
# Central Oklahoma Transportation & Parking Authority

A discrete component unit of The City of Oklahoma City, Oklahoma

Annual Financial Report | for the Fiscal Year ended June 30, 2018

# THE CENTRAL OKLAHOMA TRANSPORTATION AND PARKING AUTHORITY

A Discrete Component Unit of
Oklahoma City, Oklahoma



## *Management*

Jason Ferbrache, Department Director
James D. Couch, City Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2018

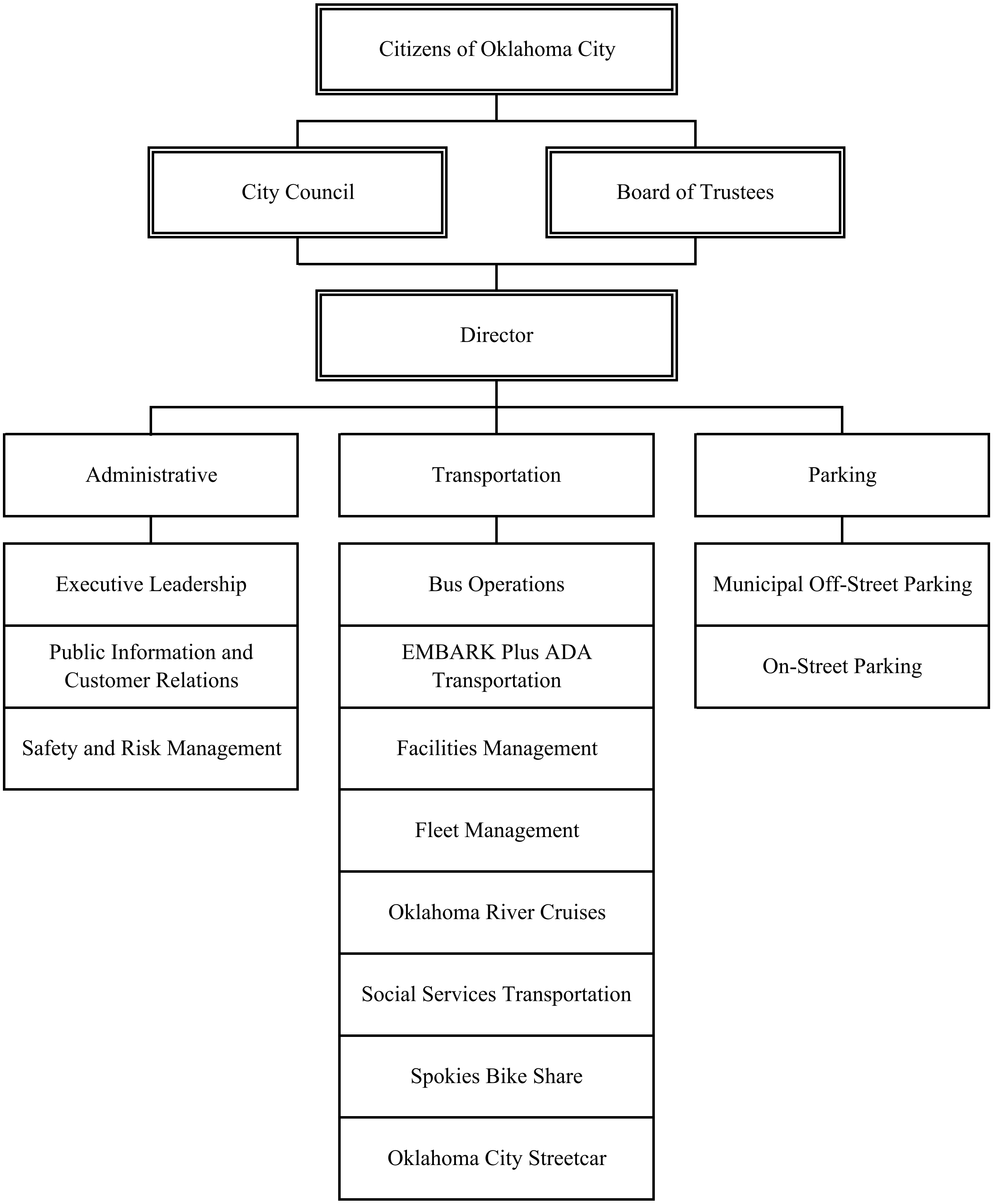

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Laura L. Papas, Controller

**CENTRAL OKLAHOMA**
**TRANSPORTATION**
**AND PARKING AUTHORITY**

## TABLE OF CONTENTS

For the Fiscal Years Ended June 30, 2018 and 2017

# City of Oklahoma City Transportation and Parking Authority Organization Chart



# Introductory Section

300 SW 7TH STREET
OKLAHOMA CITY
OKLAHOMA 73109

customer service
405.235.7433 (RIDE)

adminstration
405.297.1331

embarkok.com

November 16, 2018

The Board of Trustees of the
Central Oklahoma Transportation and Parking Authority

The Central Oklahoma Transportation and Parking Authority (Authority) annual financial report (annual report) provides a comprehensive overview of the Authority's financial position and the results of operations during the past fiscal year. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The City of Oklahoma City (City) Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Authority.

The Authority's annual report includes the report of independent auditors, management's discussion and analysis (MD&A), financial statements, related notes, and required supplementary information. Management's narrative on the financial activities of the Authority for the fiscal years ended June 30, 2018 and 2017, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Authority is included within the City's Comprehensive Annual Financial Report (CAFR).

The Authority was established on February 1, 1966, to plan, establish, develop, acquire, construct, purchase, install, repair, enlarge, improve, maintain, equip, finance and refinance, operate and regulate public transportation systems and facilities and public parking systems and facilities within and outside the territorial boundaries of the City.

Oklahoma City's recovery from the regional recession caused by the significant downturn in the energy industry took hold during fiscal year 2018. Higher oil and natural gas prices have meant significant gains in employment and investment in the energy sector and have led to broad economic strength in Oklahoma. While Oklahoma City has a diverse economic base, the energy industry still has a major impact on the health of the local economy. Going forward, Oklahoma City has a number of factors in its favor. The cost of living and the cost of doing business are consistently rated among the best in the country. In addition, low commuting times, convenient airline travel, and excellent entertainment and sports opportunities make Oklahoma City a great place for businesses and residents.

Oklahoma City is being recognized more and more as a great place to work, live, and visit. According to CNBC and Go Banking Rates, Oklahoma City was the number 1 city in the country where wages most outpaced expenses based on average annual income and average monthly living expenses. Oklahoma City was ranked as one of the top 10 "Best Cities for New Small Businesses" based on average annual revenue and profitability. The website OnlineDegrees.com rated the Oklahoma City metro as the number eleven "Best Big Cities for New Grads." Business Insider rated Oklahoma City as number 8 on their list of most popular cities everyone wants to live in right now based on factors such as migration ratio and growth rate. Southern Living magazine and Money magazine both ranked Oklahoma City as a top destination for travel.

In his February 6, 2018 report, Dr. Russel Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, provided his economic forecast to the City Council during the annual budget workshop. Dr. Evans highlighted state economic performance relative to the U.S. economy and how the two diverged significantly between 2015-early 2017 with Oklahoma impacted by the contraction in the oil and gas industry. Dr. Evans noted how important the metro areas in Oklahoma have become to the state economy and how much better Oklahoma City has performed on his macroeconomic performance index compared to Tulsa and the rest of the state. The macroeconomic index tracks employment, income and business creation. Dr. Evans forecasted U.S. Gross Domestic Product (GDP) to grow at a rate of 2.2% in 2018 and 2.1% in 2019. He is projecting higher growth in Oklahoma with projected gross state product growth of 3.6% in 2018 and 3.2% in 2019. The outlook for Oklahoma City is also very positive, with projections for steady growth in population, per capita personal income, and employment. Dr. Evans' fiscal forecast for Oklahoma City projects sales tax growth in FY19 of 3.0%-3.3%.

The Mayor (or his appointed surrogate), the City Manager (or his appointed surrogate), and the City Finance Director, serve as the Authority's Trustees with five other Trustees appointed by the Mayor and approved by the Council. The Authority participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Authority management and other interested readers with regular financial analysis. Additionally, the Authority's management maintains budgetary controls to ensure effective financial oversight.

In compliance with statutory requirements, the Authority engaged AGH, L.C. to conduct its annual audit. The Authority acknowledges the professional and competent services of its independent auditors.

Respectfully submitted,

Jason Ferbrache
Central Oklahoma Transportation and Parking Authority
Administrator

Laura L. Papas
City of Oklahoma City
Controller

# Financial Section

# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
**Central Oklahoma Transportation and Parking Authority**
Oklahoma City, Oklahoma

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Central Oklahoma Transportation and Parking Authority (Authority), a discrete component unit of the City of Oklahoma City, Oklahoma (City), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Allen, Gibbs & Houlik, L.C. aghlc.com ▲ aghemployersolutions.com ● aghuniversity.com ■ 316.267.7231 ■ 301 N. Main, Suite 1700 ■ Wichita, KS 67202-4868

### *Emphasis of Matters*

As discussed in *Note I.B.1.*, the financial statements present only the Central Oklahoma Transportation and Parking Authority, a discrete component unit of the City, and do not purport to, and do not, present fairly the financial position of the Oklahoma City Public Transportation and Parking Department as of June 30, 2018 and 2017, the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in *Note IV.,* in 2018, the Authority adopted Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

As discussed in Note IV., in 2018, the Authority changed its method of accounting and recognized an additional liability and reduced net position, as of July 1, 2017, due to the chargeback from the City of Oklahoma City, Oklahoma (City) related to the City's adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 the Management's Discussion and Analysis and pension and other post-employment information listed on 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying transmittal letter is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.

CERTIFIED PUBLIC ACCOUNTANTS

November 16, 2018
Wichita, KS

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Central Oklahoma Transportation and Parking Authority (Authority) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2018 and 2017. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Authority is a discretely presented component unit of the City of Oklahoma City (City).

***Financial Summary***

- Authority assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $84,288,378 (net position) for 2018. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $83,406,994 (net position).

- Total assets for the Authority increased by $3,965,681 (3.5%) to $117,049,323 during the fiscal year. This compares to the previous year when assets increased by $1,604,724.

- Total liabilities for the Authority increased by $3,281,874 (11.2%) to $32,628,046 during the fiscal year. This compares to the previous year when liabilities decreased by $3,206,532.

- Total net position is comprised of the following:
  (1) Net investment in capital assets, in the amount of $60,043,151 at June 30, 2018, and $57,286,626 at June 30, 2017, includes capital assets, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net position of $2,128,998 and $2,107,536 at June 30, 2018 and 2017, respectively, is restricted for debt service by constraints imposed by debt covenants.
  (3) Unrestricted net position is $22,116,229 at June 30, 2018, and $24,012,832 at June 30, 2017.

***Overview of the Financial Statements***

This discussion and analysis introduces the Authority's basic financial statements. The basic financial statements include: (1) statement of net position, (2) statement of revenues, expenses and changes in net position, (3) statement of cash flows (4) fiduciary financial statements, and (5) notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

**Financial Statements**

<u>Proprietary Funds</u>
Proprietary funds report transportation, parking and river cruise services for which the Authority charges a fee.

The Authority's annual report includes three proprietary fund financial statements. These statements provide both long-term and short-term information about the overall status of the Authority and are presented to demonstrate the extent to which the Authority has met its operating objectives efficiently and effectively using all the resources available and whether the Authority can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these statements is the statement of net position. This statement presents all of the Authority's assets and liabilities, with the difference reported as net position. Increases or decreases in net position may indicate whether the financial position of the Authority as a whole is improving or deteriorating and identify financial strengths and weaknesses, and be used to assess liquidity.

The second statement is the statement of revenues, expenses, and changes in net position which reports how the Authority's net position changed during the current fiscal year and can be used to assess the Authority's operating results in its entirety and analyze how the Authority's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

The third statement is the statement of cash flows which reports the inflows and outflows of Authority cash.

Fiduciary Funds
The Central Oklahoma Transportation and Parking Employee Retirement Trust (COTPA Retirement) is a fiduciary component unit of the Authority. COTPA Retirement reports pension resources that are not available to fund Authority programs. COTPA Retirement reporting includes both short and long-term assets and liabilities and all current year revenues and expenses regardless of when cash is received or paid.

**Notes to the financial statements**
The accompanying notes to the financial statements provide information essential to gain a full understanding of the proprietary funds, and fiduciary financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Other Information**
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligations to provide pension and other post-employment benefits to its employees.

***Financial Analysis***

The Authority's net position at fiscal year-end is $84,288,378. This is an increase of $881,384 over the prior year net position of $83,406,994. Overall, the Authority's financial position improved during fiscal year 2018.

**Summary of Net Position**

| | 2018 | 2017 | 2018-2017 Amount of Change | 2018-2017 % Change | 2016 | 2017-2016 Amount of Change | 2017-2016 % Change |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current assets | $35,672,421 | $33,989,744 | $1,682,677 | 5.0% | $32,784,159 | $1,205,585 | 3.7% |
| Capital assets, net | 79,541,733 | 77,246,538 | 2,295,195 | 3.0 | 77,132,716 | 113,822 | 0.1 |
| Other non-current assets | 1,835,169 | 1,847,360 | (12,191) | (0.7) | 1,562,043 | 285,317 | 18.3 |
| **Total assets** | **117,049,323** | **113,083,642** | **3,965,681** | 3.5 | **111,478,918** | **1,604,724** | 1.4 |
| **Deferred outflows** | **1,539,456** | **1,579,685** | **(40,229)** | (2.5) | **1,302,337** | **277,348** | 21.3 |
| **Liabilities** | | | | | | | |
| Current liabilities | 4,356,847 | 3,756,384 | 600,463 | 16.0 | 4,962,494 | (1,206,110) | (24.3) |
| Non-current liabilities | 28,271,199 | 25,589,788 | 2,681,411 | 10.5 | 27,590,210 | (2,000,422) | (7.3) |
| **Total liabilities** | **32,628,046** | **29,346,172** | **3,281,874** | 11.2 | **32,552,704** | **(3,206,532)** | (9.9) |
| **Deferred inflows** | **1,672,355** | **1,910,161** | **(237,806)** | (12.4) | **625,030** | **1,285,131** | 205.6 |
| **Net position** | | | | | | | |
| Net investment in capital assets | 60,043,151 | 57,286,626 | 2,756,525 | 4.8 | 56,084,175 | 1,202,451 | 2.1 |
| Restricted | 2,128,998 | 2,107,536 | 21,462 | 1.0 | 2,097,553 | 9,983 | 0.5 |
| Unrestricted | 22,116,229 | 24,012,832 | (1,896,603) | (7.9) | 21,421,793 | 2,591,039 | 12.1 |
| **Total net position** | **$84,288,378** | **$83,406,994** | **$881,384** | 1.1 | **$79,603,521** | **$3,803,473** | 4.8 |

Current assets increased by $1.68 million in 2018 and $1.21 million in 2017. In 2018, cash and investments increased by $3.12 million. Receivable from the City decreased by $1.31 million primarily related to the timing of the City General Fund subsidy payment. Intergovernmental receivables decreased $194 thousand related to the timing of receipts of Federal grants revenues. Supply inventories increased $36 thousand. In 2017, cash and investments increased $117 thousand. Receivable from the City increased $1.50 million related to the timing of the City General Fund subsidy payment. Intergovernmental receivables decreased $291 thousand related to the timing of receipts of Federal grant revenues. Supply inventories decreased $96 thousand.

Net capital assets increased by $2.30 million at June 30, 2018 with construction and capital acquisitions of $7.25 million, net of depreciation of $4.96 million. Net capital assets increased by $114 thousand in 2017 with construction and capital acquisitions of $4.79 million, net of depreciation of $4.62 million and retirements of $57 thousand.

Other non-current assets decreased by $12 thousand in 2018 primarily related to a $23 thousand decrease in receivables from the City due to the prefunding of the initial payments for a radio system, offset by an increase of $11 thousand in bond reserves. During 2017, other non-current assets increased by $285 thousand for prefunding of the radio system.

