

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

Financial Report
June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the Metropolitan Tulsa Transit Authority (the Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority for the year ended June 30, 2009 were audited by other auditors whose report dated December 2, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010, and the changes in financial position and the cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussions and analysis on pages 3 through 6 and pension plan schedule on pages 20 and 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements for the year ended June 30, 2010, taken as a whole. The accompanying supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information for the year ended June 30, 2010, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Kansas City, Missouri
October 13, 2010

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

**Management's Discussion and Analysis
Year Ended June 30, 2010**

As management of the Metropolitan Tulsa Transit Authority (the Authority). We offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2010 and 2009. The Authority is a component unit of the City of Tulsa, Oklahoma. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 7. All amounts are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by approximately \$16,035 (net assets). For fiscal year 2009, assets exceeded liabilities by \$18,080.
- During fiscal year 2010, the Authority's total net assets decreased by approximately \$2,046. For fiscal year 2009, the Authority's total net assets decreased by \$1,462.
- The Authority's total liabilities increased by approximately \$52 during this fiscal year 2010.
- For the year ended June 30, 2010, net capital assets decreased by approximately \$2,007. For the year ended June 30, 2009, net capital assets decreased by approximately \$1,249.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements include: 1) balance sheet, 2) statement of revenues, expenses and changes in net assets, 3) statement of cash flows and 4) notes to financial statements. This report also contains other supplementary information to demonstrate compliance with finance-related activities.

Required Financial Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The balance sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its user fees and other charges. The third required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and changes in cash resulting from operations, noncapital financing, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the period.

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

**Management's Discussion and Analysis
Year Ended June 30, 2010**

Net Assets

The Authority's net assets decreased approximately \$2,046 for fiscal year ended June 30, 2010. The decrease is primarily caused by depreciation of capital assets. The Authority's net assets decreased approximately \$1,492 for the fiscal year ended June 30, 2009. The decrease is primarily due to depreciation.

Net Assets
(in thousands of dollars)

	2010	2009	2008
Assets:			
Current and other assets	\$ 4,840	\$ 4,826	\$ 4,317
Capital assets, net	15,971	17,979	19,228
Total assets	\$ 20,811	\$ 22,805	\$ 23,545
Liabilities:			
Current and other liabilities	\$ 4,451	\$ 4,399	\$ 3,677
Long-term liabilities	326	326	326
Total liabilities	4,777	4,725	4,003
Net assets:			
Invested in capital assets, net of related debt	15,971	17,979	19,228
Restricted for other purposes	393	494	435
Unrestricted (deficit)	(330)	(393)	(121)
Total net assets	16,034	18,080	19,542
Total liabilities and net assets	\$ 20,811	\$ 22,805	\$ 23,545

Change in Net Assets

For the year ended June 30, 2010, the Authority's total operating revenues decreased approximately \$141 and operating expenses decreased \$442. The key factor for the decrease in operating revenues was attributable to decreased ridership in both the Fixed Route and Lift Program resulting in 4.5 percent decrease in operating revenues. Fixed Route ridership decreased 7 percent from prior year and Lift Program ridership decreased 13 percent from prior year. With regard to operating expenses, purchased transportation decreased 16 percent and services decreased 12 percent, while employee fringe benefits increased 19 percent. The increase in fringe benefits was attributable to one-time retirement incentive payments.

For the year ended June 30, 2009, the Authority's total operating revenues increased approximately \$82 and operating expenses increased approximately \$277. The key factor for the increase in operating revenues was increased ridership in Fixed Route resulting in a 6 percent increase in operating revenues; in addition, revenues from advertising sales increased. With regard to operating expenses, fuel costs decreased 25 percent while employee fringe benefits increased by 13 percent and services increased 24 percent from projected levels. Lift Program costs and ridership were consistent with prior year.

