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

FINANCIAL REPORT
June 30, 2018 and 2017

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INDEX
Years Ended June 30, 2018 and 2017

RSM US LLP

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter
As explained in Note 14 to the basic financial statements, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which restated beginning net position of the business-type activities and each major fund, to record the total OPEB liability, deferred inflows of resources and deferred outflows of resources. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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
January 23, 2019

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, 2018 and 2017. 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 $1,146,274. Of this amount, $164,329 is unrestricted and may be used to meet the Authority's ongoing obligations.

- The Authority's net position, as restated, increased from $1,059,611 at June 30, 2017 to $1,146,274 at June 30, 2018. During 2018, the Authority generated an increase in net position of $86,663 compared to an increase in net position, as restated, of $76,572 during 2017.

- The Authority's cash and cash equivalents at June 30, 2018, were $273,572, representing an increase of $33,332 from June 30, 2017.

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 $86,663 for the year ended June 30, 2018 and $76,572 for the year ended June 30, 2017. The following table provides a summary of net position.

SUMMARY OF NET POSITION

	2018	2017 (as restated)	2016 (as restated)
Current assets, unrestricted	$ 229,353	$ 186,406	$ 155,087
Restricted assets	99,013	106,180	121,063
Capital assets, net	1,287,972	1,254,038	1,221,004
Other assets	26,036	19,787	17,944
Total assets	1,642,374	1,566,411	1,515,098
Total deferred outflows of resources	9,709	15,139	23,265
Current liabilities	74,493	65,453	65,774
Noncurrent liabilities	426,187	447,165	476,018
Total liabilities	500,680	512,618	541,792
Total deferred inflows of resources	5,129	9,321	13,532
Net investment in capital assets	967,854	928,441	867,665
Restricted	14,091	13,145	13,494
Unrestricted	164,329	118,025	101,880
Total net position	$ 1,146,274	$ 1,059,611	$ 983,039

In 2018 total assets increased $75,963. The increase in unrestricted current assets of $42,947 is primarily related to increases in cash of $39,020 and net utilities receivables of $4,301. The net decrease in restricted assets of $7,167 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 $33,934 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 $5,430 due to a decrease in deferred outflows of pension related resources of $4,906 and a decrease in deferred charge on refunding of previous revenue bonds of $557. Total liabilities decreased $11,938 due primarily to decreases in promissory notes of $7,374, general obligation debt of $4,373, revenue bonds of $2,400, unamortized bond premiums of $2,218, watermain extension contracts of $2,181 and net pension liability of $1,512 offset by increases in accrued liabilities of $7,926. Total deferred inflows of resources decreased $4,192 primarily due to decreases in deferred inflows of pension related resources of $3,861 and deferred property taxes revenue of $323.

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 the spending of debt proceeds 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 $8,126 due primarily to a decrease in deferred outflows of pension related resources of $9,066 offset by an increase in deferred charge on refunding of previous revenue bonds of $793. Total liabilities decreased $29,174 due primarily to decreases in the net pension liability of $4,264, promissory notes of $49,072, and general obligation debt of $6,574 offset by increases in revenue bonds of $24,870 and related unamortized premiums of $5,715. Total deferred inflows of resources decreased $4,211 primarily due to deferred inflows of pension related resources of $3,050 and deferred property taxes revenue of $1,198.

SUMMARY OF CHANGES IN NET POSITION

	2018	2017 (as restated)	2016 (as restated)
Operating revenue	$ 237,673	$ 226,692	$ 211,307
Nonoperating revenue	2,701	4,089	2,808
Investment income	1,780	326	1,750
Total revenues	242,154	231,107	215,865
Depreciation expense	38,590	39,041	37,144
Other operating expense	104,550	106,067	112,205
Nonoperating expense	25,690	22,720	23,451
Total expenses	168,830	167,828	172,800
Income before contributions	73,324	63,279	43,065
Capital contributions	12,896	12,990	10,168
Capital contributions from City of Tulsa	443	303	6,049
Total capital contributions	13,339	13,293	16,217
Change in net position	86,663	76,572	59,282
Net position, beginning of year	1,059,611	983,039	923,757
Net position, end of year	$ 1,146,274	$ 1,059,611	$ 983,039

In 2018, total revenues increased $11,047, due primarily to increased operating revenue resulting from increased rates for both water and wastewater. Other operating expenses decreased $1,517, due primarily to decreased other services and charges of $1,217 due to decreases water and sewer line repairs as well as decreases in materials and supplies of $548 offset by increases in personal services of $248. Nonoperating expenses increased $2,970, due to an increase in interest expense of $2,195 and payments in lieu of taxes ("PILOT") of $1,017, based on higher water and sewer service revenue offset by decreases in bond issue costs of $242. Investment income increased $1,454 related to higher cash and investment balances. As a result of these changes, net position increased $86,663 during the year.

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 $6,138, due to increases in personnel services of $1,424 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 issuance 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 $76,572 during the year.

Capital Assets

The Authority's investment in capital assets as of June 30, 2018 and 2017 was $1,287,972 and $1,254,038, respectively (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment and a water storage lease. The Authority paid $55,306 and $51,979 during 2018 and 2017, respectively, related to the acquisition and purchase of capital assets.