Current liabilities increased by $600 thousand in 2018 primarily due to a increase in accounts payable and accrued expenses of $270 thousand related to timing of vendor payments and an increase of $331 thousand in payables to the City for cost reimbursement. Current liabilities decreased by $1.21 million in 2017 primarily due to a decrease in accounts payable and accrued expenses of $746 thousand and a decrease in wages and benefits payable of $514 thousand.

In 2018, non-current liabilities increased by $2.68 million primarily due to a $2.62 million increase in payable to the City for cost reimbursement to the City Transportation Fund related to a change in accounting principle. Non-current liabilities decreased by $2.00 million in 2017, primarily due to a decrease in the actuarially determined net pension liability of $866 thousand and a decrease in bonds payable of $625 thousand for the current portion due.

**Summary of Changes in Net Position**

| | 2018 | 2017 | 2018-2017 Amount of Change | 2018-2017 % Change | 2016 | 2017-2016 Amount of Change | 2017-2016 % Change |
|---|---|---|---|---|---|---|---|
| **Operating revenues** | **$11,899,276** | **$11,713,557** | **$185,719** | 1.6% | **$11,998,784** | **($285,227)** | (2.4%) |
| **Operating expenses** | | | | | | | |
| Personal Services | 16,976,814 | 16,562,887 | 413,927 | 2.5 | 15,903,537 | 659,350 | 4.1 |
| Maintenance, operations, and contractual services | 10,998,150 | 10,253,453 | 744,697 | 7.3 | 11,172,365 | (918,912) | (8.2) |
| Material and supplies | 3,320,521 | 3,499,455 | (178,934) | (5.1) | 3,346,744 | 152,711 | 4.6 |
| Depreciation | 4,956,439 | 4,617,165 | 339,274 | 7.3 | 4,235,103 | 382,062 | 9.0 |
| **Total operating expenses** | **36,251,924** | **34,932,960** | **1,318,964** | 3.8 | **34,657,749** | **275,211** | 0.8 |
| **Operating loss** | **(24,352,648)** | **(23,219,403)** | **(1,133,245)** | (4.9) | **(22,658,965)** | **(560,438)** | (2.5) |
| **Net non-operating revenues** | **25,557,166** | **24,802,945** | **754,221** | 3.0 | **27,469,208** | **(2,666,263)** | (9.7) |
| **Contributions** | **3,503,173** | **2,219,931** | **1,283,242** | 57.8 | **1,450,139** | **769,792** | 53.1 |
| **Changes in net position** | **4,707,691** | **3,803,473** | **904,218** | 23.8 | **6,260,382** | **(2,456,909)** | (39.2) |
| Beginning net position | | | | | | | |
| As previously reported | 83,406,994 | 79,603,521 | 3,803,473 | 4.8 | 73,343,139 | 6,260,382 | 8.5 |
| Change in accounting principle | (3,826,307) | - | (3,826,307) | (100.0) | - | - | 0.0 |
| As restated | 79,580,687 | 79,603,521 | (22,834) | 0.0 | 73,343,139 | 6,260,382 | 8.5 |
| **Ending net position** | **$84,288,378** | **$83,406,994** | **$881,384** | 1.1 | **$79,603,521** | **$3,803,473** | 4.8 |

Operating revenues increased by $186 thousand during the fiscal year ended June 30, 2018. Transportation revenues decreased by $66 thousand primarily due to a decrease of $157 thousand in ridership fees, offset by a $26 thousand increase in lease revenue due to the reinstatement of the Santa Fe Station lease after renovations were completed, and an increase of $64 thousand in advertising revenues. Parking revenues increased by $255 thousand mainly due to an increase of $280 thousand in higher monthly and transient parking revenues, offset by a $26 thousand decrease in lease and other revenues. River revenues remained relatively constant. Operating revenues decreased $285 thousand during the fiscal year ended June 30, 2017. Transportation revenues decreased by $178 thousand primarily due to a decrease in transportation charges of $81 thousand related to a $40 thousand decrease in Spokies sponsorship revenues and a decrease in lease revenue at the Santa Fe Depot due to renovations. Parking revenues decreased by $259 thousand due to a downturn in the economy, offset by an increase in lease and rental revenues of $122 thousand primarily for the retail space in the Arts District parking garage. River revenues increased $29 thousand due to increased ridership.

Operating expenses increased by $1.32 million during the fiscal year ended June 30, 2018. Maintenance expense increased $745 thousand due to stocking the maintenance facility with repair parts for the new buses. Personal services increased by $414 thousand primarily related to an increase in healthcare premiums and normal pay increases. Depreciation expense increased by $339 thousand primarily due to projects completed at the end of 2017 being depreciated for a full year. Operating expenses increased by $275 thousand in the fiscal year ended June 30, 2017. Maintenance expense decreased $919 thousand primarily due to discontinuing a contract for Metrolink services of $672 thousand. Personnel services increased $659 thousand primarily due to filling vacant positions and normal pay increases. Depreciation increased $382 thousand due to projects completed at the end of 2016 being depreciated for a full year.

Net non-operating revenues increased by $754 thousand in 2018, primarily due to a $1.05 million increase in the City General Fund subsidy, offset by a $388 thousand decrease in operating grant revenues. Net non-operating revenues decreased $2.67 million in 2017. This was primarily due to a decrease in the budgeted City General Fund subsidy of $1.23 million, a decrease in Federal grant revenues of $453 thousand and a decrease of $1.11 million due to a payment from the Oklahoma City Economic Development Trust in 2016 to fund retail construction at the Arts District Garage.

Contributions and transfers increased by $1.28 million in 2018. This was primarily from an increase in capital grants of $1.46 million to fund the purchase of new buses, offset by a decrease in other capital contributions of $178 thousand. Contributions and transfers increased $770 thousand during 2017. This was primarily from an increase in capital grants of $1.77 million to fund the purchase of new buses, offset by a decrease in capital contributions of $978 thousand related to the one time donation of the land under the Arts District Garage in 2016.

***Capital Assets and Debt Administration***

**Capital Assets**

The Authority's investment in capital assets, net of accumulated depreciation, as of June 30, 2018 and 2017, was $79,541,733 and $77,246,538, respectively. This was an increase of 3.0% in 2018 compared to an increase of 0.1% in 2017. See Note II. G. for more information regarding capital assets.

**Capital Assets, Net of Accumulated Depreciation**

| | 2018 | 2017 | 2018-2017 Amount of Change | 2018-2017 % Change | 2016 | 2017-2016 Amount of Change | 2017-2016 % Change |
|---|---|---|---|---|---|---|---|
| **Non-Depreciable Assets** | | | | | | | |
| Land and art | $5,850,022 | $5,850,022 | $ - | 0.0% | $5,850,022 | $ - | 0.0% |
| Construction in progress | 3,263,543 | 1,507,215 | 1,756,328 | 116.5 | 832,318 | 674,897 | 81.1 |
| Total non-depreciable assets | 9,113,565 | 7,357,237 | 1,756,328 | 23.9 | 6,682,340 | 674,897 | 10.1 |
| **Depreciable Assets** | | | | | | | |
| Buildings | 9,377,829 | 9,715,381 | (337,552) | (3.5) | 10,455,951 | (740,570) | (7.1) |
| Improvements other than buildings | 7,310,200 | 8,020,558 | (710,358) | (8.9) | 7,926,806 | 93,752 | 1.2 |
| Buses, automobiles and river boats | 8,595,673 | 10,331,656 | (1,735,983) | (16.8) | 8,938,475 | 1,393,181 | 15.6 |
| Parking garages and surface lots | 37,236,918 | 38,296,362 | (1,059,444) | (2.8) | 39,325,518 | (1,029,156) | (2.6) |
| Other assets | 7,907,548 | 3,525,344 | 4,382,204 | 124.3 | 3,803,626 | (278,282) | (7.3) |
| Total depreciable assets | 70,428,168 | 69,889,301 | 538,867 | 0.8 | 70,450,376 | (561,075) | (0.8) |
| | **$79,541,733** | **$77,246,538** | **$2,295,195** | 3.0 | **$77,132,716** | **$113,822** | 0.1 |

Land and art was unchanged in 2018 and 2017. Construction in progress increased $1.76 million in 2018 primarily due to increases of $1.13 million for the Sheridan Walker Parking Garage Renovations. Construction in progress increased $675 thousand at June 30, 2017, with increases of $597 thousand for improvements to the South May Facility.

Depreciable assets increased by $539 thousand in the fiscal year ended June 30, 2018, primarily due to the purchase of new buses for $5.43 million, offset by normal depreciation of $4.96 million. Depreciable assets decreased in 2017, by $561 thousand due to normal depreciation and the sale of four buses at auction, offset by the purchase of eight buses at $3.20 million.

## Long-term Debt

At the end of the 2018 fiscal year, the Authority had total bonded debt outstanding of $19.57 million. This debt was solely supported by pledged revenues generated by the parking activities of the Authority (revenue bonds). See Note III. C. for more information regarding revenue bonds.

**Outstanding Bonds**

| | 2018 | 2017 | 2018-2017 Amount of Change | 2018-2017 % Change | 2016 | 2017-2016 Amount of Change | 2017-2016 % Change |
|---|---|---|---|---|---|---|---|
| Revenue bonds | | | | | | | |
| Parking | **$19,570,000** | **$20,195,000** | **($625,000)** | (3.1%) | **$20,810,000** | **($615,000)** | (3.0%) |

The change in outstanding debt for both 2018 and 2017 is the result of scheduled principal bond debt service payments. See Note III. G. for more information regarding changes in long-term debt.

**Bond Ratings**

The bonds are issued through the Authority. Authority bonds are rated Aa2 and AA+ by Moody's and Standard and Poor's rating agencies, respectively.

***Economic Factors***

The transportation division continues to follow a nation-wide trend of decreasing ridership due to lower fuel prices, reasonable used car prices, and an increase in on-demand car services. Parking revenue steadily increased throughout the year due primarily to higher monthly and transient parking. Monthly parking occupancy saw a slight decline at the end of the fiscal year due to the loss of a large customer in the Santa Fe Parking Garage.

***Contacting the Department's Financial Management***

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

# Basic Financial Statements

# *Fund Financial Statements*

*Focus on the Authority's most significant funds. Major funds are separately reported while all others are combined into a single, aggregated presentation.*

## Proprietary Fund Financial Statements

*Generally report services for which the Authority charges customers a fee using full accrual accounting and provide both long-term and short-term financial information.*

## Fiduciary Fund Financial Statements

*Report assets held for others that cannot be used to support the Authority's programs.*

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Total | | | | Total |
| | Transportation | River Cruises | Parking | Authority | Transportation | River Cruises | Parking | Authority |
| **ASSETS** | | | | | | | | |
| CURRENT ASSETS | | | | | | | | |
| Non-pooled cash | $2,610,824 | $128,724 | $2,302,139 | $5,041,687 | $1,160,157 | $343,696 | $3,118,344 | $4,622,197 |
| Investments | 13,454,666 | 248,547 | 14,981,331 | 28,684,544 | 13,964,523 | - | 12,018,778 | 25,983,301 |
| Accounts receivable, net | 156,352 | - | 80,643 | 236,995 | 139,372 | - | 47,072 | 186,444 |
| Interest receivable | - | - | 1,160 | 1,160 | - | - | 339 | 339 |
| Internal balances | (10,999) | 10,999 | - | - | (139,893) | 107,022 | 32,871 | - |
| Receivable from City of Oklahoma City | 22,632 | - | 220,000 | 242,632 | 1,338,739 | - | 214,750 | 1,553,489 |
| Intergovernmental receivables | 485,911 | - | - | 485,911 | 679,603 | - | - | 679,603 |
| Inventories | 932,982 | 1,429 | - | 934,411 | 896,938 | 1,189 | - | 898,127 |
| Prepaids | 45,081 | - | - | 45,081 | 66,244 | - | - | 66,244 |
| Total current assets | 17,697,449 | 389,699 | 17,585,273 | 35,672,421 | 18,105,683 | 451,907 | 15,432,154 | 33,989,744 |
| NON-CURRENT ASSETS | | | | | | | | |
| Investments | - | - | 1,492,839 | 1,492,839 | - | - | 1,482,198 | 1,482,198 |
| Receivable from City of Oklahoma City | 277,239 | - | - | 277,239 | 299,870 | - | - | 299,870 |
| Prepaids | 91 | - | - | 91 | 292 | - | - | 292 |
| Other | 65,000 | - | - | 65,000 | 65,000 | - | - | 65,000 |
| Capital assets: | | | | | | | | |
| Land, art, and construction in progress | 4,905,541 | - | 4,208,024 | 9,113,565 | 4,452,575 | - | 2,904,662 | 7,357,237 |
| Other capital assets, net of accumulated depreciation | 25,261,510 | 3,903,929 | 41,262,729 | 70,428,168 | 22,867,798 | 4,179,893 | 42,841,610 | 69,889,301 |
| Total capital assets | 30,167,051 | 3,903,929 | 45,470,753 | 79,541,733 | 27,320,373 | 4,179,893 | 45,746,272 | 77,246,538 |
| Total non-current assets | 30,509,381 | 3,903,929 | 46,963,592 | 81,376,902 | 27,685,535 | 4,179,893 | 47,228,470 | 79,093,898 |
| **Total assets** | **48,206,830** | **4,293,628** | **64,548,865** | **117,049,323** | **45,791,218** | **4,631,800** | **62,660,624** | **113,083,642** |
| **DEFERRED OUTFLOWS OF RESOURCES** | **1,539,456** | **-** | **-** | **1,539,456** | **1,579,685** | **-** | **-** | **1,579,685** |
| **LIABILITIES** | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Accounts payable and accrued expenses | 1,123,248 | 3,867 | 820,236 | 1,947,351 | 1,185,927 | 16,662 | 474,840 | 1,677,429 |
| Wages and benefits payable | 301,955 | - | - | 301,955 | 232,429 | - | - | 232,429 |
| Payable to City of Oklahoma City | 160,514 | 9 | 471,784 | 632,307 | 197,525 | 91,008 | 12,866 | 301,399 |
| Compensated absences | 216,959 | - | - | 216,959 | 193,654 | - | - | 193,654 |
| Unearned revenue | - | 139,330 | 62,224 | 201,554 | 105 | 146,358 | 153,008 | 299,471 |
| Bond interest payable | - | - | 421,721 | 421,721 | - | - | 427,002 | 427,002 |
| Bonds payable | - | - | 635,000 | 635,000 | - | - | 625,000 | 625,000 |
| Total current liabilities | 1,802,676 | 143,206 | 2,410,965 | 4,356,847 | 1,809,640 | 254,028 | 1,692,716 | 3,756,384 |
| NON-CURRENT LIABILITIES | | | | | | | | |
| Compensated absences | 256,681 | - | - | 256,681 | 208,855 | - | - | 208,855 |
| Payable to City of Oklahoma City | 3,071,220 | - | - | 3,071,220 | 399,058 | - | 52,980 | 452,038 |
| Unearned revenue | - | 433,735 | - | 433,735 | - | 566,995 | - | 566,995 |
| Bonds payable | - | - | 18,935,000 | 18,935,000 | - | - | 19,570,000 | 19,570,000 |
| Net pension liability | 4,081,515 | - | - | 4,081,515 | 4,600,125 | - | - | 4,600,125 |
| Net other post-employment benefit liability | 1,493,048 | - | - | 1,493,048 | 191,775 | - | - | 191,775 |
| Total non-current liabilities | 8,902,464 | 433,735 | 18,935,000 | 28,271,199 | 5,399,813 | 566,995 | 19,622,980 | 25,589,788 |
| **Total liabilities** | **10,705,140** | **576,941** | **21,345,965** | **32,628,046** | **7,209,453** | **821,023** | **21,315,696** | **29,346,172** |
| **DEFERRED INFLOWS OF RESOURCES** | **1,672,355** | **-** | **-** | **1,672,355** | **1,910,161** | **-** | **-** | **1,910,161** |
| **NET POSITION** | | | | | | | | |
| Net investment in capital assets | 30,118,841 | 3,903,929 | 26,020,381 | 60,043,151 | 27,294,144 | 4,179,893 | 25,812,589 | 57,286,626 |
| Restricted for debt service | - | - | 2,128,998 | 2,128,998 | - | - | 2,107,536 | 2,107,536 |
| Unrestricted | 7,249,950 | (187,242) | 15,053,521 | 22,116,229 | 10,957,145 | (369,116) | 13,424,803 | 24,012,832 |
| **Total net position** | **$37,368,791** | **$3,716,687** | **$43,202,900** | **$84,288,378** | **$38,251,289** | **$3,810,777** | **$41,344,928** | **$83,406,994** |

See accompanying notes to financial statements.

