit is secured by the revenues of the Water Fund, proceeds can be used by either fund. In October 2015, the Authority approved the first amendment to the agreement extending the final maturity date to October 22, 2017. The applicable interest rate is the 30 day LIBOR plus 1.75%. The Authority is obligated to pay a nonrefundable commitment fee on the unused commitment amount at the rate of 0.25% per annum. There were no borrowings under the agreement as of June 30, 2017 and 2016.

The line of credit agreement contains certain covenants. The covenants require that net revenues of the water system, as defined by the credit agreement, provide for minimums of net revenues of 1.25 times the maximum annual principal and interest on; all bonds, all notes and all existing subordinated indebtedness.

ECONOMIC GAIN/LOSS ON REFUNDING – On March 17, 2017, the City issued $33,355 in Series 2017A Refunding General Obligation Bonds. The proceeds of this issue were used to currently refund the City's Series 2009 General Obligation Bonds of which the Authority's portion was $2,103. This transaction will reduce the Authority's debt service payments by $323 over the next 12 years and result in an economic gain (difference between the present values of the debt service payments on the old and the new debt) of $188. The refunding resulted in a deferred charge of $42 which will be amortized over the life of the new bonds. The amortization and related deferred loss are reported in the financial statements.

On February 3, 2017, the Authority issued $27,765 in Series 2017A Refunding Utility Revenue Bonds to refund the 2009 and 2010 Utility Revenue Bonds. This transaction will reduce debt service payments by $5,426 over the next 12 years and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,681. The refunding resulted in a deferred charge of $896 which will be amortized over the life of the new bonds. The amortization and related deferred charge are reported in the financial statements.

On July 7, 2016, the Authority issued $34,810 in Series 2016C Refunding Utility Revenue Bonds to refund the 2006 and 2007B OWRB Promissory Notes. This transaction will reduce debt service payments by $2,915 over the next 9 years and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $2,940. The refunding resulted in a deferred charge of $398 which will be amortized over the life of the new bonds. The amortization and related deferred charge are reported in the financial statements.

On April 28, 2016, the City issued $28,720 in Series 2016A Refunding General Obligation Bonds. The proceeds of this issue were used to currently refund the City's Series 2008 General Obligation Bonds of which the Authority's portion was $5,916. This transaction will reduce the Authority's debt service payments by $1,324 over the next 12 years and result in an economic gain (difference between the present values of the debt service payments on the old and the new debt) of $627. The refunding resulted in a deferred charge of $109 which will be amortized over the life of the new bonds. The amortization and related deferred loss are reported in the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

PRINCIPAL AND INTEREST PAYMENTS IN SUBSEQUENT YEARS – Principal and interest payments in subsequent years are as follows:

	Revenue Bonds		Promissory Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 14,250	$ 5,946	$ 12,813	$ 6,687	$ 4,373	$ 643
2019	14,440	5,506	11,911	6,330	3,632	467
2020	14,610	5,053	12,114	5,985	2,339	303
2021	14,775	4,591	12,048	5,639	2,338	215
2022	15,030	4,111	12,070	5,261	1,762	126
2023-2027	73,320	12,726	62,434	19,834	3,545	205
2028-2032	29,450	4,096	57,845	8,338	-	-
2033-2037	7,745	607	12,360	626	-	-
	$ 183,620	$ 42,636	$ 193,595	$ 58,700	$ 17,989	$ 1,959

11. RESERVE FOR BOND AND LOAN RETIREMENT

The City levies the ad valorem taxes for the retirement of 50% of general obligation bonds issued for the wastewater disposal system. Such levies are computed by dividing the original principal amount of bonds by the number of years the bonds will be outstanding. A reserve for bond retirement is established at the City, which as of June 30, 2017 and 2016, is computed as follows:

	2017	2016
Levies for principal to June 30	$ 28,923	$ 26,506
Bond maturities to June 30	26,629	24,151
Bond reserve	2,294	2,355
Interest reserve	449	518
Final interest reserve	110	79
Total general obligation bonds reserve	$ 2,853	$ 2,952

The Authority established reserves for the retirement of Revenue Bond Debt in accordance with the bond indentures, the assets of which are held by the trustee and totaled $29,317 and $23,192 at June 30, 2017 and 2016, respectively. Further, the Authority established reserves for the retirement of the Promissory Notes in accordance with the terms of the notes, the assets of which are held by the trustee and totaled $13,462 and $21,302 at June 30, 2017 and 2016, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