	2018	2017	2016
Land	$ 35,904	$ 34,772	$ 34,772
Water storage lease	9,593	9,593	9,593
Buildings	50,293	49,148	49,121
Equipment	75,842	71,266	67,970
Land improvements, water and sewer lines	1,802,888	1,735,163	1,677,395
	1,974,520	1,899,942	1,838,851
Less accumulated depreciation	(745,859)	(709,707)	(672,764)
Construction-in-progress	59,311	63,803	54,917
Capital assets, net	$ 1,287,972	$ 1,254,038	$ 1,221,004

Debt

At June 30, 2018 and 2017, the Authority had outstanding general obligation bonded debt of $13,616 and $17,989, 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.

	2018	2017	2016
General obligation bonds	$ 13,616	$ 17,989	$ 24,564
Revenue bonds	181,220	183,620	158,750
Promissory notes	186,221	193,595	242,667
Total debt	$ 381,057	$ 395,204	$ 425,981

During 2018, the Authority issued new debt to fund improvements to the water and wastewater systems. The Authority's debt decreased $14,147 or 3.6% during 2018. 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, 2018, the Water Fund net position of $595,427 reflected an increase of $47,955 from the net position, as restated, of $547,472 at June 30, 2017. At June 30, 2018, the Sewer Fund net position of $550,847 reflected an increase of $38,708 from the net position, as restated, of $512,139 at June 30, 2017.

Economic factors and next year's budgets and rates

At the national level, unemployment declined to 4.0 percent at June 30, 2018. Unemployment in the City of Tulsa was 4.2 percent at the end of fiscal year 2018 compared to 4.9 percent at the end of fiscal year 2017. 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 2019. The Authority approved a 2 percent increase in water fees and a 9 percent increase in sewer fees beginning in October 2018. 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 1570, Tulsa, Oklahoma 74103.

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

(In thousands of dollars)	2018			2017 (as restated)		
ASSETS	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Current assets:						
Cash and cash equivalents	$ 120,516	$ 70,165	$ 190,681	$ 95,399	$ 56,262	$ 151,661
Cash and cash equivalents, restricted	17,781	8,236	26,017	17,249	7,097	24,346
Accounts receivable:						
Utility services receivable, net	19,259	14,760	34,019	16,688	13,030	29,718
Other receivables	437	224	661	553	176	729
Property tax receivable	-	2,014	2,014	-	2,337	2,337
Inventories	1,859	119	1,978	1,642	319	1,961
Total current assets	159,852	95,518	255,370	131,531	79,221	210,752
Noncurrent assets:						
Cash and cash equivalents, restricted	24,633	32,241	56,874	28,075	36,158	64,233
Investments, restricted	8,353	7,769	16,122	8,407	9,194	17,601
Interest receivable	75	89	164	46	55	101
Advances to primary government	-	5	5	-	12	12
Equity interest in joint venture	-	25,867	25,867	-	19,674	19,674
Nondepreciable capital assets	56,196	48,612	104,808	61,537	46,631	108,168
Depreciable capital assets, net	531,114	652,050	1,183,164	514,548	631,322	1,145,870
Total noncurrent assets	620,371	766,633	1,387,004	612,613	743,046	1,355,659
Total assets	$ 780,223	$ 862,151	$ 1,642,374	$ 744,144	$ 822,267	$ 1,566,411
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	2,099	349	2,448	2,538	467	3,005
Pension related items	3,649	3,174	6,823	6,316	5,413	11,729
Other postemployment benefits related items	236	202	438	224	181	405
Total deferred outflows of resources	$ 5,984	$ 3,725	$ 9,709	$ 9,078	$ 6,061	$ 15,139

(Continued)

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION, Continued
June 30, 2018 and 2017

(In thousands of dollars)	2018			2017 (as restated)		
LIABILITIES	**Water Fund**	**Sewer Fund**	**Business-type Activities Total**	**Water Fund**	**Sewer Fund**	**Business-type Activities Total**
Current liabilities:						
Accounts payable and accrued liabilities	$ 11,007	$ 17,298	$ 28,305	$ 9,914	$ 10,465	$ 20,379
Current portion of watermain extension contracts	347	-	347	387	-	387
Current portion of compensated absences	1,434	1,212	2,646	1,345	1,088	2,433
Current portion of water storage lease	213	-	213	207	-	207
Deposits subject to refund	10,577	581	11,158	10,070	541	10,611
Current portion of general obligation debt	-	3,632	3,632	-	4,373	4,373
Current portion of promissory notes	-	13,327	13,327	-	12,813	12,813
Current portion of revenue bonds	10,700	4,165	14,865	10,555	3,695	14,250
Total current liabilities	34,278	40,215	74,493	32,478	32,975	65,453
Noncurrent liabilities:						
General obligation debt	-	9,984	9,984	-	13,616	13,616
Promissory notes	-	172,894	172,894	-	180,782	180,782
Revenue bonds	117,090	49,265	166,355	127,790	41,580	169,370
Unamortized bond premium	2,758	12,399	15,157	3,239	14,200	17,439
Watermain extension contracts	414	-	414	2,555	-	2,555
Compensated absences	618	523	1,141	913	738	1,651
Total OPEB liability	1,190	1,035	2,225	1,090	920	2,010
Net pension liability	29,312	25,537	54,849	30,526	25,835	56,361
Water storage lease	3,168	-	3,168	3,381	-	3,381
Total noncurrent liabilities	154,550	271,637	426,187	169,494	277,671	447,165
Total liabilities	$ 188,828	$ 311,852	$ 500,680	$ 201,972	$ 310,646	$ 512,618
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on refunding	-	53	53	-	69	69
Pension related items	1,898	1,072	2,970	3,738	3,093	6,831
Other postemployment benefits related items	54	38	92	40	44	84
Property tax revenue	-	2,014	2,014	-	2,337	2,337
Total deferred inflows of resources	$ 1,952	$ 3,177	$ 5,129	$ 3,778	$ 5,543	$ 9,321
NET POSITION						
Net investment in capital assets	482,311	485,543	967,854	464,117	464,324	928,441
Restricted for debt service	6,033	8,058	14,091	5,899	7,246	13,145
Unrestricted	107,083	57,246	164,329	77,456	40,569	118,025
Total net position	$ 595,427	$ 550,847	$ 1,146,274	$ 547,472	$ 512,139	$ 1,059,611