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

Management's Discussion and Analysis
Year Ended June 30, 2010

Changes in Net Assets
(in thousands of dollars)

	2010	2009	2008
Operating revenues	\$ 2,999	\$ 3,140	\$ 3,058
Nonoperating and capital revenues	15,641	17,146	17,198
Total revenues	18,640	20,286	20,256
Operating expenses	20,681	21,123	20,840
Nonoperating expenses	5	625	1,609
Total expenses	20,686	21,748	22,449
Decrease in net assets	\$ (2,046)	\$ (1,462)	\$ (2,193)

Capital Assets

The Authority's investment in capital assets as of June 30, 2010 amounts to approximately \$15,971 (net of accumulated depreciation). This investment in capital assets includes revenue and service equipment, land, buildings and other equipment. The Authority made additional capital asset purchases during the year; however, net capital assets decreased due to depreciation charges in excess of these new purchases.

Net Capital Assets
(in thousands of dollars)

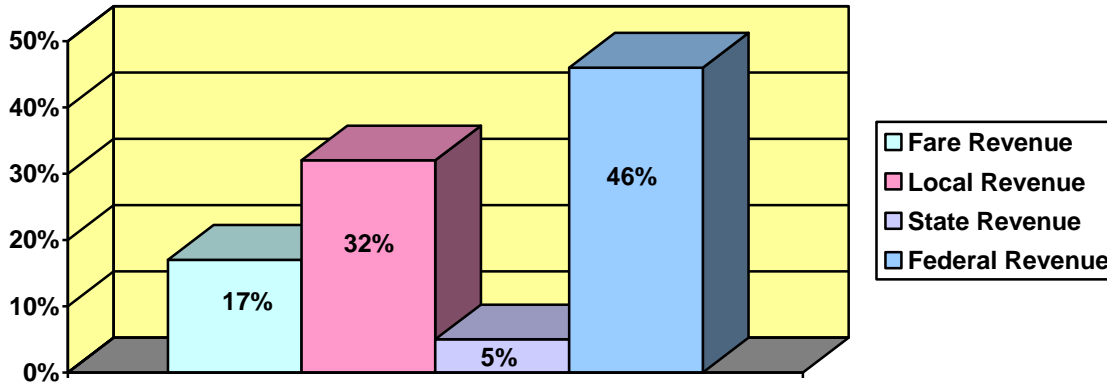
	2010	2009	2008
Revenue equipment	\$ 19,540	\$ 18,855	\$ 17,521
Service equipment	264	297	314
Security Equipment	543	-	-
Buildings	12,289	12,090	10,892
Shop and garage equipment	1,696	1,681	1,572
Other equipment	3,497	6,427	7,167
Furniture and fixtures	846	847	833
Land	2,634	2,634	2,634
	41,309	42,831	40,933
Less accumulated depreciation	(25,338)	(24,852)	(21,705)
Net capital assets	\$ 15,971	\$ 17,979	\$ 19,228

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

**Management's Discussion and Analysis
Year Ended June 30, 2010**

Economic Factors

The \$17,530 of total revenues for the Authority is comprised as follows:



Due to the economic downturn, local funding for FY10 was cut 30 percent from prior years; in addition, as the Authority provides job access for 55 percent of its ridership, unemployment has resulted in reduced ridership for both Fixed Route and Lift Program, which has resulted in decreased fare revenues.

Because of the aforementioned, the Authority implemented a 20 percent fare increase for the Lift Program. If additional budget reductions and decreased operating revenues continue, fare increases for both the Fixed Route and Lift program would need to be considered; in addition, service hours could also be reduced. With current service hours being below industry average, further reduction of service hours will reduce the quality of transit service provided by the Authority.

Fuel and preventive maintenance make up 74 percent of the total materials and supplies consumed; thus, as oil prices and repair parts fluctuate, this can have an impact on operations. The authority is in the beginning stages of transitioning its fleet to Compressed Natural Gas (CNG). This will result in approximately a 50 percent savings in fuel cost and reduced preventive maintenance costs; in addition, use of CNG vehicles will reduce carbon emissions and foster an environment friendly transit service.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all of those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Tulsa Transit Authority, 510 South Rockford, Tulsa, Oklahoma, 74152.