12. NONCANCELABLE CAPITAL LEASE

On December 2, 1984, the Authority entered a contract with the Department of the Army of the United States of America to utilize storage of the Oologah Lake as a source of a municipal and industrial water supply. Interest rates for the contract were determined by the Secretary of the Treasury. For the initial development stage, the interest rate is 2.5 percent, and for the ultimate development stage, it is 3.225 percent. There is an outlet works and four storage spaces referenced in the contract. Payment terms are annual. The outlet work and storage space one matured in 2012 and had an interest rate of 2.5 percent. The maturity date and interest rate for the remaining three storage spaces are 2031 and 3.225 percent, respectively. The contract includes annual operation and maintenance expenses. Upon expiration of the lease, with continued payment of annual operating costs, and costs allocated for reconstruction, rehabilitation or replacement of the outlet works, the Authority has a permanent right to use of the water supply storage space. The lease payments are subject to a consumer price index adjustment.

The minimum lease payments under the lease are as follows:

	Principal	Interest	Operating Expense	Total
2018	$ 207	$ 116	$ 420	$ 743
2019	213	109	420	742
2020	220	102	420	742
2021	227	95	420	742
2022	235	88	420	743
2023-2027	1,293	320	2,100	3,713
2028-2032	1,193	97	1,679	2,969
	$ 3,588	$ 927	$ 5,879	$ 10,394

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

13. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2017 and 2016, the Authority conducted the following transactions with related entities:

	2017	2016
Indirect cost paid to the City of Tulsa	$ 5,880	$ 5,495
Payment in lieu of taxes to the City of Tulsa	$ 13,027	$ 12,436
Capital contributions from the City of Tulsa	$ 303	$ 6,049
Charges for utility services paid by the City of Tulsa	$ 1,423	$ 1,426
Charges for maintenance of equipment paid to the City of Tulsa	$ 3,518	$ 3,170

The Authority has outstanding advances unspent bonds proceeds to the City in the amount of $12 as of June 30, 2017 and 2016. As a result, there is a noncurrent asset – advances to primary government, recorded in the statements of net position equal to this amount.

14. COMMITMENTS

As of June 30, 2017, the Authority had open commitments for construction projects of approximately $54,682.

15. SUBSEQUENT EVENTS

On November 15, 2017, the Authority approved the second amendment to the $10,000 line of credit agreement with a banking institution extending the final maturity date to October 22, 2018.

16. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – This Statement will be effective for the Authority beginning with its fiscal year ending June 30, 2018.

This Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. GASB Statement No. 75 has the potential to have a significant impact on the Authority's financial statements.

GASB Statement No. 87 – *Leases* – This Statement will be effective for the Authority beginning with its fiscal year ending June 30, 2021.

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTAL INFORMATION (In thousands of dollars)

Municipal Employers Retirement Plan
Schedule of the Authority's Proportionate Share – For the current and prior years

	2017	2016	2015	2014
Authority's proportion of the net pension liability for employees whose payroll costs were charged to the Authority	28.53%	28.03%	28.17%	27.53%
Authority's proportionate share of the net pension liability for employees whose payroll costs were charged to the Authority	$ 56,361	$ 60,625	$ 35,290	$ 30,761
Authority's covered-employee payroll for employees whose payroll costs were charged to the Authority	$ 33,235	$ 32,905	$ 29,197	$ 30,525
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll for employees whose payroll costs were charged to the Authority	169.58%	184.24%	120.87%	100.77%
Plan fiduciary net position as a percentage of the total pension liability	69.39%	65.62%	77.13%	79.29%

The amounts presented were determined as of year end.

* Prior year information is not available.

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

Municipal Employers Retirement Plan
Schedule of the Authority's Payments

Year	Required contribution	Actual Contributions	Contribution deficiency (excess)	City's covered-employee payroll funded by Authority payments	Contributions as a percentage of covered-employee payroll
2017	$ 3,822	$ (3,822)	$ -	$ 33,235	11.50%
2016	3,741	(3,741)	-	32,530	11.50%
2015	3,572	(3,572)	-	31,064	11.50%
2014	3,056	(3,056)	-	30,564	10.00%
2013	3,073	(3,073)	-	30,732	10.00%
2012	2,851	(2,851)	-	30,658	9.30%
2011	1,856	(1,856)	-	29,454	6.30%
2010	1,674	(1,674)	-	26,573	6.30%
2009	1,914	(1,914)	-	30,374	6.30%
2008	1,660	(1,660)	-	26,352	6.30%