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, 2018 and 2017

(In thousands of dollars)	2018			2017 (as restated)		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Operating revenues:						
Water and sewer services	$ 127,837	$ 109,836	$ 237,673	$ 123,050	$ 103,642	$ 226,692
Operating expenses:						
Personnel services	27,837	24,278	52,115	27,930	23,937	51,867
Materials and supplies	7,122	4,262	11,384	7,297	4,635	11,932
Other services and charges	21,579	19,472	41,051	23,576	18,692	42,268
Depreciation	17,683	20,907	38,590	18,913	20,128	39,041
Total operating expenses	74,221	68,919	143,140	77,716	67,392	145,108
Operating income	53,616	40,917	94,533	45,334	36,250	81,584
Nonoperating revenues (expenses):						
Investment income	1,057	723	1,780	171	155	326
Interest and amortization expense	(3,994)	(7,442)	(11,436)	(3,097)	(6,144)	(9,241)
Bond issuance costs	-	(210)	(210)	(242)	(210)	(452)
Ad valorem taxes	-	2,410	2,410	-	3,674	3,674
Payments in lieu of taxes to City of Tulsa	(7,515)	(6,529)	(14,044)	(7,022)	(6,005)	(13,027)
Other, net	211	80	291	255	160	415
Net nonoperating expenses	(10,241)	(10,968)	(21,209)	(9,935)	(8,370)	(18,305)
Income before capital contributions	43,375	29,949	73,324	35,399	27,880	63,279
Capital contributions	4,580	8,316	12,896	3,674	9,316	12,990
Capital contributions from City of Tulsa	-	443	443	-	303	303
Total capital contributions	4,580	8,759	13,339	3,674	9,619	13,293
Change in net position	47,955	38,708	86,663	39,073	37,499	76,572
Net position, beginning of year, as restated	547,472	512,139	1,059,611	508,399	474,640	983,039
Net position, end of year	$ 595,427	$ 550,847	$ 1,146,274	$ 547,472	$ 512,139	$ 1,059,611

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

(In thousands of dollars)	2018			2017 (as restated)		
	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	$ 125,944	$ 108,146	$ 234,090	$ 122,077	$ 102,638	$ 224,715
Payments to suppliers for goods and services	(28,137)	(24,243)	(52,380)	(34,169)	(22,940)	(57,109)
Payments to personnel for services	(28,330)	(24,361)	(52,691)	(26,941)	(22,916)	(49,857)
Net cash provided by operating activities	69,477	59,542	129,019	60,967	56,782	117,749
Cash flows from non-capital and related financing activities:						
Payments in lieu of taxes to the primary government	(7,515)	(6,529)	(14,044)	(7,022)	(6,005)	(13,027)
Collection of advances to City of Tulsa	-	6	6	-	-	-
Net cash used by non-capital and related financing activities	(7,515)	(6,523)	(14,038)	(7,022)	(6,005)	(13,027)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(25,954)	(29,352)	(55,306)	(25,841)	(26,138)	(51,979)
Investment in joint venture	-	(4,592)	(4,592)	-	(2,182)	(2,182)
Payments from City of Tulsa	-	443	443	-	303	303
Proceeds from sale of capital assets	220	158	378	275	231	506
Principal paid on long-term debt	(10,762)	(21,144)	(31,906)	(9,400)	(19,457)	(28,857)
Interest paid on long-term debt	(4,116)	(9,400)	(13,516)	(5,051)	(10,428)	(15,479)
Payment of bond issuance costs	-	(210)	(210)	(242)	(210)	(452)
Refunding payments	-	-	-	(28,085)	(40,484)	(68,569)
Proceeds from long-term debt issuance	-	17,552	17,552	27,765	38,684	66,449
Premium received on debt issuance	-	128	128	782	7,179	7,961
Payment of call premium on debt refunding	-	-	-	(532)	-	(532)
Ad valorem taxes received for debt service	-	2,410	2,410	-	3,674	3,674
Payments on watermain extension contracts	(225)	-	(225)	(239)	-	(239)
Net cash used by capital and related financing activities	$ (40,837)	$ (44,007)	$ (84,844)	$ (40,568)	$ (48,828)	$ (89,396)

(Continued)

TULSA METROPOLITAN UTILITY AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOWS, Continued
Years Ended June 30, 2018 and 2017