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Transportation | River Cruises | Parking | Total Authority | Transportation | River Cruises | Parking | Total Authority |
| **OPERATING REVENUES** | | | | | | | | |
| CHARGES FOR SERVICES | | | | | | | | |
| Transportation charges | $2,740,073 | $ - | $ - | $2,740,073 | $2,896,940 | $ - | $ - | $2,896,940 |
| River cruise charges | - | 133,568 | - | 133,568 | - | 136,395 | - | 136,395 |
| Parking | - | - | 8,386,635 | 8,386,635 | - | - | 8,105,674 | 8,105,674 |
| Other charges | - | - | - | - | 40 | - | 500 | 540 |
| Total charges for services | 2,740,073 | 133,568 | 8,386,635 | 11,260,276 | 2,896,980 | 136,395 | 8,106,174 | 11,139,549 |
| Lease and rental income | 50,601 | - | 232,897 | 283,498 | 24,336 | - | 252,538 | 276,874 |
| Other | 355,471 | 31 | - | 355,502 | 291,191 | 48 | 5,895 | 297,134 |
| **Total operating revenues** | **3,146,145** | **133,599** | **8,619,532** | **11,899,276** | **3,212,507** | **136,443** | **8,364,607** | **11,713,557** |
| **OPERATING EXPENSES** | | | | | | | | |
| Personal services | 16,618,543 | 53,131 | 305,140 | 16,976,814 | 16,299,470 | 50,251 | 213,166 | 16,562,887 |
| Maintenance, operations, and contractual services | 6,265,235 | 807,371 | 3,925,544 | 10,998,150 | 5,619,543 | 948,428 | 3,685,482 | 10,253,453 |
| Materials and supplies | 3,283,128 | 8,319 | 29,074 | 3,320,521 | 3,374,249 | 12,940 | 112,266 | 3,499,455 |
| Depreciation | 3,101,588 | 275,966 | 1,578,885 | 4,956,439 | 2,766,736 | 275,966 | 1,574,463 | 4,617,165 |
| **Total operating expenses** | **29,268,494** | **1,144,787** | **5,838,643** | **36,251,924** | **28,059,998** | **1,287,585** | **5,585,377** | **34,932,960** |
| **Operating loss** | **(26,122,349)** | **(1,011,188)** | **2,780,889** | **(24,352,648)** | **(24,847,491)** | **(1,151,142)** | **2,779,230** | **(23,219,403)** |
| **NON-OPERATING REVENUES (EXPENSES)** | | | | | | | | |
| Non-capital contributions | 326,999 | 133,260 | - | 460,259 | 312,315 | 133,260 | - | 445,575 |
| Grants operating | 8,887,445 | - | - | 8,887,445 | 9,275,507 | - | - | 9,275,507 |
| Investment income | 169,016 | 2,802 | 182,744 | 354,562 | 65,969 | 52 | 52,568 | 118,589 |
| Interest on bonds | - | - | (843,441) | (843,441) | - | - | (853,988) | (853,988) |
| Oil and gas royalties | - | - | - | - | 500 | - | - | 500 |
| Payments from Oklahoma City Riverfront Redevelopment Authority | - | 25,000 | - | 25,000 | - | 25,000 | - | 25,000 |
| Payments from City of Oklahoma City | 16,168,001 | 725,566 | 220,000 | 17,113,567 | 15,125,631 | 725,566 | 214,750 | 16,065,947 |
| Other revenues (expenses) | (440,226) | - | - | (440,226) | (530,865) | - | 256,680 | (274,185) |
| **Net non-operating revenues (expenses)** | **25,111,235** | **886,628** | **(440,697)** | **25,557,166** | **24,249,057** | **883,878** | **(329,990)** | **24,802,945** |
| **Income before contributions** | **(1,011,114)** | **(124,560)** | **2,340,192** | **1,204,518** | **(598,434)** | **(267,264)** | **2,449,240** | **1,583,542** |
| **CONTRIBUTIONS** | | | | | | | | |
| Grants capital | 3,468,173 | - | - | 3,468,173 | 2,007,128 | - | - | 2,007,128 |
| Other capital contributions | 35,000 | - | - | 35,000 | 212,803 | - | - | 212,803 |
| Transfers to other funds | (30,470) | 30,470 | - | - | (147,841) | 147,841 | - | - |
| **Total contributions** | **3,472,703** | **30,470** | **-** | **3,503,173** | **2,072,090** | **147,841** | **-** | **2,219,931** |
| **Changes in net position** | **2,461,589** | **(94,090)** | **2,340,192** | **4,707,691** | **1,473,656** | **(119,423)** | **2,449,240** | **3,803,473** |
| Total net assets, beginning, as previously reported | 38,251,289 | 3,810,777 | 41,344,928 | 83,406,994 | 36,777,633 | 3,930,200 | 38,895,688 | 79,603,521 |
| Change in accounting principle | (3,344,087) | - | (482,220) | (3,826,307) | - | - | - | - |
| Total net assets, beginning, as restated | **34,907,202** | **3,810,777** | **40,862,708** | **79,580,687** | **36,777,633** | **3,930,200** | **38,895,688** | **79,603,521** |
| **Total net position, ending** | **$37,368,791** | **$3,716,687** | **$43,202,900** | **$84,288,378** | **$38,251,289** | **$3,810,777** | **$41,344,928** | **$83,406,994** |

See accompanying notes to financial statements.

## STATEMENTS OF CASH FLOWS — CENTRAL OKLAHOMA TRANSPORTATION AND PARKING AUTHORITY

**For the Years Ended June 30,**

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Transportation | River Cruises | Parking | Total Authority | Transportation | River Cruises | Parking | Total Authority |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | | |
| Cash received from customers | $3,107,860 | $126,891 | $8,472,200 | $11,706,951 | $3,217,791 | $141,757 | $8,608,215 | $11,967,763 |
| Cash payments to suppliers for goods and services | (7,233,545) | (869,757) | (3,469,038) | (11,572,340) | (6,841,088) | (950,905) | (3,227,057) | (11,019,050) |
| Cash payments to employees and professional contractors for services | (14,178,730) | (103,382) | - | (14,282,112) | (14,474,196) | - | (30,000) | (14,504,196) |
| Cash payments for internal services | (2,374,419) | (38) | (158,283) | (2,532,740) | (2,587,574) | (2) | (427,961) | (3,015,537) |
| Cash payments within the Department/Authority for operations | (159,365) | 126,494 | 32,871 | - | 51,572 | 45,349 | (96,921) | - |
| Cost reimbursements | (2,350,000) | - | (484,886) | (2,834,886) | (2,414,718) | - | (400,000) | (2,814,718) |
| Other operating cash receipts | 6,395 | - | - | 6,395 | 19,301 | 39,790 | - | 59,091 |
| **Net cash provided (used) by operating activities** | **($23,181,804)** | **(719,792)** | **$4,392,864** | **(19,508,732)** | **(23,028,912)** | **(724,011)** | **4,426,276** | **(19,326,647)** |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | | | | | | | |
| Cash received from operating grants | 8,896,231 | - | - | 8,896,231 | 9,086,365 | - | - | 9,086,365 |
| Non-capital financing payments from component units | - | 25,000 | - | 25,000 | - | 25,000 | - | 25,000 |
| Non-capital financing payments from City of Oklahoma City | 17,440,357 | 725,566 | 220,000 | 18,385,923 | 13,853,275 | 725,566 | 49,500 | 14,628,341 |
| **Net cash provided (used) by non-capital financing activities** | **26,336,588** | **750,566** | **220,000** | **27,307,154** | **22,939,640** | **750,566** | **49,500** | **23,739,706** |
| **CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES** | | | | | | | | |
| Payments for acquisition and construction of capital assets | (5,915,331) | - | (1,161,680) | (7,077,011) | (4,592,503) | - | (412,063) | (5,004,566) |
| Principal paid on long-term debt | - | - | (625,000) | (625,000) | - | - | (615,000) | (615,000) |
| Interest paid on long-term debt | - | - | (848,724) | (848,724) | - | - | (857,761) | (857,761) |
| Capital financing payments from City of Oklahoma City | 35,000 | - | - | 35,000 | 57,982 | - | - | 57,982 |
| Proceeds from sale of assets | 29,357 | - | - | 29,357 | - | - | - | - |
| Capital grants and contributions received | 3,468,173 | - | - | 3,468,173 | 2,007,128 | - | - | 2,007,128 |
| **Net cash provided (used) by capital and related financing activities** | **(2,382,801)** | **-** | **(2,635,404)** | **(5,018,205)** | **(2,527,393)** | **-** | **(1,884,824)** | **(4,412,217)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | | |
| Purchase of investments | (54,334,130) | (1,368,609) | (75,266,463) | (130,969,202) | (15,939,352) | - | (37,562,921) | (53,502,273) |
| Proceeds from sale of investments | 54,880,606 | 1,120,953 | 72,328,036 | 128,329,595 | 17,443,958 | - | 35,573,273 | 53,017,231 |
| Investment income received | 132,208 | 1,910 | 144,762 | 278,880 | 62,345 | 50 | 48,287 | 110,682 |
| Receipts from oil and gas royalties | - | - | - | - | 500 | - | - | 500 |
| **Net cash provided (used) by investing activities** | **678,684** | **(245,746)** | **(2,793,665)** | **(2,360,727)** | **1,567,451** | **50** | **(1,941,361)** | **(373,860)** |
| **Net increase (decrease) in cash** | **1,450,667** | **(214,972)** | **(816,205)** | **419,490** | **(1,049,214)** | **26,605** | **649,591** | **(373,018)** |
| Cash, beginning | 1,160,157 | 343,696 | 3,118,344 | 4,622,197 | 2,209,371 | 317,091 | 2,468,753 | 4,995,215 |
| **Cash, ending** | **$2,610,824** | **$128,724** | **$2,302,139** | **$5,041,687** | **$1,160,157** | **$343,696** | **$3,118,344** | **$4,622,197** |

See accompanying notes to financial statements.

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Transportation | River Cruises | Parking | Total Authority | Transportation | River Cruises | Parking | Total Authority |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | | | | | | |
| Operating income (loss) | ($26,122,349) | ($1,011,188) | $2,780,889 | ($24,352,648) | ($24,847,491) | ($1,151,142) | $2,779,230 | ($23,219,403) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | | | | | |
| Depreciation | 3,101,588 | 275,966 | 1,578,885 | 4,956,439 | 2,766,736 | 275,966 | 1,574,463 | 4,617,165 |
| Other revenue (expense) | 6,395 | - | - | 6,395 | (124,537) | 147,841 | - | 23,304 |
| Changes in assets and liabilities: | | | | | | | | |
| (Increase) decrease in accounts receivable | 18,236 | - | (33,571) | (15,335) | (34,113) | - | 80,991 | 46,878 |
| (Increase) decrease in payments/transfers from (to) within the Department | (30,470) | 30,470 | - | - | - | - | - | - |
| (Increase) decrease in due from other funds | (128,894) | 96,023 | 32,871 | - | 165,364 | (102,493) | (62,871) | - |
| (Increase) decrease in receivable from City of Oklahoma City | 22,631 | - | (5,250) | 17,381 | (322,502) | - | - | (322,502) |
| (Increase) decrease in inventories | (36,044) | (240) | - | (36,284) | 96,443 | 31 | 249 | 96,723 |
| (Increase) decrease in prepaid assets | 21,364 | - | - | 21,364 | (271) | - | 1 | (270) |
| (Increase) decrease in other assets | - | - | - | - | 4,283 | - | - | 4,283 |
| (Increase) decrease in deferred outflows | 414,345 | - | - | 414,345 | (277,348) | - | - | (277,348) |
| Increase (decrease) in accounts payable and accrued expenses | (94,901) | (12,796) | 203,714 | 96,017 | 15,285 | 10,590 | (10,867) | 15,008 |
| Increase (decrease) in wages and benefits payable | 69,526 | - | - | 69,526 | (513,733) | - | - | (513,733) |
| Increase (decrease) in payable to component unit | - | - | - | - | - | (25) | - | (25) |
| Increase (decrease) in payable to City of Oklahoma City | 210,619 | (90,999) | (73,890) | 45,730 | (132,622) | 90,605 | (64,405) | (106,422) |
| Increase (decrease) in compensated absences | 71,131 | - | - | 71,131 | (41,761) | - | - | (41,761) |
| Increase (decrease) in net pension liability | (518,610) | - | - | (518,610) | (866,127) | - | - | (866,127) |
| Increase (decrease) in net other post-employment benefit liability | 51,540 | - | - | 51,540 | (201,649) | - | - | (201,649) |
| Increase (decrease) in unearned revenue | (105) | (7,028) | (90,784) | (97,917) | - | 4,616 | 129,485 | 134,101 |
| Increase (decrease) in deferred inflows | (237,806) | - | - | (237,806) | 1,285,131 | - | - | 1,285,131 |
| Total adjustments | 2,940,545 | 291,396 | 1,611,975 | 4,843,916 | 1,818,579 | 427,131 | 1,647,046 | 3,892,756 |
| **Net cash provided (used) by operating activities** | **($23,181,804)** | **($719,792)** | **$4,392,864** | **($19,508,732)** | **($23,028,912)** | **($724,011)** | **$4,426,276** | **($19,326,647)** |
| **NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES** | | | | | | | | |
| Net increase (decrease) in fair value of investments | $36,618 | $891 | $34,766 | $72,275 | $860 | $ - | $3,485 | $4,345 |
| **Total non-cash investing, capital, and financing activities** | **$36,618** | **$891** | **$34,766** | **$72,275** | **$860** | **$ -** | **$3,485** | **$4,345** |

See accompanying notes to financial statements.

| | 2018 | 2017 |
|---|---|---|
| **ASSETS** | | |
| RECEIVABLES | | |
| Interest and dividends | $10,255 | $7,351 |
| Employer | 11,225 | 30,445 |
| Plan members | 8,834 | 24,007 |
| Total receivables | 30,314 | 61,803 |
| INVESTMENTS, AT FAIR VALUE | | |
| Domestic common stock | 5,346,114 | 4,818,659 |
| Passive domestic stock funds | 1,889,632 | 1,797,679 |
| Passive bond fund | 2,868,972 | 2,913,967 |
| International stock | 2,104,318 | 2,076,491 |
| Treasury money market fund | 638,357 | 624,713 |
| Real estate | 228,691 | 193,589 |
| Total investments | 13,076,084 | 12,425,098 |
| **Total assets** | **$13,106,398** | **$12,486,901** |
| | | |
| **Restricted for pension benefits** | **$13,106,398** | **$12,486,901** |

See accompanying notes to financial statements.

| | 2018 | 2017 |
|---|---|---|
| **ADDITIONS** | | |
| CONTRIBUTIONS | | |
| Employer | $545,728 | $554,876 |
| Plan members | 440,612 | 411,951 |
| Total contributions | 986,340 | 966,827 |
| INVESTMENT INCOME | | |
| Net appreciation in fair value of investments | 723,532 | 1,105,214 |
| Interest | 2,121 | 3,198 |
| Dividends | 227,678 | 191,381 |
| | 953,331 | 1,299,793 |
| Less: investment expense | (52,066) | (48,152) |
| Net investment income | 901,265 | 1,251,641 |
| **Total additions** | **1,887,605** | **2,218,468** |
| **DEDUCTIONS** | | |
| Benefits paid | 981,658 | 982,713 |
| Refunds of contributions | 243,159 | 243,619 |
| Administrative expenses | 43,291 | 75,040 |
| **Total deductions** | **1,268,108** | **1,301,372** |
| **Increase in net position** | **619,497** | **917,096** |
| **NET POSITION RESTRICTED FOR PENSION** | | |
| Beginning of year | 12,486,901 | 11,569,805 |
| **End of year** | **$13,106,398** | **$12,486,901** |

See accompanying notes to financial statements.