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

**Balance Sheets
June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,225,075	\$ 794,088
Restricted cash	523,163	505,449
Total cash and cash equivalents	1,748,238	1,299,537
Accounts receivable:		
Trade	142,865	119,952
Operating and capital grants	2,476,303	2,725,191
Inventories	331,326	648,976
Prepaid expenses and other	141,510	32,823
Total current assets	4,840,242	4,826,479
Capital assets, at cost:		
Revenue equipment	19,539,895	18,855,187
Service equipment	263,923	296,674
Security equipment	543,456	-
Buildings	12,289,093	12,090,147
Shop and garage equipment	1,695,958	1,680,851
Other equipment	3,497,156	6,426,710
Furniture and fixtures	845,955	847,588
Land	2,633,707	2,633,707
	41,309,143	42,830,864
Less accumulated depreciation	25,337,710	24,852,260
	15,971,433	17,978,604
Total assets	\$ 20,811,675	\$ 22,805,083

See Notes to Basic Financial Statements.

	<u>2010</u>	<u>2009</u>
Liabilities		
Current liabilities:		
Accounts payable:		
Trade	\$ 578,762	\$ 677,154
Other	66,285	51,053
Accrued wages payable	330,286	330,573
Accrued compensated absences	689,124	668,515
Accrued insurance claims	325,150	301,405
Accrued pension contributions	204,391	117,122
Due to the City of Tulsa	2,237,232	2,233,287
Unearned revenue	19,500	19,500
Total current liabilities	4,450,730	4,398,609
Advances payable to the City of Tulsa	326,000	326,000
Total liabilities	4,776,730	4,724,609
Net assets:		
Invested in capital assets, net of related debt	15,971,433	17,978,604
Restricted, expendable for capital acquisitions	393,239	372,967
Restricted, worker's compensation	129,924	132,482
Unrestricted, deficit	(459,651)	(403,579)
Total net assets	16,034,945	18,080,474
Total liabilities and net assets	\$ 20,811,675	\$ 22,805,083

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Passenger	\$ 2,399,887	\$ 2,541,088
Advertising	571,692	560,333
Other	27,330	38,418
Total operating revenues	2,998,909	3,139,839
Operating expenses:		
Labor	6,187,825	6,237,630
Purchased transportation	3,003,033	3,601,132
Materials and supplies consumed	3,291,546	3,356,321
Fringes	3,329,832	2,778,097
Services	827,783	943,157
Insurance	342,527	276,864
Utilities	340,904	365,127
Depreciation	3,034,486	3,126,855
Other	323,248	437,926
Total operating expenses	20,681,184	21,123,109
Operating loss	(17,682,275)	(17,983,270)
Nonoperating revenues (expenses):		
Federal Transit Administration operating grants	7,516,490	4,947,177
State of Oklahoma operating grants	983,250	1,109,246
City of Tulsa operating appropriations	5,748,000	8,325,000
Pass-through of federal grants to the City of Tulsa	(4,932)	(624,695)
Interest	2,391	20,857
Gain on disposal of capital assets	-	6,124
Other	278,821	256,601
Nonoperating revenue, net	14,524,020	14,040,310
Deficiency of revenues over expenses before capital appropriations and capital grants	(3,158,255)	(3,942,960)
Capital grants, Federal Transit Administration	851,784	2,095,129
Capital appropriations, City of Tulsa	260,942	386,497
Change in net assets	(2,045,529)	(1,461,334)
Net assets, beginning of year	18,080,474	19,541,808
Net assets, end of year	\$ 16,034,945	\$ 18,080,474

See Notes to Basic Financial Statements.