(In thousands of dollars)	2018			2017 (as restated)		
	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	$ 1,082	$ 713	$ 1,795	$ 126	$ 138	$ 264
Sale or maturity of investments	-	1,400	1,400	3,951	5,044	8,995
Purchases of investments	-	-	-	(8,401)	(7,814)	(16,215)
Net cash provided (used) by investing activities	1,082	2,113	3,195	(4,324)	(2,632)	(6,956)
Net increase (decrease) in cash and cash equivalents	22,207	11,125	33,332	9,053	(683)	8,370
Cash and cash equivalents, beginning of year	140,723	99,517	240,240	131,670	100,200	231,870
Cash and cash equivalents, end of year	$ 162,930	$ 110,642	$ 273,572	$ 140,723	$ 99,517	$ 240,240
Reconciliation of cash and cash equivalents to the Statement of Net Position:						
Current unrestricted cash and cash equivalents	$ 120,516	$ 70,165	$ 190,681	$ 95,399	$ 56,262	$ 151,661
Current restricted cash and cash equivalents	17,781	8,236	26,017	17,249	7,097	24,346
Noncurrent restricted cash and cash equivalents	24,633	32,241	56,874	28,075	36,158	64,233
	$ 162,930	$ 110,642	$ 273,572	$ 140,723	$ 99,517	$ 240,240
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	$ 53,616	$ 40,917	$ 94,533	$ 45,334	$ 36,250	$ 81,584
Adjustments:						
Depreciation	17,683	20,907	38,590	18,913	20,128	39,041
Change in accounts receivable	(2,455)	(1,777)	(4,232)	(877)	(1,028)	(1,905)
Change in inventories	(216)	200	(16)	(114)	(77)	(191)
Change in joint venture	-	452	452	-	451	451
Change in deferred outflows pension	2,667	2,239	4,906	4,786	4,280	9,066
Change in deferred outflows other employment benefits	(13)	(20)	(33)	(85)	(62)	(147)
Change in accounts payable and other accrued liabilities	629	(1,206)	(577)	(3,009)	309	(2,700)
Change in other post employment benefits	101	115	216	(62)	(75)	(137)
Change in deposits subject to refund	506	40	546	(71)	(10)	(81)
Change in net pension liability	(1,214)	(298)	(1,512)	(2,233)	(2,032)	(4,265)
Change in deferred inflows pension	(1,841)	(2,021)	(3,862)	(1,655)	(1,395)	(3,050)
Change in deferred inflows other employment benefits	14	(6)	8	40	43	83
Net cash provided by operating activities	$ 69,477	$ 59,542	$ 129,019	$ 60,967	$ 56,782	$ 117,749
Noncash capital and related financing activities:						
Contributions from area developers	$ 2,624	$ 8,316	$ 10,940	$ 3,674	$ 9,316	$ 12,990
Additions included in accounts payable and retainage	$ 6,154	$ 10,916	$ 17,070	$ 5,815	$ 4,891	$ 10,706
Expiring watermain extension contracts	$ 1,956		$ 1,956	$ 182	$ -	$ 182

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 $8,977 and $7,330 of accrued unbilled revenue for the Water fund and Sewer fund, respectively, as of June 30, 2018, and $8,129 and $6,434 for the Water fund and Sewer fund, respectively, as of June 30, 2017. The Authority recorded an allowance for uncollectible accounts of $136 and $185 for Water fund and Sewer fund, respectively, as of June 30, 2018 and $148 and $111 for Water fund and Sewer fund, respectively, as of June 30, 2017.

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. During the fiscal year ended June 30, 2018, the Authority adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred during the construction phase of capital assets of the enterprise activities be recognized as an expense in the period in which the cost is incurred. Interest capitalized during fiscal year 2017 totaled $3,016.

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. A liability for OPEB is recognized when earned by employees. 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, 2018 excludes unspent bond proceeds of $32,985 and $37,348 for Water and Sewer, respectively, and as of June 30, 2017 excludes unspent bond proceeds of $36,481 and $42,239 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 inflows/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 REVENUE, 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, deferred outflows and inflows of resources related to other post-employment benefits 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 2017 financial statements to conform to the 2018 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, 2018 and 2017 the Authority held $188,641 and $155,680, respectively, in the City's pooled portfolio, which represented 22.2% and 19.3%, 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, 2018 and 2017.

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 to assets held in the City's pooled portfolio, the Authority has assets it holds directly. The Authority has money market accounts reported as cash equivalents on the statement of net position of $84,931 and $84,560 as of June 30, 2018 and 2017, respectively.

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

		June 30, 2018		Fair Value
		Maturities in years		Measurement
	Fair Value	Less than 1	1-5	
U.S. Treasury Securities	$ 16,122	$ 16,122	$ -	Level 1

		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

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 and maturity length of investments that can be acquired.

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, 2018 and 2017 are registered securities held by the Authority or by its agent in the Authority's name. At June 30, 2018 and 2017 none of the Authority's deposits, including money market accounts of $84,931 and $84,560, respectively, nor investments of $16,122 and $17,601, 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, 2018 and 2017, 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. The City levies ad valorem taxes for the retirement of 50% of general obligation bonds issued for the wastewater disposal system. A reserve for bond retirement is established at the City. Customer deposits held in the City's pooled portfolio are also classified as restricted assets as they are limited for customer refunds.

A summary of the purpose for which these assets are restricted as of June 30, is as follows:

	2018	2017
General Obligation Bonds:		
Sinking funds	$ 2,719	$ 2,853
Deposits subject to refund:		
Escrow deposits	11,158	10,611
Sewer Debt:		
Debt service fund	7,655	6,816
Construction fund	23,127	28,600
Reserve fund	14,165	13,639
Debt service, reserves, construction funds	44,947	49,055
Water Debt:		
Debt service fund	7,204	7,179
Construction fund	17,888	21,337
Reserve fund	15,097	15,145
Debt service, reserves, construction funds	40,189	43,661
Total restricted assets	$ 99,013	$ 106,180

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

4. CAPITAL ASSETS

The changes in capital assets are summarized as follows:

June 30, 2018	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Nondepreciable assets:				
Land	$ 34,772	$ 102	$ 1,030	$ 35,904
Water rights	9,593	-	-	9,593
Construction-in-progress	63,803	49,991	(54,483)	59,311
Total nondepreciable capital assets	108,168	50,093	(53,453)	104,808
Depreciable assets:				
Land improvements, water and sewer lines	1,735,163	15,326	52,399	1,802,888
Buildings	49,148	-	1,145	50,293
Equipment	71,266	7,024	(2,448)	75,842
Total depreciable capital assets	1,855,577	22,350	51,096	1,929,023
Accumulated depreciation:				
Land improvements, water and sewer lines	(631,256)	(32,528)	-	(663,784)
Buildings	(33,677)	(844)	-	(34,521)
Equipment	(44,774)	(5,218)	2,438	(47,554)
	(709,707)	(38,590)	2,438	(745,859)
Depreciable capital assets, net	1,145,870	(16,240)	53,534	1,183,164
Capital assets, net	$ 1,254,038	$ 33,853	$ 81	$ 1,287,972

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

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 $25,867 and $19,674 as of June 30, 2018 and 2017, respectively. The Authority's other services and charges have been increased to reflect the change in equity interest by $452 for the years ended June 30, 2018 and 2017, respectively. The Authority contributed $6,645 and $2,182 to RMUA for capital improvements during the years ended June 30, 2018 and 2017, 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, Suite 1570, 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 $761 and $2,942 at June 30, 2018 and 2017, respectively. The Authority estimates the current portion of the contractual liability based upon amounts payable in the following year. The Authority made payments of $225 and $239 in accordance with these contracts for the years ended June 30, 2018 and 2017, 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 pensionable wages during the last five years of service and a multiplier based on the years of service. Employees entering the plan prior to July 1, 2018 are eligible for full retirement at age 65, and at least 5 years of service, or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 2.5% per year prior to age 65. Employees entering the plan on or after July 1, 2018 are eligible for full retirement at age 65, and at least 5 years of service, or when the years of service plus the employee's age equals or exceeds 90. Reduced benefits are available after age 60 and 5 years of service (Early Retirement). Benefits for Early retirement are reduced 6.0 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, 2018 and 2017. The Authority was charged 15.5 percent and 11.5 percent of pensionable wages for the years ended June 30, 2018 and 2017 respectively for employees whose payroll costs were charged to the Authority. Actual charges to the Authority for pension plan contributions were $5,172 and $3,822 for the years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018 and 2017, the Authority reported $54,849 and $56,361, respectively, for its proportionate charged share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to roll forward the total pension liability to June 30, 2018. 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, 2018 and 2017, the Authority's proportion was 27.9385 percent and 28.5271 percent, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

For the year ended June 30, 2018, the Authority recognized pension expense of $4,704. For the year ended June 30, 2017, the Authority recognized pension expense of $5,621. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources					
	2018			2017		
	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
Changes of assumptions	2,969	2,588	5,557	5,192	4,394	9,586
Differences between expected and actual plan experience	321	279	600	253	214	467
Changes in proportion and differences between the Authority's charges and proportionate share of charges	359	307	666	582	561	1,143
Total	$ 3,649	$ 3,174	$ 6,823	$ 6,316	$ 5,413	$ 11,729

	Deferred Inflows of Resources					
	2018			2017		
	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	$ (251)	$ (218)	$ (469)	$ -	$ -	$ -
Changes of assumptions	(126)	(110)	(235)	(2,300)	(1,947)	(4,247)
Differences between expected and actual plan experience	(724)	(632)	(1,357)	(1,321)	(1,118)	(2,439)
Changes in proportion and differences between the Authority's charges and proportionate share of charges	(797)	(112)	(909)	(117)	(28)	(145)
Total	$ (1,898)	$ (1,072)	$ (2,970)	$ (3,738)	$ (3,093)	$ (6,831)

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

Year ended June 30:	Water Fund	Sewer Fund	Business-type Activities Total
2019	$ 2,244	$ 2,188	$ 4,432
2020	687	750	1,437
2021	(987)	(698)	(1,685)
2022	(193)	(138)	(331)
	$ 1,751	$ 2,102	$ 3,853

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

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. The assumptions remained unchanged from 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, 2018

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

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%	

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

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 be 15.50 percent of payroll, which is the actuarially 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:

2018	**1% Decrease (6.5%)**	**Current Discount Rate (7.5%)**	**1% Increase (8.5%)**
Authority's proportionate share of the net pension liability	$ 76,656	$ 54,849	$ 36,577

2017	**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.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description – Retired employees and their dependents are provided with postemployment health care benefits through the City of Tulsa Postretirement Medical Plan (the "Plan"), a multiple-employer defined benefit health care plan. The Authority is not an employer, 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. The benefits, coverage levels, employee contributions, and employer contributions are governed by the City through its personnel and union contracts and are funded on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The Plan does not issue a stand-alone financial report.