This Page Left Intentionally Blank

# Notes to Financial Statements

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Central Oklahoma Transportation and Parking Authority (Authority) financial activities for the fiscal years ended 2018 and 2017.

### I. B. BASIS OF PRESENTATION

### I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY

The Authority was created in 1966 as a public trust pursuant to Title 60 of the Oklahoma Statutes, Section 176, et. seq. The purpose of the Authority is to provide a means of financing municipal public transportation services and public parking facilities. The trust indenture provides that the Authority will acquire and operate the transportation service and parking facilities and equipment, receive all revenue generated from these services, pay the debt service requirements on the revenue bonds issued by the Authority, pay all operating expenses, and finance future improvements.

The Authority funds are the legal funds through which the Authority's employees are compensated. Authority employees are generally bus operators, mechanics, and certain administrative staff. Employee salaries and benefits, certain maintenance and contractual items, certain supplies, administrative chargebacks from the City, and certain capital asset acquisitions are paid by the Authority's funds. Authority funds also account for long-term leasing, financing, and other necessary business activities.

***Method of Reporting in the City's Comprehensive Annual Financial Report (CAFR)***

The Authority is a component unit of the City because the City appoints all (voting majority) of the Board of Trustees (Board) and the Authority is fiscally dependent on the City with subsidies for transportation and an agreement of support for revenue bonds. The Authority is discretely presented because the majority of the Board is not the same as the voting majority of the City Council.

The Authority is included in the City's financial reporting entity as a discrete component unit, and COTPA Retirement Trust is presented as a fiduciary pension trust fund. The City CAFR may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

***Related Parties***

**Oklahoma City Riverfront Redevelopment Authority (OCRRA)**
OCRRA is a public trust of the City. On January 13, 2006, the Authority Trustees approved a resolution accepting an administrative role in developing and operating the water transport system as part of a joint Oklahoma River Water Mobility System Plan (System Plan). On June 20, 2006, the City Council approved a joint resolution with the Authority and OCRRA regarding the assignment and acceptance of responsibilities. Per the resolution, the Authority will be primarily responsible for operations and finance issues, while OCRRA will provide support in areas of planning, development, and marketing. Activity relating to the System Plan is included in the financial statements of the Authority River Cruises Fund.

**Oklahoma City Post-Employment Benefit Trust (OCPEBT)**
OCPEBT provides post-retirement health benefits for Authority retirees.

**I. B. 2. BASIC FINANCIAL STATEMENTS**

Financial statements are provided for proprietary and fiduciary funds. All funds are considered major.

***Transportation Fund***

This fund is used to account for the operations and capital investments; including financing and other business activities, of the Oklahoma City metropolitan public transportation system, including Spokies bike share and streetcar operations.

***River Cruises Fund***

This fund is used to account for the operations and capital investments, including financing and other business activities, of the Oklahoma River Cruises (Ferry Service) consisting of the operation of ferry boats on the Oklahoma River.

***Parking Fund***

This fund is used to account for the operations and capital investments; including financing and other business activities, of the Oklahoma City metropolitan public parking system. Costs and revenues associated with parking meters are reported in the City General Fund.

***COTPA Retirement***

COTPA retirement provides retirement benefits to employees of the Authority. The Pension Plan Committee serves as the governing body and is comprised of the City's Transportation and Parking Department Director who is also the Authority Administrator, the Authority Human Resources Manager, City Finance Director, City Treasurer, President of the Amalgamated Transit Union - Local 993, one current Authority retiree, and two plan participants appointed by the President of the Amalgamated Transit Union - Local 993 and approved by the Authority Trustees, and one independent party mutually agreed to by the Authority's Administrator and the President of the Amalgamated Transit Union - Local 993 and approved by the Authority Trustees. The Authority is a discretely presented fiduciary component unit.

On November 22, 2017, the Authority approved changes to the governing board including adding the Authority Human Resources Manager and one independent party mutually agreed upon by the Authority Administrator and the President of the Amalgamated Transit union - Local 993 and approved by the Authority Board. In addition, prior to this change, the one current retiree was appointed by the Authority Administrator and the two plan participants were appointed by the Authority Trustees.

The Plan financial statements, along with required supplemental information, is reported in the audited annual financial statements of the Authority. Interim financial statements are provided to management and may be obtained from the Finance Department, Accounting Services Division, 100 N Walker, Suite 300, Oklahoma City, OK 73102.

## I. B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

***Implementation of New Accounting Standards***

Effective July 1, 2017, the Authority implemented Governmental Accounting Standards Board (GASB) statement number 85, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

Effective July 1, 2017, the City implemented Governmental Accounting Standards Board (GASB) statement number 75, Accounting and Financial Reporting for Postemployment benefits other than pension plans. This statement replaces GASB statements 45 as amended and 57. This statement establishes standards for measuring and recognizing liabilities, deferred outflows, deferred inflows of resources, and expenses/expenditures. It also includes note disclosure and required supplementary information requirements. Please see Note IV for more information.

***Generally Accepted Accounting Principles (U.S. GAAP)***

The financial statements of the Authority are prepared in accordance with U.S. GAAP. The Authority applies all relevant GASB pronouncements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The Authority reports using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. COTPA Retirement financial statements also report using this same focus and basis of accounting. Employer and participant contributions are recognized in the period in which contributions are due and the Authority has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

All assets and liabilities (whether current or non-current) are included in the statement of net position.

Operating income reported in the fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets.

***COTPA Retirement Fund***

All assets and liabilities (whether current or non-current) are included in the statement of fiduciary net position. Changes in plan net position reported in the fund financial statements include additions and deductions related to retirement benefits provided to Authority employees. Additions are contributions from the Authority and Plan members, and investment income. Deductions include the cost of benefits and administrative expenses.

## I. C. BUDGET LAW AND PRACTICE

***Budget Approval***

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. The Authority's budget is submitted to its governing body for approval. Appropriations are recorded and available for encumbrance or expense as revenue is received in cash. Revenues are budgeted by source. For general operations, expenses are budgeted by division and class as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt service. Expenses may not exceed appropriations. Budget revisions at this level are managed administratively and reported to the Board of Trustees. Revisions to the budget are made throughout the year. For capital and grant related expenses, budgetary control is exercised on a project-length basis. Therefore, appropriations are carried forward each year until projects are completed. Management's policy prohibits expenses to exceed appropriations at the detail, line item level. Management may transfer appropriations without governing body approval.

***Basis of Budgeting***

Revenues are budgeted by source. Expenses are budgeted by division and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are managed administratively and reported to the City Council. The legal level of control is by division and class within a fund. Expenses may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget can be made throughout the year.

## I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY

### I. D. 1. CASH AND INVESTMENTS

The Authority’s governing Board formally adopted the City’s updated deposit and investment policy for unrestricted accounts in June 2018, in addition to policies specified in the Authority bond indenture applicable to the Authority funds as restricted by the indenture. COTPA Retirement has deposit and investment policies separately approved by the retirement system’s Board.

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement system not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which approximates fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable.

Level 3 - Significant unobservable prices or inputs.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**I. D. 2. INVENTORIES AND PREPAIDS**

Inventories are recorded at a weighted average. Inventories are primarily fuel, vehicle parts and supplies. Prepaids are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Noncurrent prepaids benefit periods beyond the following 12 month period. Payments to vendors that are less than $5,000 are considered *di minimus* and are reported with expenses in the year of payment.

**I. D. 3. INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables represent the receivable from the Federal Transit Administration for transit assistance for reimbursement of capital outlay and maintenance costs related to those capital assets.

**I. D. 4. RESTRICTED ASSETS**

Certain assets are restricted for capital projects funded through long-term debt and debt service reserves. Restricted deposits and investments are legally restricted for the payment of currently maturing debt service.

When both restricted and unrestricted resources are available for use, it is the Trust's policy to use restricted resources first, then unrestricted resources as needed.

**I. D. 5. INTERFUND BALANCES**

Generally, outstanding balances between funds reported as due to/from other funds include outstanding charges by one City fund to another for services or goods, subsidy commitments outstanding at year-end, or other miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as internal balances.

Activity between the Authority and funds of the City or its component units are described as payable/receivable to (from) City of Oklahoma City or component units.

City employees perform certain administrative and management services for the Central Oklahoma Transit and Parking Authority. Reimbursements for the costs of these services, which includes salaries, pension, and OPEB, are included with payments to the primary government. The payable to primary government represents the unfunded liabilities of the City Funds.

**I. D. 6. CAPITALIZED INTEREST**

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

**I. D. 7. CAPITAL ASSETS AND DEPRECIATION**

Property and equipment are recorded at cost and presented net of accumulated depreciation. Capital assets are depreciated on a straight line basis over the estimated economic useful lives of the respective assets as follows: 50 years for parking garages and buildings; 20 years for other improvements; 5 to 12 years for vans, buses, trolleys, and automobiles; 25 years for watercraft; and 3 to 10 years for furniture, fixtures and equipment. Leasehold improvements are amortized on a straight-line basis over the lesser of the terms of the related leases or the useful lives of the improvements. The Authority generally capitalizes assets with cost of $7,500 or more as purchases and construction outlays occur. Assets purchased or constructed with grants are the exception. These assets are capitalized at cost of $5,000 or more. Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When property is retired or otherwise disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting difference is recorded as non-operating revenues/expenses.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

**I. D. 8. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of financial position may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

**I. D. 9. LONG-TERM DEBT, BOND DISCOUNT OR PREMIUM, AND DEFERRED AMOUNTS FROM REFUNDING**

Outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond discounts and premiums are reported with bonds payable and deferred amounts from refunding are reported as deferred outflows in the statement of net position.

**I. D. 10. COMPENSATED ABSENCES**

Compensated absences represent the accrued vested vacation and sick leave benefits attributable to full-time employees based on the personnel policies or union bargaining agreements of the City and the Authority.

**I. D. 11. RISK MANAGEMENT**

The Authority is self-insured for liability related to accidents involving their transportation equipment up to $75,000 per incident. The Authority pays premiums for commercial insurance for employee short-term disability and life, unemployment, employee felonious assault, and retiree health benefits. The Authority's property and liability is administered through the City's Risk Management Fund and the Oklahoma City Municipal Facilities Authority (OCMFA) which accounts for the risk financing activities and assumes the risk of loss.

**I. D. 12. USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**I. D. 13. FUND EQUITY**

Proprietary fund financial statements report net position. Amounts invested in capital assets, net of related debt, and legally restricted amounts are separated from unrestricted net position.

**Net Investment in Capital Assets**
The amount reported is calculated as total capital assets less accumulated depreciation and outstanding debt used to purchase the assets net of unspent portions. Unspent portions of bonds payable, along with any amounts used to fund debt reserves, are included with restricted net position.

**Restricted Net Position**
Amounts reported as restricted for debt service include those amounts held in restricted accounts as required by the debt instrument. Restricted amounts held to pay bond interest are reduced by accrued interest payable. Net position restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net position also include purpose restrictions from enabling legislation and other external sources.

**I. E. TAX STATUS**

***Authority***

The Authority is exempt from Federal and state income taxes under section 115 of the Internal Revenue Code for any trade or business related to the Authority's tax-exempt purpose or function.

***COTPA Retirement***

On January 25, 2017, the Internal Revenue Service determined that COTPA Retirement is designed in accordance with Section 401(a) of the Internal Revenue Code.

## I. F. RETAINAGES

It is the policy of the Authority to retain a percentage of construction contracts until a completed project has been accepted by the Trustees. Contractors may request to opt out of this retainage by providing a certificate of deposit with the City. The City holds the certificate of deposit and the Authority retains the risk of incurring costs related to a contractor's failure to perform. However, in the event of non-performance, the City calls the certificate and pays the proceeds to the Authority to cover any costs incurred. The Authority does not record the effect of holding the certificates of deposit.

## II. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

## II. A. DEPOSITS AND INVESTMENTS

***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires deposits to be 110 percent secured by collateral valued at market less the amount of the Federal depository insurance (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health, as determined by the bank's institutional rating provided by commercially available bank rating services or on performance evaluations conducted pursuant to the Federal Community Reinvestment Act, 12 United States Code, Section 2901. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation by the City Treasurer of the institution's financial strength in accordance with the investment policy.

At June 30, 2018 and 2017, the Authority's cash is collateralized with securities held by the pledging financial institution in the name of the Authority, less Federal depository insurance.

***Investments***

The Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Authority's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

**2018**

| | Cost | Fair Value/ Carrying Amount | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Measured at NAV (1) | Average Credit Quality/ Ratings (2) | Weighted Average/ Effective Duration (months) (3) |
|---|---|---|---|---|---|---|---|---|
| ***Authority*** | | | | | | | | |
| Money market (4)(5) | $1,159,500 | $1,159,500 | $1,159,500 | $ - | $ - | $ - | AAA/Aaa | 0.27 |
| U.S. treasury bill | 28,907,033 | 29,017,883 | - | 29,017,883 | - | - | N/A | 2.90 |
| **Total authority investments** | **$30,066,533** | **$30,177,383** | **$1,159,500** | **$29,017,883** | **$ -** | **$ -** | | |
| ***COTPA Retirement*** | | | | | | | | |
| Mutual funds (6) | | | | | | | | |
| Equity | $7,721,084 | $9,340,064 | $9,340,064 | $ - | $ - | $ - | N/A | 37.32 |
| Bond | 2,970,457 | 2,868,972 | 2,868,972 | - | - | - | B | 75.87 |
| Real estate investment trust | 240,704 | 228,691 | 228,691 | - | - | - | N/A | N/A |
| Money market (4)(5) | 638,357 | 638,357 | 638,357 | - | - | - | AAA | 0.87 |
| **Total fiduciary investments** | **$11,570,602** | **$13,076,084** | **$13,076,084** | **$ -** | **$ -** | **$ -** | | |

**2017**

| | Cost | Fair Value/ Carrying Amount | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Measured at NAV (1) | Average Credit Quality/ Ratings (2) | Weighted Average/ Effective Duration (months) (3) |
|---|---|---|---|---|---|---|---|---|
| ***Authority*** | | | | | | | | |
| Money market (4)(5) | $1,139,437 | $1,139,437 | $1,139,437 | $ - | $ - | $ - | AAA/Aaa | 1.27 |
| U.S. treasury bill | 26,287,489 | 26,326,062 | - | 26,326,060 | - | - | N/A | 3.40 |
| **Total authority investments** | **$27,426,926** | **$27,465,499** | **$1,139,437** | **$26,326,060** | **$ -** | **$ -** | | |

*(continued)*

***Investments (continued)***

| | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair Value/ Carrying | Level 1 | Level 2 | Level 3 | Measured at | Average Credit Quality/ | Weighted Average/ Effective Duration |
| ***COTPA Retirement*** | | | | | | | | |
| Mutual funds (6) | | | | | | | | |
| Equity | $7,367,834 | $8,692,829 | $8,692,829 | $ - | $ - | $ - | N/A | N/A |
| Bond | 2,945,718 | 2,913,967 | 2,913,967 | - | - | - | BBB | 67.74 |
| Real estate investment trust | 203,257 | 193,589 | 193,589 | - | - | - | N/A | N/A |
| Money market (4)(5) | 624,713 | 624,713 | 624,713 | - | - | - | AAA | 0.57 |
| **Total fiduciary investments** | **$11,141,522** | **$12,425,098** | **$12,425,098** | **$ -** | **$ -** | **$ -** | | |

(1) The net asset value (NAV) is a practical expedient to estimate fair value.

(2) Ratings are provided where applicable to indicate associated credit risk.

(3) Interest rate risk is estimated using weighted average months to maturity.

(4) Cost approximates fair value.

(5) Consists solely of U.S. Treasury securities.

(6) Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. COTPA Retirement has $2,104,318 and $2,076,491 invested in international mutual funds at June 30, 2018 and 2017, respectively.

***Fair Value Measurement***

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above. There have been no changes in the methodologies used at June 30, 2018 and 2017.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Money market funds are reported at cost, which approximates fair value, are traded on active markets at quoted prices, and are valued at level 1.

U.S. treasury bills and U.S. Treasury notes are valued at level 2 using pricing models that maximize the use of observable inputs for similar securities.