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

**Statements of Cash Flows
Years Ended June 30, 2010 and 2009**

	2010	2009
Cash flows from operating activities:		
Cash received from customers	\$ 2,975,996	\$ 3,129,665
Cash payments to suppliers for goods and services	(7,975,548)	(8,377,037)
Cash payments to employees	(9,410,066)	(8,749,155)
Net cash (used in) operating activities	(14,409,618)	(13,996,527)
Cash flows from noncapital financing activities:		
Operating grants received from Federal Transit Administration	7,765,378	5,394,595
Operating appropriations received from the City of Tulsa	5,748,000	8,325,000
Operating grants received from the state of Oklahoma	983,250	1,109,246
Other assistance received	278,821	204,123
Outstanding checks in excess of cash balance	-	(21,247)
Net cash provided by noncapital financing activities	14,775,449	15,011,717
Cash flows from capital and related financing activities:		
Capital expenditures	(1,027,315)	(1,876,990)
Capital contributions from Federal Transit Administration	851,784	1,172,513
Pass-through of capital grants to the City of Tulsa	(4,932)	(624,695)
Capital contributions from the City of Tulsa	260,942	386,497
Proceeds from sale of capital assets	-	6,124
Net cash provided by (used in) capital and related financing activities	80,479	(936,551)
Cash flows from investing activities, interest earned	2,391	20,857
Increase in cash and cash equivalents	448,701	99,496
Cash and cash equivalents, beginning of year	1,299,537	1,200,041
Cash and cash equivalents, end of year	\$ 1,748,238	\$ 1,299,537
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating loss	\$ (17,682,275)	\$ (17,983,270)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation	3,034,486	3,126,855
(Increase) in accounts receivable	(22,913)	(10,174)
Decrease in inventories	317,650	129,552
(Increase) in prepaid expenses	(108,687)	(678)
(Decrease) in accounts payable	(83,160)	(211,546)
Increase in accrued liabilities	23,745	61,467
Increase in payable to employees	107,591	266,572
Increase in due to the City of Tulsa	3,945	624,695
Net cash (used in) operating activities	\$ (14,409,618)	\$ (13,996,527)

See Notes to Basic Financial Statements.

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

Notes to Basic Financial Statements

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

Nature of business:

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

Reporting entity:

The City of Tulsa, Oklahoma (the City) is the beneficiary of the trust operated by the Authority and upon termination of the trust, title to the assets of the Authority shall pass to the City. The Authority is a component unit of the City and is included in the City's Comprehensive Annual Financial Report as a discretely presented component unit.

Significant accounting policies:

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

The accounting policies of the Metropolitan Tulsa Transit Authority conform to generally accepted accounting principles applicable to proprietary funds as defined by the Governmental Accounting Standards Board (GASB). Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of proprietary funds in accordance with an election made by the Authority under GASB Statement No. 20.

Cash and cash equivalents: The Authority considers all investments which have an original maturity of 90 days or less to be cash equivalents. At June 30, 2010 and 2009, cash equivalents consist of certificates of deposit.

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

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

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

Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

	2009	Additions	Deletions	2010	Due in One Year
Compensated absences	\$ 668,515	\$ 689,124	\$ 668,515	\$ 689,124	\$ 689,124

	2008	Additions	Deletions	2009	Due in One Year
Compensated absences	\$ 570,149	\$ 668,515	\$ 570,149	\$ 668,515	\$ 668,515

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

Notes to Basic Financial Statements

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

Net assets: Net assets of the Authority represent the difference between assets and liabilities. Net assets invested in capital, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority first applies restricted resources. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definitions of invested in capital assets, net of related debt or restricted.

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

Risk management: The Authority is exposed to various risks of loss from torts; theft of damage to and destitution of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased in conjunction with the City for claims arising from such matters other than bodily injury, property damage and workers' compensation. For bodily injury and property damage, losses are limited by the Oklahoma Tort Claims Act. The act limits liability to \$125,000 per claimant bodily injuries and \$25,000 per claimant property damage with a maximum loss per occurrence of \$1,000,000. For workers' compensation, losses incurred for the first \$350,000 per claim and any excess over \$3,000,000 per claim are retained by the Authority. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Note 2. Deposits and Investments

Deposits: As of June 30, 2010 and 2009, the Authority's cash equivalents consisted of checking accounts and certificates of deposit. The Authority had no investments. Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The financial institution holding the Authority's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

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

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. As of June 30, 2010 and 2009, respectively, none and \$13,318 of the Authority's bank balances of \$1,853,730 and \$519,654 were uninsured and uncollateralized.