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

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

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

At June 30, 2018, the Authority reported a liability of $2,225 for its proportionate charged share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability for June 30, 2017 was $2,010. The Authority's charged proportion of the total OPEB liability was based on the Authority's share of active employee participants relative to the active employees of all participating employers. At June 30, 2018 and 2017, the Authority's proportion was 35.2459 percent, and 35.6734 percent, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

For the year ended June 30, 2018, the Authority recognized OPEB expense of $263. For the year ended June 30, 2017, the Authority recognized OPEB expense of $240. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources					
	2018			2017		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Changes of assumptions	$ 38	34	72	$ 53	44	$ 97
Differences between expected and actual plan experience	191	166	357	162	137	299
Changes in proportion and differences between the Authority's charges and proportionate share of charges	7	2	9	9	-	9
Total	$ 236	$ 202	$ 438	$ 224	$ 181	$ 405

	Deferred Inflows of Resources					
	2018			2017		
	Water Fund	Sewer Fund	Business-type Activities Total	Water Fund	Sewer Fund	Business-type Activities Total
Changes of assumptions	$ (35)	$ (30)	$ (65)	$ (40)	$ (34)	$ (74)
Changes in proportion and differences between the Authority's charges and proportionate share of charges	(19)	(8)	(27)	-	(10)	(10)
Total	$ (54)	$ (38)	$ (92)	$ (40)	$ (44)	$ (84)

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

Year ended June 30:	Water Fund	Sewer Fund	Business-type Activities Total
2019	$ 50	$ 44	$ 94
2020	50	44	94
2021	50	44	94
2022	23	20	43
2023	9	12	21
	$ 182	$ 164	$ 346

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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

Inflation	3.0 %
Salary increases	4.0% to 11.75%, including 3.0% inflation and 1.0% productivity
Healthcare cost trend rate	9.0% for 2018, decreasing by 0.5 % annually to an ultimate rate of 5.0%

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

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

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

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

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

2018	**1% Decrease (2.87%)**	**Current Discount Rate (3.87%)**	**1% Increase (4.87%)**
Authority's proportionate share of the total OPEB liability	$ 2,391	$ 2,225	$ 2,074

2017	**1% Decrease (2.56%)**	**Current Discount Rate (3.56%)**	**1% Increase (4.56%)**
Authority's proportionate share of the total OPEB liability	$ 2,151	$ 2,010	$ 1,879

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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

2018	1% Decrease (8.0% decreasing to 4.0%)	Current Rate (9.0% decreasing to 5.0%)	1% Increase (10.0% decreasing to 6.0%)
Authority's proportionate share of the total OPEB liability	$ 2,038	$ 2,225	$ 2,442

2017	1% Decrease (7.5% decreasing to 4.0%)	Current Rate (8.5% decreasing to 5.0%)	1% Increase (9.5% decreasing to 6.0%)
Authority's proportionate share of the total OPEB liability	$ 1,820	$ 2,010	$ 2,230

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. 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 limitations and restrictions of debt service reserves and flow of monies through various restricted accounts (see additional information in Note 3). 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 $127,790 and $53,430 of outstanding Utility Revenue Bonds, respectively. The Utility Revenue Bonds are payable through 2038. Annual principal and interest payments on the bonds required 18 percent of net revenues, as defined above. The total principal and interest remaining to be paid on the bonds is $222,517. Principal and interest paid for the current year and water and sewer net revenues as described above for the current year were $20,196 and $112,542, respectively.

On June 22, 2018, the Authority issued the Utility Revenue Bonds, Series 2018A, for $11,850. The proceeds will be used to fund the construction, acquisition and equipping of certain capital improvements to the Wastewater System.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

Utility Revenue Bond payable activity for the year ended June 30, 2018 is as follows:

June 30, 2018

Series	Issue Amount	Maturity Date	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water:								
Series 2011	$ 24,100	2031	3.00-4.375%	$ 18,900	$ -	$ (925)	$ 17,975	$ 955
Refunding Series 2012	12,685	2025	2.00-2.65%	7,850	-	(985)	6,865	995
Refunding Series 2013	61,280	2025	2.50-3.00%	43,900	-	(4,560)	39,340	4,580
Series 2014	17,825	2034	2.00-3.50%	16,500	-	(670)	15,830	680
Refunding Series 2015	9,940	2027	2.00-3.00%	7,765	-	(665)	7,100	705
Series 2016A	16,565	2031	3.00-3.25%	15,665	-	(910)	14,755	920
Refunding Series 2017A	27,765	2030	3.00-3.125%	27,765	-	(1,840)	25,925	1,865
				138,345	-	(10,555)	127,790	10,700
Sewer:								
Series 2016B	10,885	2036	2.00-3.50%	10,465	-	(425)	10,040	430
Refunding Series 2016C	34,810	2025	5.00%	34,810	-	(3,270)	31,540	3,310
Series 2018A	11,850	2038	3.125-3.50%	-	11,850	-	11,850	425
				45,275	11,850	(3,695)	53,430	4,165
Total utility revenue bonds				$183,620	$ 11,850	$ (14,250)	$181,220	$ 14,865

Other long-term liabilities	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due Within One Year
Water storage lease	$ 3,588	$ -	$ (207)	$ 3,381	$ 213
Watermain extension contracts	2,942	-	(2,181)	761	347
Total OPEB liability	2,010	215	-	2,225	-
Compensated absences	4,084	3,528	(3,825)	3,787	2,646
Net pension liability	56,361	-	(1,512)	54,849	-
Total other long-term liabilities	$ 68,985	$ 3,743	$ (7,725)	$ 65,003	$ 3,206

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
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 (as restated)	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
Total OPEB liability	2,147	-	(137)	2,010	-
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	$ 73,551	$ 2,497	$ (7,063)	$ 68,985	$ 3,027

10. NONCURRENT LIABILITIES, continued

PROMISSORY NOTES – The Authority borrows from the Oklahoma Water Resources Board through two types of program loans: the State Financial Assistance Program (FAP) Loans and the Clean Water State Revolving Fund (SRF) Loan Program. FAP loan proceeds are received at closing and SRF loan proceeds are received on a reimbursement basis.