Mutual funds are valued at the daily closing price as reported by COTPA Retirement. Mutual funds held by the pension trust are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

**Investment Policies**

The Authority's investment policy is maintained by the City Treasurer. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Authority funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged; (2) Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those insured by or fully guaranteed as principal and interest by Federal agencies or U.S. government-sponsored enterprises; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in Oklahoma when secured by appropriate collateral or fully insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located outside of Oklahoma; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) savings accounts or certificates of savings and loan associations, banks, and credit unions, to the extent the accounts are fully insured by Federal depository insurance; (7) State and Local Government Series (SLGS); (8) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment; (9) prime commercial paper with a maturity date less than 180 days which represents less than 10% of the outstanding paper of an issuing corporation.

Under the policy, the Authority may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority’s investment in a single issuer. Cumulatively, portfolios of the Authority may not be invested in any given financial institution in excess of 5% of such institution’s total assets excluding U.S. government securities and those issued by government sponsored enterprises, SLGS, and City judgments. Additionally, no more than 5% of the total Authority portfolio may be placed with any single financial institution excluding U.S. government securities and those issued by government sponsored enterprises, savings, money market funds, SLGS, City judgments, and repurchase agreements.

**Portfolio Structure (1)**

| Investment Type Limitations<br>Percentage of Total Invested Principal | Maximum % (2) |
|---|---|
| Repurchase agreements | 100% |
| U.S. Treasury securities (3) | 100 |
| Certificates of deposit | 50 |
| Money market funds | 100 |
| Savings account | 100 |
| U.S. non-callable agencies securities | 100 |
| U.S. callable agency securities | 20 |
| Prime commercial paper | 7.5 |
| City judgments | 5 |

| Maturity Limitations<br>Percentage of Total Invested Principal | Maximum % (4) |
|---|---|
| 0-1 year | 100% |
| 1-3 years | 90 |
| 3-5 years | 90 |

(1) Specifically matched cash flows are excluded.
(2) For investments listed, there is no minimum percentage specified under the policy.
(3) Includes SLGS.
(4) For maturities limited to 0-1 year, the minimum percentages allowed under the policy are 5-25%.

Authority policy also allows surplus cash, certificates of deposit, and repurchase agreements to be collateralized with securities with longer maturities if such maturity does not exceed ten years.

**Bond Indenture Restrictions**
Authority non-pooled cash and investments are restricted in purpose by the policies incorporated in the applicable bond indenture. A trustee bank provides the management of these restricted, non-pooled investments. Custodial credit risk for investments is not addressed by the bond indenture.

The bond indenture prescribes authorized investments for accounts restricted under the indenture to (1) direct obligations unconditionally guaranteed by the U. S.; (2) bonds or debentures payable in cash issued by the following Federal agencies: (a) Export Import Bank of the United States, (b) Federal Financing Bank, (c) Farmer's Home Administration, (d) Federal Housing Administration, (e) Maritime Administration, (f) Public Housing Authorities, (g) Government National Mortgage Association; (3) investments fully insured by FDIC including: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, (d) depository receipts; (4) certificates of deposit in excess of FDIC insurance properly secured by collateral security consisting of obligations described in (1) and (2) above; (5) commercial paper; (6) money market funds; (7) investment agreements.

The bond indenture provides that investments mature in no more than six to sixty months, depending on the purpose of the funds and the requirements of the account in which funds are deposited.

**Pension Trust Investment Policy**
COTPA Retirement has an investment policy separately approved by the pension plan committee. Investment activity follows the Uniform Prudent Investment Act providing for the preservation of capital, with the goal to achieve the highest possible rate of return consistent with the tolerance for risk determined by the board. The Investment Policy provides for the hiring of Financial Consultant(s) and Investment Manager(s) to implement the investment of assets in accordance with investment guidelines set out in the policy. The policy provides for the engagement of a custodian bank who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting statements.

Manager performance is reviewed by a consultant who provides reports to the governing board. Any changes in the investment management firm must be reported as they occur. Overall investment guidelines provide for a diversified portfolio and allow investment in cash equivalents, fixed income securities, equity securities, liquid alternatives, and mutual pooled funds. COTPA Retirement policy prohibits investment of more than 5% of its assets in the securities of any one issuer held either in individual investments or through a mutual fund with the exception of U.S. government securities. Policy further prohibits investment of more than 20% in any one market sector. Fixed income securities must be considered "Investment Grade" by at least one of the major rating agencies at the time of purchase. Cash Equivalents can include treasury bills, money market mutual funds, repurchase agreements, certificates of deposits or FDIC insured deposits. Liquid alternatives shall be restricted to mutual funds and/or exchange traded funds with daily liquidity.

Asset allocation guidelines

| | Minimum | Target | Maximum | 2018 Actual | 2017 Actual |
|---|---|---|---|---|---|
| Domestic equities | 40% | 55% | 70% | 56% | 42% |
| International | 10 | 15 | 20 | 15 | 17 |
| Alternatives | 0 | 15 | 25 | 9 | 10 |
| Fixed income | 10 | 25 | 40 | 20 | 31 |
| Cash Equivalents | 0 | 5 | 10 | 0 | 0 |

**Cash Reserve Policy**
The Board may elect to reduce risk exposure by raising cash reserves. It may, at its discretion, retain a manager to manage such cash reserves in a Special Cash Reserve Fund. The implementation of a cash reserve policy will be driven by the current level of interest rates as reflected by the discount rate as determined by the Federal Reserve.

**Cash Reserve Guidelines**

| Percent of total Fund Invested in Special Cash Reserve Fund | Discount Rate Levels |
|---|---|
| 0-3 % | 4% or less |
| 6 | >4% to 6% |
| 12 | >6% to 7% |
| 18 | >7% to <8% |
| 24 | >8% to <9% |
| 30 | >9% or above |

The fixed income portfolio may be invested 100% in cash equivalents or up to 100% fixed income securities maturing in 30 years or less. The policy also requires that the active fixed income manager maintain portfolio duration at a minimum of 50% and a maximum of 150% of the Barclays Aggregate Bond Index (AGG=100).

**Securities Held by Others**
Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Authority policy provides that investment collateral is held by a third party custodian with whom the Authority has a current custodial agreement in the Authority's name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma.

COTPA Retirement held $9,340,064 and $8,692,829 in common stock or stock funds at June 30, 2018 and 2017, respectively. These are held by the investment counterparty, not in the name of COTPA Retirement or the Authority.

**Compliance with State Requirements**

Authority investment policy and the bond indenture, as well as, the pension trust policy, are more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public investing to the Prudent Investor Rule defined by Title 60 of the Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the Trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the Authority's portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Authority.

**Restricted Deposits and Investments**

| | 2018 | 2017 |
|---|---|---|
| Bond principal and interest accounts | $1,056,720 | $1,052,002 |
| Bond reserve account | 1,492,839 | 1,482,198 |
| | **$2,549,559** | **$2,534,200** |

## II. B. ACCOUNTS RECEIVABLE AND UNCOLLECTIBLE AMOUNTS

Receivables include monthly parking agreements, retail leases, and charter services. These receivables are due in less than one year. The allowance amount is estimated using accounts receivable past due more than 90 days.

| | 2018 | | |
|---|---|---|---|
| | Transportation | Parking | Total |
| Accounts receivable | $157,021 | $81,892 | $238,913 |
| Less: Allowance for uncollectible accounts | (669) | (1,249) | (1,918) |
| **Net accounts receivable** | **$156,352** | **$80,643** | **$236,995** |
| **Affect on revenues for change in uncollectible** | **($69)** | **$68,245** | **$68,176** |

| | 2017 | | |
|---|---|---|---|
| | Transportation | Parking | Total |
| Accounts receivable | $139,972 | $116,566 | $256,538 |
| Less: Allowance for uncollectible accounts | (600) | (69,494) | (70,094) |
| **Net accounts receivable** | **$139,372** | **$47,072** | **$186,444** |
| **Affect on revenues for change in uncollectible** | **$1,399** | **$56,631** | **$58,030** |

## II. C. INTERGOVERNMENTAL RECEIVABLE

Total intergovernmental receivables of $485,911 in 2018 and $679,603 in 2017 was due from the Federal government for grants.

## II. D. INVENTORIES

| | 2018 | 2017 |
|---|---|---|
| Diesel fuel, gasoline and oil | $56,128 | $40,597 |
| Vehicle parts and supplies | 878,283 | 857,530 |
| | **$934,411** | **$898,127** |

## II. E. PREPAIDS

| | 2018 | 2017 |
|---|---|---|
| Memberships and dues | $3,773 | $5,497 |
| Software licenses and support | 34,330 | 49,101 |
| Insurance | 7,069 | 6,977 |
| Other | - | 4,961 |
| | $45,172 | $66,536 |

## II. F. OTHER ASSETS

| | 2018 | 2017 |
|---|---|---|
| Insurance security deposit | $65,000 | $65,000 |

## II. G. CAPITAL ASSETS

***Changes in Capital Assets***

**2018**

| | Land and Art | Construction In Progress | Total Non-depreciable |
|---|---|---|---|
| CAPITAL ASSETS, NOT DEPRECIATED | | | |
| Balance, June 30, 2017 | $5,850,022 | $1,507,215 | $7,357,237 |
| Increases | - | 1,808,193 | 1,808,193 |
| Transfers | - | (51,865) | (51,865) |
| **Total capital assets, not depreciated** | **$5,850,022** | **$3,263,543** | **9,113,565** |

| | Buildings | Improvements Other Than Buildings | Buses, Automobiles, and Boats | Parking Garages and Surface Lots | Other Furniture, Machinery, and Equipment | Total Depreciable |
|---|---|---|---|---|---|---|
| CAPITAL ASSETS, DEPRECIATED | | | | | | |
| Balance, June 30, 2017 | $15,557,933 | $14,589,924 | $23,090,275 | $55,244,087 | $9,562,735 | $118,044,954 |
| Increases | 2,700 | - | - | - | 5,440,740 | 5,443,440 |
| Decreases | - | - | (2,419,620) | - | - | (2,419,620) |
| Transfers | 51,865 | - | - | - | - | 51,865 |
| Balance, June 30, 2018 | 15,612,498 | 14,589,924 | 20,670,655 | 55,244,087 | 15,003,475 | 121,120,639 |
| ACCUMULATED DEPRECIATION | | | | | | |
| Balance, June 30, 2017 | 5,842,552 | 6,569,366 | 12,758,619 | 16,947,725 | 6,037,391 | 48,155,653 |
| Increases | 392,117 | 710,358 | 1,735,984 | 1,059,444 | 1,058,536 | 4,956,439 |
| Decreases | - | - | (2,419,621) | - | - | (2,419,621) |
| Balance, June 30, 2018 | 6,234,669 | 7,279,724 | 12,074,982 | 18,007,169 | 7,095,927 | 50,692,471 |
| **Total capital assets, depreciated** | **$9,377,829** | **$7,310,200** | **$8,595,673** | **$37,236,918** | **$7,907,548** | **70,428,168** |
| **Total capital assets, net** | | | | | | **$79,541,733** |

***(continued)***

***Capital Assets (continued)***

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| CAPITAL ASSETS, NOT DEPRECIATED | Land and Art | Construction In Progress | | | | Total Non-depreciable |
| Balance, June 30, 2016 | $5,850,022 | $832,318 | | | | $6,682,340 |
| Increases | - | 901,280 | | | | 901,280 |
| Decreases | - | (6,432) | | | | (6,432) |
| Transfers | - | (219,951) | | | | (219,951) |
| **Total capital assets, not depreciated** | **$5,850,022** | **$1,507,215** | | | | **7,357,237** |
| | Buildings | Improvements Other Than Buildings | Buses, Automobiles, and Boats | Parking Garages and Surface Lots | Other Furniture, Machinery, and Equipment | Total Depreciable |
| CAPITAL ASSETS, DEPRECIATED | | | | | | |
| Balance, June 30, 2016 | $15,906,479 | $13,807,084 | $21,937,424 | $55,220,611 | $9,598,218 | $116,469,816 |
| Increases | - | 352,971 | 3,176,098 | - | 357,267 | 3,886,336 |
| Decreases | - | (115,152) | (2,023,247) | - | (392,750) | (2,531,149) |
| Transfers | (348,546) | 545,021 | - | 23,476 | - | 219,951 |
| Balance, June 30, 2017 | 15,557,933 | 14,589,924 | 23,090,275 | 55,244,087 | 9,562,735 | 118,044,954 |
| ACCUMULATED DEPRECIATION | | | | | | |
| Balance, June 30, 2016 | 5,450,528 | 5,880,278 | 12,998,949 | 15,895,093 | 5,794,592 | 46,019,440 |
| Increases | 392,024 | 757,122 | 1,773,406 | 1,059,064 | 635,549 | 4,617,165 |
| Decreases | - | (68,034) | (2,013,736) | (6,432) | (392,750) | (2,480,952) |
| Balance, June 30, 2017 | 5,842,552 | 6,569,366 | 12,758,619 | 16,947,725 | 6,037,391 | 48,155,653 |
| **Total capital assets, depreciated** | **$9,715,381** | **$8,020,558** | **$10,331,656** | **$38,296,362** | **$3,525,344** | **69,889,301** |
| **Total capital assets, net** | | | | | | **$77,246,538** |

***Depreciation Expense***

| | 2018 | 2017 |
|---|---|---|
| Transportation | $3,101,588 | $2,766,736 |
| River Cruises | 275,966 | 275,966 |
| Parking | 1,578,885 | 1,574,463 |
| | **$4,956,439** | **$4,617,165** |

## II. H. PENSION DEFERRED OUTFLOWS

Differences are deferred when the pension system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred outflows that result from plan experience differences are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of pension expense. Differences are also calculated and recorded as deferred outflows when actual investment earnings exceed estimated investment earnings. This amount is amortized over a fixed five year period for each unique fiscal year. Current year employer contributions are deferred and included in the following year net pension liability calculation.

| | 2018 | 2017 |
|---|---|---|
| Current year contributions - Employer | $545,728 | $548,513 |
| Differences between expected and actual pension plan experience | 222,424 | 277,861 |
| Differences between expected and actual investment earnings | 228,563 | 753,311 |
| | **$996,715** | **$1,579,685** |

## II. I. OPEB DEFERRED OUTFLOWS

Differences are deferred when the OPEB system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred outflows that result from plan experience differences are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of OPEB expense. Current year employer contributions are deferred and included in the following year net OPEB liability calculation.

| | 2018 |
|---|---|
| Current year contributions - Employer | $130,000 |
| Differences between expected and actual OPEB plan experience | 412,741 |
| | **$542,741** |

## III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

## III. A. UNEARNED REVENUE

| | 2018 | 2017 |
|---|---|---|
| CURRENT | | |
| Transportation | $ - | $105 |
| River | 139,330 | 146,358 |
| Parking | 62,224 | 153,008 |
| | 201,554 | 299,471 |
| NON-CURRENT (1) | | |
| River | 433,735 | 566,995 |
| | **$635,289** | **$866,466** |

(1) In July and August 2007 the Authority and OCRRA, respectively, entered into an agreement with Devon Energy Corporation (Devon) for $2 million for the exclusive naming rights of three riverboats with an initial term of 15 years (commencing October 1, 2007) for $133,000 per year. The payment amount was received from Devon by OCRRA in a lump sum and transferred to the Authority to finance needed system acquisitions. Devon unearned revenue at June 30, 2018 and 2017, is $566,630 and $699,995 including $433,735 and $566,995 reported as non-current unearned revenue, respectively.

## III. B. COMPENSATED ABSENCES

Compensated absences balances changed from 2017 to 2018 by accruals of $487,611 and usages of $416,480 compared to changes in accruals of $346,764 and usages of $388,527 from 2016 to 2017.

## III. C. REVENUE BONDS

***Bond Issuance***

On June 20, 2013, the Authority issued $22,000,000 in Series 2013 Parking Revenue Bonds with an average interest rate (coupon) of 4.5%. The proceeds of $22,000,000 from the bonds, less $264,139 in issuance costs, to finance construction of a new parking garage in downtown Oklahoma City, known as the Arts District Parking Garage.