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 $186,221 of promissory notes. The promissory notes are payable through 2041. Annual principal and interest payments on the promissory notes required 33 percent of net revenues. The total principal and interest remaining to be paid on the promissory notes is $238,984. Principal and interest paid for the current year and sewer net revenues for the current year were $19,888 and $60,075, 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. FAP loans are considered senior obligations.

Promissory notes issued and outstanding under the SRF program were $221,068 (including the 2018 and 2017 note issuances disclosed below) and $96,881, respectively, as of June 30, 2018. The Authority had $66,637 available to be drawn as of June 30, 2018. Promissory notes outstanding under the FAP program were $89,340 as of June 30, 2018.

Note Issuances - On June 26, 2018, the Authority issued Clean Water State Revolving Fund Loan Promissory Note Series 2018A for $14,350, maturing 2041 with an interest rate of 2.53%. Draws, received on a reimbursement basis, will provide funds for making necessary improvements to the wastewater system. As of June 30, 2018, there was no outstanding balance on Promissory Note 2018A.

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, 2018, there was no outstanding balance on Promissory Note 2017A.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

Promissory note payable activity for the year ended June 30, 2018 is as follows:

Promissory Notes and Maturity Dates	Loan Type	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer:								
Series 1998B - 2017	SRF	$ 4,392	0.50%	$ 115	$ -	$ (115)	$ -	$ -
Series 2001B - 2020	SRF	4,996	0.50%	789	-	(263)	526	263
Series 2002D - 2021	SRF	6,813	0.50%	1,572	-	(349)	1,223	349
Series 2004B - 2023	SRF	1,560	0.50%	520	-	(80)	440	80
Series 2005B - 2027	SRF	7,900	3.10%	4,543	-	(372)	4,171	383
Series 2005C - 2025	SRF	1,203	0.50%	511	-	(60)	451	60
Series 2006A - 2027	SRF	3,130	3.10%	1,754	-	(143)	1,611	148
Series 2006C - 2029	SRF	17,825	3.10%	11,688	-	(777)	10,911	801
Series 2007A - 2026	SRF	5,131	0.50%	2,500	-	(263)	2,237	263
Series 2009A - 2032	SRF	11,320	3.22%	7,372	161	(566)	6,967	566
Series 2009B - 2032	SRF	7,350	2.91%	4,210	-	(227)	3,983	234
Series 2010A - 2032	SRF	27,757	2.89%	20,858	-	(1,388)	19,470	1,388
Series 2010B - 2030	FAP	29,380	3.145-5.145%	22,690	-	(1,230)	21,460	1,265
Series 2011A - 2033	SRF	23,480	3.11%	18,452	-	(1,174)	17,278	1,174
Series 2011B - 2031	FAP	14,275	2.645-5.145%	11,660	-	(580)	11,080	595
Series 2011C - 2034	SRF	16,700	2.55%	14,034	-	(835)	13,199	835
Series 2012A - 2034	SRF	4,347	2.43%	3,393	-	(217)	3,176	217
Series 2012B - 2032	FAP	11,355	3.145-3.395%	9,360	-	(465)	8,895	480
Series 2012C - 2017	FAP	2,450	4.145%	505	-	(505)	-	-
Series 2013A - 2035	SRF	9,850	2.24%	4,445	2,060	(518)	5,987	518
Series 2013B - 2033	FAP	27,605	2.645-5.145%	24,305	-	(1,010)	23,295	1,035
Series 2014A - 2035	SRF	2,910	2.58%	2,178	364	(146)	2,396	146
Series 2014B - 2033	FAP	10,180	2.145-4.06%	9,120	-	(430)	8,690	440
Series 2014C - 2034	FAP	17,735	2.6624-5.145%	16,575	-	(655)	15,920	670
Series 2015A - 2038	SRF	28,330	2.46%	446	3,117	(708)	2,855	1,417
				$ 193,595	$ 5,702	$ (13,076)	$ 186,221	$ 13,327

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

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 2018 and 2017 was as follows:

2018:

Bonds and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2009A- 2019	$ 5,532	4.00%	$ 1,160	$ -	$ (573)	$ 587	$ 588
Series 2009B- 2021	6,340	5.00%	2,175	-	(550)	1,625	541
Series 2013A- 2025	8,534	2.50%	5,297	-	(744)	4,553	720
Series 2014A- 2026	430	3.00%	340	-	(43)	297	41
Series 2015A- 2027	4,222	2.00-2.50%	3,415	-	(384)	3,031	373
Series 2016A- 2019	5,587	5.00%	3,447	-	(2,079)	1,368	1,369
Series 2017A- 2021	2,155	5.00%	2,155	-	-	2,155	-
			$17,989	$ -	$ (4,373)	$13,616	$ 3,632

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

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 November 2017, the Authority approved the second amendment to the agreement extending the final maturity date to October 22, 2018. 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, 2018 and 2017.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

10. NONCURRENT LIABILITIES, continued

PRINCIPAL AND INTEREST PAYMENTS IN SUBSEQUENT YEARS – Scheduled maturities of principal and interest in subsequent years are as follows:

	Revenue Bonds		Promissory Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 14,865	$ 5,865	$ 13,327	$ 6,453	$ 3,632	$ 467
2020	15,040	5,420	13,530	6,072	2,339	303
2021	15,215	4,945	12,069	5,700	2,338	215
2022	15,480	4,451	12,070	5,321	1,762	126
2023	15,875	3,946	12,160	4,906	1,007	84
2024-2028	66,345	11,778	63,955	17,851	2,538	121
2029-2033	28,040	4,062	52,912	6,254	-	-
2034-2038	10,360	830	6,198	206	-	-
	$ 181,220	$ 41,297	$ 186,221	$ 52,763	$ 13,616	$ 1,316

As disclosed in this note, 20 percent of Water Fund net revenue was required for debt service on water revenue bonds for the year ended June 30, 2018. 42 percent of Sewer Fund net revenue was required for debt service on sewer revenue bonds and promissory notes for the year ended June 30, 2018.