***Parking Revenue Bonds***

In 2013 the Authority issued bonds for financing part of the construction of a new parking facility. The bonds are collateralized principally by the net revenues of the parking system and revenues pledged by the City under an agreement of support (City Agreement).

The Series 2013 Parking Revenue Bonds mature on July 1, 2014, through July 1, 2038. Interest payments are payable on January 1 and July 1 beginning January 1, 2014. The bonds are subject to optional redemption on or after July 1, 2023. Bonds outstanding at June 30, 2018 and 2017, are $19,570,000 and $20,195,000, respectively.

***Bonded Debt Service Requirements to Maturity***

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $635,000 | $837,281 | $1,472,281 |
| 2020 | 650,000 | 823,221 | 1,473,221 |
| 2021 | 665,000 | 806,339 | 1,471,339 |
| 2022 | 680,000 | 787,203 | 1,467,203 |
| 2023 | 700,000 | 765,543 | 1,465,543 |
| 2024-2028 | 3,900,000 | 3,414,431 | 7,314,431 |
| 2029-2033 | 4,825,000 | 2,454,941 | 7,279,941 |
| 2034-2038 | 6,105,000 | 1,137,194 | 7,242,194 |
| Thereafter | 1,410,000 | 35,031 | 1,445,031 |
| | **$19,570,000** | **$11,061,184** | **$30,631,184** |

***Revenue Bonds Outstanding***

| | Issued | Rate % | Date | Maturity Date | 2018 Balance | 2017 Balance |
|---|---|---|---|---|---|---|
| Series 2013 Parking Revenue Bonds | $22,000,000 | 0.71-4.97 | 6/20/2013 | 7/1/2038 | $19,570,000 | $20,195,000 |

***Bond Defeasance***

In prior years, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust or escrow account to provide for all future debt service payments on the old bonds. This resulted in a transfer of liability to the irrevocable trust or escrow account trustee. Accordingly, the trust or escrow accounts and the defeased bonds are not included in the financial statements.

Related to the sale of the City Center West Parking Garage to Devon Energy Corporation on October 1, 2009, was the vacation and subsequent demolition of the Scissor Parking Facility which resulted in a partial defeasement of the Series 2006 Parking Revenue Bonds in the amount of $6,895,000 at a cost of $7,637,097. The Authority defeased the Series 2006 Parking Revenue Bonds with $1,057,210 of the net proceeds from the sales of garages, bond fund reserves of $219,887, a payment from the Oklahoma City Economic Development Trust (OCEDT) of $4,360,000, and a contribution from OCURA of $2,000,000. In addition, $179,356 of the net sales proceeds were used to pay fees and costs relating to the bond defeasance. Excess proceeds of $23,625 were transferred to operations of the Parking Authority.

In addition to the payment received from OCEDT to help fund the defeasement of the Series 2006 Parking Revenue Bonds, the Authority also received $3,865,550 from OCEDT for reimbursement of the total capital outlay expended to make the parking garages ready for sale.

***Bond Coverage***

| | 2018 | 2017 |
|---|---|---|
| Gross revenue, including non-operating investment income | $9,022,276 | $8,888,605 |
| Direct operating expenses, excluding depreciation, and transfers to Parking Enterprise Fund | 4,259,758 | 4,010,914 |
| **Net revenue available for debt service** | **$4,762,518** | **$4,877,691** |
| Principal amounts | $650,000 | $625,000 |
| Interest amounts | 823,221 | 848,722 |
| **Total debt service requirements** | **$1,473,221** | **$1,473,722** |
| **Revenue bond coverage** | **3.23** | **3.31** |

The bond indentures require the payment of principal and interest before any other expenditures may be made. In addition, depreciation and amortization expenses are excluded from the direct operating expenses as they do not affect funds available for debt service. The revenue bonds are secured principally by net revenues of the parking system and from amounts that could be received, if needed, from the City under the City Agreement. Per the bond indenture, principal and interest amounts are derived from the highest annual principal and interest amounts outstanding. The required revenue bond coverage is 1.25 of maximum annual bond service for all bonds outstanding.

### III. D. SEGMENT INFORMATION AND PLEDGED REVENUES

The Authority issued revenue bonds to support its parking garages. The financial statements report revenue-supported debt. The Authority recognized $8,386,635 and $8,105,674 in parking revenues in 2018 and 2017, respectively.

### III. E. NET PENSION LIABILITY

A net pension liability is reported when a pension plan's total pension liability exceeds the plan's net position. The Authority's net pension liablity and the total pension liability used to calculate the net pension liability was determined by an actuarial dated July 1, 2016, and July 1, 2015, which was rolled forward to June 30, 2017 and 2016, respectively. Related to COTPA Retirement, the Authority reported a net pension liability of $4,081,515 and $4,600,125 at June 30, 2018 and 2017, respectively.

### III. F. NET OPEB LIABILITY

A net OPEB liability is reported when the OPEB plan's total OPEB liability exceeds the plan's net position. The Authority's net OPEB liablity and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial dated June 30, 2017. The Authority reported a net OPEB liability of $1,493,048 at June 30, 2018, related to COTPA Retirement.

### III. G. CHANGES IN LONG-TERM LIABILITIES

**2018**

| | Balance July 1, 2017 | Change in Accounting Principle | Issued | Retired | Balance June 30, 2018 | Due Due Within One Year | Due Due After One Year |
|---|---|---|---|---|---|---|---|
| COMPENSATED ABSENCES | | | | | | | |
| Transportation | $402,509 | - | $487,611 | $416,480 | $473,640 | $216,959 | $256,681 |
| REVENUE BONDS | | | | | | | |
| Parking | 20,195,000 | - | - | 625,000 | 19,570,000 | 635,000 | 18,935,000 |
| NET PENSION LIABILITY | | | | | | | |
| Transportation | 4,600,125 | - | 1,155,816 | 1,674,426 | 4,081,515 | - | 4,081,515 |
| NET OPEB LIABILITY | | | | | | | |
| Transportation | 191,775 | 1,249,733 | 618,155 | 566,615 | 1,493,048 | - | 1,493,048 |
| **Total** | **$25,389,409** | **$ 1,249,733** | **$2,261,582** | **$3,282,521** | **$25,618,203** | **$851,959** | **$24,766,244** |

**2017**

| | Balance July 1, 2016 | Change in Accounting Principle | Issued | Retired | Balance June 30, 2017 | Due Within One Year | Due After One Year |
|---|---|---|---|---|---|---|---|
| COMPENSATED ABSENCES | | | | | | | |
| Transportation | $444,272 | $ - | $346,764 | $388,527 | $402,509 | $193,654 | $208,855 |
| REVENUE BONDS | | | | | | | |
| Parking | 20,810,000 | - | - | 615,000 | 20,195,000 | 625,000 | 19,570,000 |
| NET PENSION LIABILITY | | | | | | | |
| Transportation | 5,466,252 | - | 1,573,065 | 2,439,192 | 4,600,125 | - | 4,600,125 |
| NET OPEB OBLIGATION | | | | | | | |
| Transportation | 393,424 | - | 170,787 | 372,436 | 191,775 | - | 191,775 |
| **Total** | **$27,113,948** | **$ -** | **$2,090,616** | **$3,815,155** | **$25,389,409** | **$818,654** | **$24,570,755** |

## III. H. GUARANTEED DEBT

The City has executed an agreement of support which guarantees the City will fund debt service and bond reserve requirements for the Authority Series 2013 Parking Revenue Bonds. Under Oklahoma law, the City may only be obligated to transfer up to the end of its fiscal year (June 30) and has no legal obligation or promise to transfer beyond its fiscal year. The debt instruments recognize the limitations set by state law and the City's moral obligation to renew the guarantees. The debt instruments require the City to renew the guarantees annually. The City did not and was not required to fund debt service for the Authority in 2018 or any preceding year in which the debt was outstanding.

| Maximum of Bond Reserve or Bond Debt Service Requirements | Total Amount Guaranteed (1) | Total Amount Outstanding |
|---|---|---|
| Series 2013 Parking Revenue Bonds | **$1,472,281** | **$19,570,000** |

(1) The amount guaranteed is only the amount of debt service due on or before June 30, 2019, and covered under the guarantee effective July 1, 2018. It is anticipated that the guarantees will be renewed annually.

## III. I. PENSION DEFERRED INFLOWS

Differences are deferred when the pension system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred inflows that result from plan experience differences and change in assumptions are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of pension expense.

| | **2018** | **2017** |
|---|---|---|
| Differences between expected and actual pension plan experience | $167,121 | $203,771 |
| Change in assumptions | 1,370,263 | 1,706,390 |
| | **$1,537,384** | **$1,910,161** |

## III. J. OPEB DEFERRED INFLOWS

Deferred inflows that result from change in assumptions are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of OPEB expense. Differences are also calculated and recorded as deferred inflows when actual investment earnings exceed estimated investment earnings. This amount is amortized over a fixed 5 year period for each unique fiscal year.

| | **2018** |
|---|---|
| Differences between projected and actual investment earnings on plan investments | $9,714 |
| Change in assumptions | 125,257 |
| | **$134,971** |

## IV. NET POSITION

### *Change in Accounting Principle*

Effective July 1, 2017, the Authority changed its method of accounting and recognized an additional liability and reduced net position of $2,950,651 due to the chargeback from the City for the adoption of GASB Statement No. 75, Accounting and Financial Reporting for Post employment Benefits Other than Pensions. In addition, the Authority recognized an increase in the OPEB liability of $1,249,733, an increase in deferred outflows of $374,116 and reduced net position of $875,617 related to the Authority's adoption of GASB Statement No. 75 related to the Authority's employees.

### *Net Investment in Capital Assets*

| | 2018 | 2017 |
|---|---|---|
| Capital assets, net | $79,541,733 | $77,246,538 |
| Retainages and capital related accounts payable | (192,721) | (29,051) |
| Bonds payable, net | (19,570,000) | (20,195,000) |
| Bond issuance costs paid with bond proceeds | 264,139 | 264,139 |
| | **$60,043,151** | **$57,286,626** |

### *Restricted for Debt Service*

| | 2018 | 2017 |
|---|---|---|
| Bond principal and interest accounts | $1,056,720 | $1,052,001 |
| Bond reserve | 1,492,839 | 1,482,198 |
| Interest receivable on debt service accounts | 1,160 | 339 |
| Current bond interest payable | (421,721) | (427,002) |
| | **$2,128,998** | **$2,107,536** |

### *Unrestricted*

| | 2018 | 2017 |
|---|---|---|
| Unrestricted | **$22,116,229** | **$24,012,832** |

## V. REVENUES AND EXPENSES

## V. A. LEASE REVENUES

The Parking Fund leases retail space at the Santa Fe and Arts District Parking Garages to various establishments. Most of these leases are at least two years with multi-year renewal options. At June 30, 2018, 17,611 square feet of garage retail space was leased. In addition, the Transportation Fund leased out approximately 4,000 square feet of retail space at the Santa Fe Depot.

**Minimum Rentals on Non-Cancelable Leases**

| | |
|---|---|
| 2019 | $252,722 |
| 2020 | 217,560 |
| 2021 | 222,123 |
| 2022 | 205,254 |
| 2023 | 142,953 |
| 2024 - 2028 | 337,201 |
| | **$1,377,813** |
| Rental income | **$283,498** |

## V. B. PENSION EXPENSE

**Deferred Outflows and Deferred Inflows of Resources to be Recognized in Future Pension Expense**

| 2018 | | 2017 | |
|---|---|---|---|
| 2018 | ($281,175) | 2017 | ($182,712) |
| 2019 | (86,980) | 2018 | (182,710) |
| 2020 | (198,444) | 2019 | 11,485 |
| 2021 | (370,951) | 2020 | (99,979) |
| 2022 | (149,753) | 2021 | (272,484) |
| Thereafter | 906 | Thereafter | (152,589) |
| | **($1,086,397)** | | **($878,989)** |

## V. C. OPEB EXPENSE

**Deferred Outflows and Deferred Inflows of Resources to be Recognized in Future OPEB Expense**

| 2018 | |
|---|---|
| 2018 | $23,706 |
| 2019 | 23,706 |
| 2020 | 23,706 |
| 2021 | 23,708 |
| 2022 | 26,135 |
| Thereafter | 156,809 |
| | **$277,770** |

## VI. INTERFUND TRANSACTIONS

## VI. A. INTERFUND BALANCES

***Internal Balances***

Internal balances consist of reimbursements from the Parking Fund to the Transportation Fund for payroll costs, and grant receivables in the River Cruises Fund from the Transportation Fund in both 2018 and 2017.

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Transportation | River Cruises | Parking | Total | Transportation | River Cruises | Parking | Total |
| Transportation Fund | $ - | $10,999 | $ - | $10,999 | $ - | $107,022 | $32,871 | $139,893 |
| River Cruises Fund | (10,999) | - | - | (10,999) | (107,022) | - | - | (107,022) |
| Parking Fund | - | - | - | - | (32,871) | - | - | (32,871) |
| | ($10,999) | $10,999 | $ - | $ - | ($139,893) | $107,022 | $32,871 | $ - |

***Receivable from / Payable to the City***

**2018**

| | Purpose | Transportation | River Cruises | Parking |
|---|---|---|---|---|
| **RECEIVABLE FROM** | | | | |
| City General Fund | Operating subsidy | $ - | $ - | $220,000 |
| City Municipal Facilities Authority Services fund | Prefunded radio system | 299,871 | - | - |
| | | $299,871 | $ - | $220,000 |

| | Purpose | Transportation | River Cruises | Parking |
|---|---|---|---|---|
| **PAYABLE TO** | | | | |
| City General Fund | Administrative charges, purchasing card | $121,438 | $9 | $16,599 |
| City Transportation Fund | Cost reimbursement | 3,071,220 | - | - |
| City Parking Fund | Cost reimbursement | - | - | 401,791 |
| City Print Shop Fund | Postage and copy services | 1,792 | - | - |
| City Fleet Services Fund | Fuel chargeback | 31,491 | - | - |
| City Stormwater Drainage Fund | Administrative charges | 1,210 | - | 176 |
| City Municipal Facilities Authority Services fund | Cell services | 4,583 | - | - |
| Oklahoma City Public Property Authority General Purpose Fund | Thunder parking lease | - | - | 53,218 |
| | | $3,231,734 | $9 | $471,784 |

**2017**

| | Purpose | Transportation | River Cruises | Parking |
|---|---|---|---|---|
| **RECEIVABLE FROM** | | | | |
| City General Fund | Operating subsidy | $1,302,830 | $ - | $214,750 |
| OCPPA General Purpose Fund | Prefunded radio system | 322,502 | - | - |
| City Grant Management Fund | Grant match | 13,277 | - | - |
| | | $1,638,609 | $ - | $214,750 |

***(continued)***

***Receivable From/Payable To (continued)***

| **PAYABLE TO** | Purpose | Transportation | River Cruises | Parking |
|---|---|---|---|---|
| City General Fund | Administrative charges, purchasing card | $125,028 | $965 | $3,397 |
| City Transportation Fund | Payroll reimbursement | - | 50,251 | - |
| City Transportation Fund | Cost reimbursement | 399,058 | - | - |
| City Parking Fund | Cost reimbursement | - | - | 52,980 |
| City Print Shop Fund | Postage and copy services | 2,567 | 2 | 30 |
| City Fleet Services Fund | Fuel chargeback | 8,157 | - | - |
| City MAPS Operations Fund | Boat repair advance | - | 39,790 | - |
| City MAPS3 Sales Tax Fund | Streetcar operations planning | 43,751 | - | - |
| Oklahoma City Public Prope Authority General Purpose Fund | Thunder parking lease | - | - | 9,426 |
| City Municipal Facilities Authority Services fund | Cell services | 5,506 | - | - |
| City Grant Management Fund | Grant match | 12,516 | - | - |
| | | **$596,583** | **$91,008** | **$65,846** |

***Cost Reimbursement Payable to (Receivable From) the City Transportation and Parking Funds***

City employees perform all administrative and management services for the Authority. Reimbursements for the costs of these services are included in the Authority's expenses. The advance represents the unfunded non-current liabilities of the City Transportation and City Parking Funds.

| | Transportation | | Parking | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Beginning balance, as previously reported | $399,058 | $527,844 | $52,980 | $74,651 |
| Change in accounting principle<br>See Note IV for more information | 2,468,471 | - | 482,220 | - |
| Beginning balance as restated | $2,867,529 | $527,844 | $535,200 | $74,651 |
| Personnel services | 2,579,213 | 2,319,424 | 305,140 | 213,166 |
| Other services | 379,267 | (29,488) | 48,730 | 166,692 |
| Interest income | (189) | (4,004) | (2,393) | (1,529) |
| Other non operating revenue | (404,600) | - | - | - |
| Reimbursement to the City | (2,350,000) | (2,414,718) | (484,886) | (400,000) |
| | **$3,071,220** | **$399,058** | **$401,791** | **$52,980** |

The assets, deferred outflows, liabilities, and deferred inflows of the City Transportation and Parking Funds represent assets and deferred outflows that may be used to reduce Authority reimbursement requirements and the liabilities and deferred inflows represent current and future liabilities that the Authority will be required to fund.

| | City Transportation Fund | | City Parking Fund | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Pooled cash | $2,527 | $9,494 | $509 | $1,268 |
| Investments | 215,949 | 216,302 | 260,756 | 35,578 |
| Interest receivable | 922 | 644 | 1,092 | 106 |
| Inventories | - | - | 6,427 | 6,440 |
| Receivable from the City | - | - | - | 7,883 |
| Receivable from Component Unit | - | 50,251 | - | - |
| Net pension assets | 275,204 | - | 62,546 | - |
| Deferred outflows of resources | 368,336 | 550,897 | 80,516 | 125,204 |
| **Total assets and deferred outflows** | **862,938** | **827,588** | **411,846** | **176,479** |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Accounts payable and accrued expenses | - | - | 35,258 | 6,885 |
| Wages and benefits payable | 111,711 | 98,217 | 19,954 | 18,926 |
| Payable to the City | - | - | - | 120 |
| Payable to Component Unit | - | - | 61,370 | - |
| Compensated absences | 465,619 | 388,663 | 32,109 | 49,650 |
| Net OPEB liability | 2,922,796 | 548,176 | 574,120 | 110,335 |
| Net pension liability | - | 12,905 | - | 2,933 |
| Deferred inflows of resources | 434,032 | 178,685 | 90,826 | 40,610 |
| **Total liabilities and deferred inflows** | **3,934,158** | **1,226,646** | **813,637** | **229,459** |
| **Cost reimbursement payable to (receivable from) the City** | **$3,071,220** | **$399,058** | **$401,791** | **$52,980** |

## VI. B. INTERFUND PAYMENTS/TRANSFERS

### *Transfers*

Transfers within the Authority consist of the transfer of grant revenue funds from the Transportation Fund to the River Cruises Fund.

| | **2018** | | | **2017** | | |
|---|---|---|---|---|---|---|
| | Transportation | River Cruises | Parking | Transportation | River Cruises | Parking |
| Transportation | $ - | $30,470 | $ - | $ - | $147,841 | $ - |
| River Cruises | (30,470) | - | - | (147,841) | - | - |
| | **($30,470)** | **$30,470** | **$ -** | **($147,841)** | **$147,841** | **$ -** |

***Payments From/To the City and Component Units***

| | 2018 | | | |
|---|---|---|---|---|
| | Purpose | Transportation | River Cruises | Parking |
| **FROM** | | | | |
| City General Fund | Operating subsidy | $16,168,001 | $725,566 | $220,000 |
| OCRRA | Marketing costs subsidy | - | 25,000 | - |
| | | **$16,168,001** | **$750,566** | **$220,000** |

| | 2017 | | | |
|---|---|---|---|---|
| | Purpose | Transportation | River Cruises | Parking |
| **FROM** | | | | |
| City General Fund | Operating subsidy | $15,125,631 | $725,566 | $214,750 |
| OCRRA | Marketing costs subsidy | - | 25,000 | - |
| | | **$15,125,631** | **$750,566** | **$214,750** |

## VI. C. OTHER INTERFUND TRANSACTIONS

***Administrative Chargebacks***

City employees external to the Authority perform some administrative functions which are reimbursed through administrative chargebacks recorded with the operating expenses of the Authority. In fiscal years 2018 and 2017, the Authority paid $2,607,727 and $2,695,419, respectively, for these services. The payments are reported with operating expenses.

## VII. DEFINED BENEFIT SINGLE EMPLOYER PENSION PLANS

Employees of the Authority participate in COTPA Retirement, a defined benefit public employee retirement system.

## VII. A. PLAN DESCRIPTION

COTPA Retirement provides retirement benefits for all Authority employees, primarily bus drivers, and related operations employees. Unless otherwise indicated, COTPA Retirement information in this note is for both the July 1, 2017 and 2016. The information presented in this note as of June 30, 2018 and 2017 will be reported in the financial statements of the Authority as of June 30, 2018 and 2019, respectively.

Management of the COTPA Retirement is vested in the Pension Committee, which consists of eight members - five by position and three appointed by Authority Director or Trustees. Actuarial valuations are performed annually.

The required supplementary information immediately following the notes to the financial statements presents certain ten-year trend information for as many years for which information measured in conformity with the requirements of GASB 68 is available. A copy of the actuarial report referred to in this note may be obtained from the City Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

***Funding Policies, Contribution Methods and Benefit Provisions***

| | | |
|---|---|---|
| Year established and governing authority | 1970; COTPA Trustee's Resolution | |
| Determination of contribution requirements | Contracted pursuant to union negotiations | |
| | **2018** | **2017** |
| Employer | \$55.04 per week through February 2018<br>\$58.17 per week through June 2018 | \$55.04 |
| Plan members | \$44.13 per week through February 2018<br>\$46.64 per week through June 2018 | \$44.13 |
| Funding of administrative costs | Investment Earnings | |
| Period required to vest | 10 years | |
| Cost of living increases | Increases must be approved by the COTPA Board | |
| Eligibility for distribution | Earlier of age 65 with 10 years or age 60 with 30 years of service; age 62 with 10 years on a reduced basis. | |

**Funding Policy**

Contribution requirements are negotiated and established pursuant to union contract. Beginning March 1, 2018, the employer contribution rate changed from \$55.04 per week to \$58.17 per week and the employee contribution rate changed from \$44.13 per week to \$46.64 per week. Beginning July 1, 2018, the employer contribution rate was changed from \$58.17 per week to \$60.05 per week, and the employee contribution rate changed from \$46.64 per week to \$48.52 per week. Administrative costs are funded with investment earnings.

**Benefit Provisions**

Employees of the Authority are required to participate in the Plan after completion of six months of employment. The Authority employees are eligible for distribution at the earlier of age 65 with 10 years or 60 with 30 years and are entitled to receive monthly pension benefits equal to the sum of \$60.00 per month for each year of service from their date of hire, plus variable cost of living increases based on their date of retirement. An early retirement option with reduced benefits is available at age 62 with 10 years of credited service.

***Membership***

| | **2018** | **2017** |
|---|---|---|
| Active members | 194 | 184 |
| Retirees and beneficiaries currently receiving benefits | 85 | 80 |
| Terminated plan members entitled to but not yet receiving benefits | 4 | 5 |
| | **283** | **269** |

***Actuarial Assumptions***

| | 2018 | 2017 |
|---|---|---|
| Valuation date | 7/1/17 | 7/1/16 |
| Provisions for: | | |
| Disability benefits | Yes | Yes |
| Death benefits | Yes | Yes |
| Actuarial cost method | Individual entry age normal | Individual entry age normal |
| Amortization method | Level % of payroll | Level % of payroll |
| Amortization period | 30 years, closed | 30 years, closed |
| Actuarial asset valuation method | 5-year smoothed market | 5-year smoothed market |
| Actuarial Assumptions | | |
| Investment rate of return | 7.00% | 7.00% |
| Inflation | 1.50% | 1.50% |
| Mortality table | SOA RP 2000 combined mortality table projected to 2010 | SOA RP 2000 combined mortality table projected to 2010 |
| Experience study | An experience study was issued November 16, 2015, covering the past five years of plan experience. | An experience study was issued November 16, 2015, covering the past five years of plan experience. |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the Authority and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions use techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

***Concentrations***

The pension plan does not hold any individual securities, but invests in mutual funds. The Plan holds investments exceeding 5% of the total plan market value in the American Beacon Large Cap Value Fund, Fidelity Contrafund, JP Morgan Large Cap Growth, Vanguard 500 Index Fund, and PIMCO Total Return Fund. The Plan held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds 5% or more of net assets available for benefits. There are no long-term contracts for contributions.

**VII. B. NET PENSION ASSET (LIABILITY)**

| | 2018 | 2017 |
|---|---|---|
| Total pension liability | ($17,286,114) | ($16,513,967) |
| Fiduciary net position | 13,086,503 | 12,432,452 |
| Net pension asset (liability) | **($4,199,611)** | **($4,081,515)** |
| Plan fiduciary net position as a percentage of the total pension liability | **75.71%** | **75.28%** |

| | Total Pension Asset (Liability) | | Plan Fiduciary Net Position | | Net Pension Asset (Liability) | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Beginning balance | ($16,513,967) | ($16,122,605) | $12,432,452 | $11,522,480 | ($4,081,515) | ($4,600,125) |
| Service cost | (512,593) | (479,799) | - | - | (512,593) | (479,799) |
| Interest | (1,149,716) | (1,119,973) | - | - | (1,149,716) | (1,119,973) |
| Changes of benefits terms | (424,959) | - | - | - | (424,959) | - |
| Differences between expected and actual experience | 90,304 | (17,922) | - | - | 90,304 | (17,922) |
| Contributions - employer | - | - | 564,947 | 544,896 | 564,947 | 544,896 |
| Contributions - employee | - | - | 455,784 | 414,804 | 455,784 | 414,804 |
| Net investment income | - | - | 953,494 | 1,299,672 | 953,494 | 1,299,672 |
| Benefit payments and refunds | 1,224,817 | 1,226,332 | (1,224,817) | (1,226,332) | - | - |
| Administrative expense | - | - | (95,357) | (123,068) | (95,357) | (123,068) |
| | **($17,286,114)** | **($16,513,967)** | **$13,086,503** | **$12,432,452** | **($4,199,611)** | **($4,081,515)** |

## VII. C. RATE OF RETURN AND DISCOUNT RATE

***Rate of Return***

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 7.77% for 2018 and 11.47% for 2017. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Long-Term Expected Rate of Return and Target Allocations***

The long-term expected rate of return on pension plan investments was determined using a geometric basis and a time horizon of 20 years. The capital market expectations are initially developed by combining historical risk, return, and correlation data with state-of-the-art techniques and tools that mitigate the limitations of traditional optimization methods. The asset allocation committee at Bank of Oklahoma Financial then employs a qualitative overlay to determine the long-term expected returns. See NOTE II. A. DEPOSITS AND INVESTMENTS, *Investments*, Pension Trust Investment Policy, Asset allocation guidelines for target allocation of investments.

| | **2018** | **2017** |
|---|---|---|
| Cash | 0.01% | 1.51% |
| U.S. core fixed income | 0.47 | 1.97 |
| U.S. high yield fixed income | 0.00 | 4.19 |
| Global fixed income | 0.00 | 1.87 |
| Domestic equities | 5.71 | 7.21 |
| Equities | 7.32 | 8.82 |
| Alternative strategies | 1.57 | 3.07 |
| Real estate investment trusts | 0.00 | 6.42 |
| | | |
| The long-term expected inflation | 1.50 | 1.50 |

***Discount Rate***

The discount rates used to measure the total pension liability was 7.00% for 2018 and 2017. The projection of cash flows used to determine the discount rate assumes that the Plan and members contributions will be made at the current contribution rates specified in the union contract. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected payments to determine the total pension liability.

***Sensitivity of Net Pension Liability to Changes in the Discount Rate***

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Rate | Net Pension Asset(Liability) | Rate | Net Pension Asset(Liability) |
| 1% decrease | 6.00% | ($6,010,485) | 6.00% | ($5,843,043) |
| Current single discount rate | 7.00 | (4,199,611) | 7.00 | (4,081,515) |
| 1% increase | 8.00 | (2,658,302) | 8.00 | (2,583,741) |

**VIII. DEFINED CONTRIBUTION PENSION PLANS**

The Authority participates in a defined contribution plan established July 1, 2001, for eligible administrative employees (not represented by a union). Plan provisions and contribution requirements are established or amended by Authority resolution. It is in addition to COTPA Retirement and provides that the employee may voluntarily contribute to the ICMA plan and the Authority will match employee contributions up to $1,000 annually. The ICMA plan includes 56 participants at June 30, 2018, and 53 participants at June 30, 2017. For fiscal years 2018 and 2017, actual contributions by plan participants were $72,623 and $47,938, respectively. The Authority contributed $14,830 and $17,257 for 2018 and 2017, respectively.

**IX. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**IX. A. PLAN DESCRIPTION**

The Authority provides post-employment healthcare benefits for retired employees and their dependents through the Authority Post-retirement Medical Plan (the Plan), a single-employer defined benefit healthcare plan administered by the OCPEBT. The benefits, coverage levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority through its personnel manual and union contracts. The Plan issues a separate report that can be obtained from Human Resources at 420 W. Main, Suite 110, Oklahoma City, OK 73102. The Plan covers all general employees.

The OCPEBT administers two separate post-employment healthcare benefit plans. Unless otherwise indicated, the information provided in this note is provided for the Authority Plan only.

The Plan and required supplementary information schedules are updated annually and reported in the audited annual financial reports of the Authority and in quarterly reports issued by OCPEBT.

OCPEBT financial statements including the actuarial report be obtained from Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

***Funding Policies, Contribution Methods and Benefit Provisions***

| | |
|---|---|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2017 |
| Year established and governing authority | 2009; Authority Board Resolution |
| Determination of contribution requirements | Authority Policy |
| Contribution rates: | |
| Employer | Subsidy based on years of service |
| Plan members | Remainder of unsubsized premium costs |
| Funding of administrative costs | Investment earnings |
| Period required to vest | 10 years |
| Eligibility for distribution | General employees are eligible for membership in the Plan if they retire from COTPA on or after age 62 with 10 years of service or at any age with 25 years of service. |

**Funding Policy**

Contribution requirements are actuarially determined and established by the Authority Board. For retirees over age 65, the Authority contributed a subsidy towards medical coverage of retires based on years of service. The retirees were responsible for paying the remaining balance of the premium. Authority contributions to the Plan were equal to the benefit payments. The Authority does not plan to fund the Plan for more than the expected benefit payments requirements in the near future.

**Benefit Provisions**

The Authority provides post-retirement healthcare benefits to its retirees. The Plan covers all current retirees who elected post-retirement medical coverage and future retired general employees. The Authority provides medical benefits through a fully insured health plan. Benefits include general inpatient and outpatient medical services and prescription drug coverage.