11. 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
2019	$ 213	$ 109	$ 255	$ 577
2020	220	102	255	577
2021	227	95	255	577
2022	235	88	255	578
2023	242	80	255	577
2024-2028	1,335	278	1,273	2,886
2029-2031	909	59	764	1,732
	$ 3,381	$ 811	$ 3,312	$ 7,504

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

12. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Authority conducted the following transactions with related entities:

	2018	2017
Indirect cost paid to the City of Tulsa	$ 5,716	$ 5,880
Payment in lieu of taxes to the City of Tulsa	$ 14,044	$ 13,027
Capital contributions from the City of Tulsa	$ 443	$ 303
Charges for utility services paid by the City of Tulsa	$ 1,552	$ 1,423
Charges for maintenance of equipment paid to the City of Tulsa	$ 3,488	$ 3,518

The Authority has outstanding advances unspent bonds proceeds to the City in the amount of $5 and $12 as of June 30, 2018 and 2017. As a result, there is a noncurrent asset – advances to primary government, recorded in the statements of net position equal to this amount. The Authority also recorded accounts payable in the amount of $2,053 related to capital contributions due to RMUA.

13. COMMITMENTS

As of June 30, 2018, the Authority had open commitments for construction projects of approximately $66,150.

NOTES TO BASIC FINANCIAL STATEMENTS (In thousands of dollars)

14. RESTATEMENT

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

Water Fund:	**2017 Previously Presented**	**Restatement**	**2017 Restated**
Deferred outflows of OPEB related resources	$ -	$ 224	$ 224
Total other postemployment benefits liability	2,907	(1,817)	1,090
Deferred inflows of OPEB related resources	-	40	40
Net position, unrestricted	75,455	2,001	77,456
Personnel services expense	27,848	82	27,930
Change in net position	39,155	(82)	39,073
Net position, beginning of year	506,316	2,083	508,399

Sewer Fund:	**2017 Previously Presented**	**Restatement**	**2017 Restated**
Deferred outflows of OPEB related resources	$ -	$ 181	$ 181
Total other postemployment benefits liability	2,455	(1,535)	920
Deferred inflows of OPEB related resources	-	44	44
Net position, unrestricted	38,897	1,672	40,569
Personnel services expense	23,809	128	23,937
Change in net position	37,627	(128)	37,499
Net position, beginning of year	472,840	1,800	474,640

Business-type Activities Total:	**2017 Previously Presented**	**Restatement**	**2017 Restated**
Deferred outflows of OPEB related resources	$ -	$ 405	$ 405
Total other postemployment benefits liability	5,362	(3,352)	2,010
Deferred inflows of OPEB related resources	-	84	84
Net position, unrestricted	114,352	3,673	118,025
Personnel services expense	51,657	210	51,867
Change in net position	76,782	(210)	76,572
Net position, beginning of year	979,156	3,883	983,039

15. SUBSEQUENT EVENTS

On October 24, 2018, the Authority approved the termination of the $10,000 line of credit agreement with a banking institution.

16. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

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. The Authority's management has not yet determined the effect this statement will have on the Authority's financial statements.

REQUIRED SUPPLEMENTAL INFORMATION (In thousands of dollars)

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

	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability for employees whose payroll costs were charged to the Authority	27.94%	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	$ 54,849	$ 56,361	$ 60,625	$ 35,290	$ 30,761
Authority's covered payroll for employees whose payroll costs were charged to the Authority	$ 33,368	$ 33,235	$ 32,905	$ 29,197	$ 30,525
Authority's proportionate share of the net pension liability as a percentage of its covered payroll for employees whose payroll costs were charged to the Authority	164.38%	169.58%	184.24%	120.87%	100.77%
Plan fiduciary net position as a percentage of the total pension liability	70.61%	69.39%	65.62%	77.13%	79.29%

The amounts presented were determined as of year end.

* Prior year information is not available.

Municipal Employers Retirement Plan
Schedule of the Authority's Payments

Year	Required Contribution	Actual Contributions	Contribution Deficiency (Excess)	City's Covered Payroll funded by Authority payments	Contributions as a percentage of Covered Payroll
2018	$ 5,172	$ 5,172	$ -	$ 33,368	15.50%
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%

REQUIRED SUPPLEMENTAL INFORMATION (In thousands of dollars)

Postemployment Benefits Other than Pensions Plan
Schedule of Proportionate Share - For the current and prior two years

	2018	2017	2016
Authority's proportion of the total OPEB liability for employees whose payroll costs were charged to the Authority	35.25%	35.67%	35.68%
Authority's proportionate share of the total OPEB liability for employees whose payroll costs were charged to the Authority	$ 2,225	$ 2,010	$ 2,147
Authority's covered payroll for employees whose payroll costs were charged to the Authority	$ 36,610	$ 37,133	$ 36,061
Authority's proportionate share of total OPEB liability as a percentage of its covered payroll for employees whose payroll costs were charged to the Authority	6.1%	5.4%	6.0%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

* Prior year information is not available.

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

2018	3.87%
2017	3.56%
2016	4.00%