***Membership***

| | 2018 |
|---|---|
| Active members | 212 |
| Retirees and beneficiaries currently receiving benefits | 13 |
| | 225 |

***Annual Required Contributions - Actuarial Assumptions***

| | |
|---|---|
| Provisions for: | |
| Disability benefits | Yes |
| Death benefits | Yes |
| Valuation date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 30 years, closed |
| Actuarial asset valuation method | 4-year smoothed market |
| Actuarial Assumptions | |
| Investment rate of return | 7.50% |
| Inflation | 3.75% |
| Projected salary increases | 3.75% |
| Health care trend rate | |
| Initial | 8.5% (6.00% for Medicare Age) |
| Ultimate | 4.50% |
| Mortality table | RP 2000 combined mortality table fully generational using scale AA |

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the Authority and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions use techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

**IX. B. NET OPEB ASSET (LIABILITY)**

| | **2018** |
|---|---|
| Total OPEB liability | ($1,860,857) |
| Fiduciary net position | $367,809 |
| Net OPEB asset (liability) | ($1,493,048) |
| Plan fiduciary net position as a percentage of the total OPEB liability | **19.77%** |

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Asset (Liability) |
|---|---|---|---|
| Beginning balance | ($1,441,508) | $ - | ($1,441,508) |
| Service cost | (91,462) | - | (91,462) |
| Interest | (45,349) | - | (45,349) |
| Differences between expected and actual experience | (450,263) | - | (450,263) |
| Changes of assumptions | 136,644 | - | 136,644 |
| Contributions - employer | - | 374,116 | 374,116 |
| Net investment income | - | 24,774 | 24,774 |
| Benefit payments and refunds | 31,081 | (31,081) | - |
| | **($1,860,857)** | **$367,809** | **($1,493,048)** |

## IX. C. RATE OF RETURN AND DISCOUNT RATE

***Rate of Return***

The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was 9.99% and 11.43% for 2018 and 2017, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Long-Term Expected Rate of Return and Target Allocations***

The long-term expected rate of return on OPEB 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class are included in the OPEB plan's target asset allocation. See Note II. A. DEPOSITS AND INVESTMENTS, *Investments,* Asset Allocation Guidelines for target allocation of investments.

| | **2018** |
|---|---|
| Domestic Equity | 7.5% |
| Domestic Bonds | 2.5 |
| International Equity | 8.5 |
| International Bonds | 3.5 |
| Real Estate | 4.5 |

***Discount Rate***

The discount rate used to measure the total OPEB liability was 3.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaing benefit payments after the net position is exhausted are discounted at the 20-year municipal bond rate. Therefore, the long-term expected rate of return on OPEB investments (7.50%) was applied to years 2019 through 2027 of projected benenfit payments and the 20-year municipal bond rate based on a range of indices from 3.13% - 3.56% was applied to projected benefit payments after 2027 to determine the total OPEB liability. The discount rate increased from 3.18% on June 30, 2016 to 3.75% on June 30, 2017.

***Sensitivity of Net OPEB Liability to Changes in the Discount Rate***

The following table presents the total OPEB liability of the Plan calculated using the discount rate of 3.75%, as well as what the Plan's total OPEB liability would be if were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate and the resulting net OPEB liability:

| | Rate | 2018 COTPA Net OPEB Liability |
|---|---|---|
| 1% decrease | 2.75% | $1,735,587 |
| Current single discount rate | 3.75% | 1,493,048 |
| 1% increase | 4.75% | 1,288,774 |

***Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trends***

The following table presents the net OPEB liability of the Plan calculated using the discount rate of 8.5% - 4.5%, as well as what the Plan's net OPEB liability would be if were calculated using a discount rate that is 1-percentage-point lower (7.5% - 3.5%) or 1-percentage point higher (9.5% - 5.5%) than the current rate and the resulting net OPEB liability.

| | Rate | 2018 COTPA Net OPEB Liability |
|---|---|---|
| 1% decrease | 7.5-3.5% | $1,485,782 |
| Current single discount rate | 8.5-4.5% | 1,493,048 |
| 1% increase | 9.5-5.5% | 1,501,813 |

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. OCPEBT financial statements including the actuarial report referred to in this note may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

## X. COMMITMENTS

***Contract Commitments***

**Oklahoma City Streetcar System**

On June 2, 2017, the Authority approved a contract with Herzog Transit Services, Inc. for the operation and maintenance of the Oklahoma City Streetcar System through June 30, 2023 with one, five-year renewal option. The total amount of the contract is $17.3 million with the annual amounts scheduled to grow in phases with the implementation and growth of the streetcar system.

**Spokies Bike Share Program**

On June 6, 2014, the Authority approved a resolution accepting administrative responsibility for the Oklahoma City Bike Share Program (Spokies). The resolution assigns overall program administration to the Authority, makes the Authority the point of contact with the Federal Transit Administration, assigns marketing and contract administration to the Authority, and assigns system expansion and financial administration to the Authority.

On December 5, 2014, the Authority approved a contract with Bicycle Transit Systems (BTS) for management of the Spokies Bike Share Program. The contract commenced on January 5, 2015 and provides for a term through December 31, 2017 with two one-year renewal options. Under the contract, BTS receives a $15,000 per year management fee. On November 3, 2017, the Authority approved a one year renewal with BTS.

**Parking Facilities**

On August 4, 2017 the Authority approved a new contract with Republic Parking Systems, Inc. retroactive to July 1, 2017. The new contract provides for a term through June 30, 2022 with two, three-year renewal options. The amount of the contract is $185,000 annually of which $50,000 is an annual performance incentive.

**Oklahoma River Cruises**

On February 14, 2014, the Board approved a new contract with HMS, retroactive to January 1, 2014. The new contract provides for a term through December 31, 2016 with two, one-year renewal options. Under the contract, HMS received a contract fee of $64,583 per month for ferry operations and for services rendered under year one of the agreement. The annual expense operating budget will be added to the annual management fee to establish the annual contract fee for contract years two and three and any subsequent extensions. In addition to the annual management fee and contract fee, HMS was paid an incentive of 15% of the gross of all charter cruises boat rental fees. Ferry service commenced on April 1, 2014. On October 7, 2016 the Authority approved the first extension option, extending the contract term through December 31, 2017, under the same terms and conditions from the original contract. On December 15, 2017, the Authority approved the second extension option, extending the contract term through December 31, 2018, under the same terms and conditions from the original contract.

***Construction Commitments***

Construction projects are substantially funded with operating revenues, City subsidies, bond proceeds, and Federal grants.

| | **2018** | **2017** |
|---|---|---|
| | Remaining Commitment | Remaining Commitment |
| Transportation | $642,790 | $460,014 |
| Parking | 24,084 | 97,442 |
| | **$666,874** | **$557,456** |

## XI. CONTINGENCIES

***Federal and State Grants***

In the normal course of operations, the Authority receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

***Litigation***

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Authority. In the opinion of management and legal counsel, none of these matters will have a material adverse effect on the financial position or operations of the Authority. The Authority is self-insured for property loss of buses. In the event of loss due to casualty or fire, the Authority is responsible for refunding the Federal government 83% of the net book value of certain buses.

## XII. SUBSEQUENT EVENT

***Sale of the Santa Fe Plaza Parking Garage***

In July, 2018 the Authority and City Council approved a memorandum of agreement to set forth terms and conditions for Continental Resources, Inc and BancFirst Corporation to purchase the Santa Fe Plaza Parking Garage, located at 101 North E.K. Gaylord Boulevard for $22,500,000. The real estate purchase agreement was approved by the Authority and City Council in August, 2018 and staff was authorized to take action to remove the property from the COTPA Trust Estate and the lien of the 2013 General Bond Indenture.

This Page Left Intentionally Blank

# Required Supplementary Information

## I. SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (1)(2)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Total Pension liability** | | | | | |
| Service cost | $512,593 | $479,799 | $516,377 | $537,107 | $509,879 |
| Interest | 1,149,716 | 1,119,973 | 967,116 | 885,099 | 853,491 |
| Changes of benefit terms | 424,959 | - | 468,814 | 126,372 | - |
| Difference between expected and actual experience of the total pension liability | (90,304) | 17,922 | (240,421) | 418,907 | - |
| Changes of assumptions | - | - | (1,547,072) | (595,738) | - |
| Benefit payments, including refunds of employee contributions | (1,224,817) | (1,226,332) | (1,030,948) | (830,781) | (767,421) |
| Net change in total pension liability | **772,147** | **391,362** | **(866,134)** | **540,966** | **595,949** |
| Pension liability, beginning | 16,513,967 | 16,122,605 | 16,988,739 | 16,447,773 | 15,851,824 |
| **Pension liability, ending** | **$17,286,114** | **$16,513,967** | **$16,122,605** | **$16,988,739** | **$16,447,773** |
| **Plan Fiduciary Net Position** | | | | | |
| Contributions - employer | 564,947 | 544,896 | 953,953 | 518,478 | 506,258 |
| Contributions - employee | 455,784 | 414,804 | 401,187 | 412,959 | 428,915 |
| Net investment income | 953,494 | 1,299,672 | (189,349) | 225,040 | 1,643,961 |
| Benefit payments, including refunds of employee contributions | (1,224,817) | (1,226,332) | (1,030,948) | (830,781) | (767,421) |
| Administrative expense | (95,357) | (123,068) | (134,850) | (113,753) | (63,390) |
| Other | - | - | - | - | (600) |
| Net change in fiduciary net position | 654,051 | 909,972 | (7) | 211,943 | 1,747,723 |
| Plan fiduciary net position, beginning | 12,432,452 | 11,522,480 | 11,522,487 | 11,310,544 | 9,562,821 |
| **Plan fiduciary net position, ending** | **$13,086,503** | **$12,432,452** | **$11,522,480** | **$11,522,487** | **$11,310,544** |
| **Net pension (asset) liability, ending** | $4,199,611 | $4,081,515 | $4,600,125 | $5,466,252 | $5,137,229 |
| Covered payroll | 11,130,175 | 9,809,584 | 9,947,437 | 9,557,433 | 9,457,557 |
| Net pension liability as a percentage of covered payroll | 37.73% | 41.61% | 46.24% | 57.19% | 54.32% |
| Plan fiduciary net position as a percentage of total pension liability | 75.71% | 75.28% | 71.47% | 67.82% | 68.77% |
| Valuation date | 7/1/2017 | 7/1/2016 | 7/1/2015 | 7/1/2014 | 7/1/2013 |
| Actuarial cost method | Individual entry age normal | Individual entry age normal | Individual entry age normal | Individual entry age normal | Individual entry age normal |
| Amortization method | Level % of payroll | Level % of payroll | Level % of payroll | Level dollar | Level dollar |
| Amortization period | 30 years, closed | 30 years, closed | 30 years, open | 30 years, open | 30 years, open |
| Actuarial asset valuation method | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market |
| Investment rate of return | 7.00% | 7.00% | 7.00% | 5.69% | 5.34% |
| Cost of living benefit increases (maximum) | N/A | N/A | N/A | N/A | N/A |
| Inflation | 1.50% | 1.50% | 2.50% | 2.25% | 2.50% |
| Projected salary increases | N/A | N/A | N/A | N/A | N/A |
| Mortality table | SOA RP 2000 combined mortality table projected to 2010 | SOA RP 2000 combined mortality table projected to 2010 | SOA RP 2000 combined mortality table projected to 2010 | 1983 group annuity mortality tables, scale 355 withdrawal rates | 1983 group annuity mortality tables, scale 355 withdrawal rates |
| Experience study | An experience study was issued November 16, 2015, covering the past five years of plan experience. | An experience study was issued November 16, 2015, covering the past five years of plan experience. | An experience study was issued November 16, 2015, covering the past five years of plan experience. | An experience study will be conducted in advance of the next fiscal year end. | An experience study will be conducted in advance of the next fiscal year end. |

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2014, are not available. This information will be developed prospectively beginning in 2014 until eventually 10 years of information is available.

(2) Amounts presented are reported in the financial statements in the next fiscal year.

## II. SCHEDULE OF EMPLOYER CONTRIBUTIONS - COTPA RETIREMENT (1)(3)

| FY Ending June 30, | Actuarially Determined Contribution (ADC) (4) | Contributions in Relation to ADC | Contributions Deficiency (Excess) | Covered Payroll | Actual Contribution As a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2018 (2) | $374,113 | $545,728 | ($171,615) | $11,130,175 | 5% |
| 2017 | 379,863 | 544,896 | (165,033) | 9,809,584 | 6 |
| 2016 | 298,220 | 953,953 | (655,733) | 9,947,437 | 10 |
| 2015 | 316,728 | 518,478 | (201,750) | 9,557,433 | 5 |

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2009, are not available. This information will be developed prospectively beginning in 2009 until eventually 10 years of information is available. Total plan information is provided below.

(2) The contractually required contribution for 2018 is estimated and may change upon receipt of the actuarial report.

| June 30 | Covered Payroll | Employer Contributions |
|---|---|---|
| 2014 | 9,457,557 | 506,258 |
| 2013 | 9,457,557 | 504,166 |
| 2012 | 6,930,000 | 498,883 |
| 2011 | 7,595,000 | 465,859 |
| 2010 | 7,150,000 | 471,252 |
| 2009 | 7,464,000 | 416,086 |

(3) The amounts reported represent amounts paid and covered payroll for the fiscal year indicated.

(4) Contributions are deferred in the fiscal year reported and recognized in the financial statements in the subsequent year.

## III. SCHEDULE OF INVESTMENT RETURNS (1)(2)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 7.77% | 11.47% | -1.62% | 1.99% | 17.10% |

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2014, are not available. This information will be developed prospectively beginning in 2014 until eventually 10 years of information is available.

(2) Fiscal year indicates the year of reporting for the pension plan. Pension related transactions are recognized in the financial statements in the subsequent year.

## I. SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS (1)

| | **2018** |
|---|---|
| Measurement Date | June 30, 2017 |
| Total OPEB Liability | |
| Service cost | $91,462 |
| Interest | 45,349 |
| Differences between expected and actual experience of the total OPEB liability | 450,263 |
| Assumption changes | (136,644) |
| Benefits payments, including refunds | (31,081) |
| **Net change in total OPEB liability** | **419,349** |
| OPEB liability, beginning | 1,441,508 |
| **OPEB liability, ending** | **1,860,857** |
| Plan Fiduciary Net Position | |
| Contributions - employer | 374,116 |
| Net investment income | 24,774 |
| Benefits payments, including refunds | (31,081) |
| **Net change in fiduciary net position** | **367,809** |
| Plan fiduciary net position, beginning | - |
| **Plan fiduciary net position, ending** | **367,809** |
| **Net OPEB liability, ending** | **$1,493,048** |
| Covered - employee payroll | $9,500,000 |
| Net OPEB liability (asset) as a percentage of covered - employee payroll | 15.72% |
| Plan fiduciary net position as a percentage of total OPEB liability | 19.77% |
| Actuarial assumptions | |
| Valuation date | 6/30/17 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 30 years, closed |
| Actuarial asset valuation method | 4-year smoothed market |
| Investment rate of return | 7.50% |
| Health care trend rate | |
| Initial | 8.5% (6.00% for Medicare Age) |
| Ultimate | 4.50% |
| Inflation | 3.75% |
| Projected salary increases | 3.75% |
| Mortality table | RP 2000 combined mortality table fully generational using scale AA |
| Experience study | N/A |

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2017 are not available. This information will be developed prospectively beginning in 2017 until eventually 10 years of information is available.

## II. SCHEDULE OF EMPLOYER CONTRIBUTIONS (1)

| Fiscal Year Ending June 30, | Actuarially Determined Contribution (ADC)(2) | Contributions in relation to ADC | Contributions Deficiency (Excess) | Covered Employee Payroll (3) | Actual Contribution As a Percentage of Covered Employee Payroll |
|---|---|---|---|---|---|
| 2018 | $111,934 | $130,000 | ($18,066) | $9,014,084 | 1.44% |
| 2017 | 169,203 | 374,116 | (204,913) | 9,500,000 | 3.94 |
| 2016 | 88,559 | 24,638 | 63,921 | 9,274,579 | 0.27 |
| 2015 | 85,569 | 21,494 | 64,075 | 9,004,446 | 0.24 |
| 2014 | 78,556 | 38,652 | 39,904 | 9,458,000 | 0.41 |
| 2013 | 76,259 | 35,424 | 40,835 | 9,458,000 | 0.37 |
| 2012 | 73,841 | 30,253 | 43,588 | 6,930,000 | 0.44 |
| 2011 | 71,136 | 25,591 | 45,545 | 7,595,000 | 0.34 |
| 2010 | 68,563 | 23,256 | 45,307 | 7,150,000 | 0.33 |
| 2009 | 65,880 | 17,505 | 48,375 | 7,464,000 | 0.23 |

(1) The amounts reported represent amounts paid and covered payroll for the fiscal year indicated.

(2) Contributions are deferred in the fiscal year reported and recognized in the financial statements in the subsequent year.

(3) The amounts reported prior to 2015 have been rounded. Covered employee payroll amounts reported after 2015 are actual amounts provided to the actuary.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
**Central Oklahoma Transportation and Parking Authority**
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities and each major fund of the Central Oklahoma Transportation and Parking Authority (Authority), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 16, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


Allen, Gibbs & Houlik, L.C. aghlc.com aghemployersolutions.com aghuniversity.com 316.267.7231 301 N. Main, Suite 1700 Wichita, KS 67202-4868

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 16, 2018
Wichita, Kansas