Note 3. Capital Assets

The changes in capital assets for the years ended June 30, 2010 and 2009 were:

	2010				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital assets not being depreciated, land	\$ 2,633,707	\$ -	\$ -	\$ -	\$ 2,633,707
Capital assets being depreciated:					
Revenue equipment	18,855,187	684,708	-	-	19,539,895
Service equipment	296,674	-	(32,751)	-	263,923
Security equipment	-	1,517	-	541,939	543,456
Buildings	12,090,147	171,655	-	27,291	12,289,093
Shop and garage equipment	1,680,851	15,107	-	-	1,695,958
Other equipment	6,426,710	150,474	(2,510,798)	(569,230)	3,497,156
Furniture and fixtures	847,588	3,854	(5,487)	-	845,955
Total capital assets being depreciated	40,197,157	1,027,315	(2,549,036)	-	38,675,436
Accumulated depreciation:					
Revenue equipment	11,363,293	1,358,744	-	-	12,722,037
Service equipment	264,289	10,977	(32,751)	-	242,515
Security equipment	-	7,495	-	508,089	515,584
Buildings	6,143,772	887,644	-	20,438	7,051,854
Shop and garage equipment	1,267,927	149,415	-	-	1,417,342
Other equipment	4,977,772	610,643	(2,510,798)	(528,527)	2,549,090
Furniture and fixtures	835,207	9,568	(5,487)	-	839,288
Total accumulated depreciation	24,852,260	3,034,486	(2,549,036)	-	25,337,710
Total capital assets being depreciated, net	15,344,897	(2,007,171)	-	-	13,337,726
Capital assets, net	\$ 17,978,604	\$ (2,007,171)	\$ -	\$ -	\$ 15,971,433

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

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	2009				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital assets not being depreciated, land	\$ 2,633,707	\$ -	\$ -	\$ -	\$ 2,633,707
Capital assets being depreciated:					
Revenue equipment	17,521,420	1,333,767	-	-	18,855,187
Service equipment	313,572	-	(16,898)	-	296,674
Buildings	10,892,236	47,919	(7,919)	1,157,911	12,090,147
Shop and garage equipment	1,572,417	107,101	-	1,333	1,680,851
Other equipment	7,166,913	430,739	(3,567)	(1,167,375)	6,426,710
Furniture and fixtures	833,548	5,909	-	8,131	847,588
Total capital assets being depreciated	38,300,106	1,925,435	(28,384)	-	40,197,157
Accumulated depreciation:					
Revenue equipment	9,320,817	2,042,476	-	-	11,363,293
Service equipment	267,749	13,438	(16,898)	-	264,289
Buildings	5,167,493	520,558	(1,408)	457,129	6,143,772
Shop and garage equipment	1,187,617	80,310	-	-	1,267,927
Other equipment	4,996,462	441,049	(2,610)	(457,129)	4,977,772
Furniture and fixtures	765,206	70,001	-	-	835,207
Total accumulated depreciation	21,705,344	3,167,832	(20,916)	-	24,852,260
Total capital assets being depreciated, net	16,594,762	(1,242,397)	(7,468)	-	15,344,897
Capital assets, net	\$ 19,228,469	\$ (1,242,397)	\$ (7,468)	\$ -	\$ 17,978,604

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

Notes to Basic Financial Statements

Note 4. Pension Plans

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

A summary of significant data for each of the pension plans follows:

Municipal Employees' Pension Plan: The Authority contributes to the Municipal Employees' Pension System (the Plan), a cost sharing multiple-employer defined benefit pension plan administered by the City of Tulsa, Oklahoma. The Plan was established by the City in accordance with the City Charter and state statutes and is reported in the City's Municipal Pension Trust Fund. Nonuniform, nonelected full-time employees of the Authority along with other employees of the City and certain related agencies participate in this plan immediately upon employment. Employees become 100 percent vested after five years of employment.

Pension provisions include death benefits for the surviving spouse. The Plan does not provide a monthly income for disabled participants; however, under certain conditions, employees who become disabled may be eligible to receive their full retirement at age 65 even though they were unable to work up to the retirement age.

The Authority to establish and amend requirements of plan members and the Plan is set forth in the City Charter and state statutes and is vested in the Plan's board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute 4.0 percent of their annual covered salary. The Authority is required to contribute at an actuarially determined rate; the rate was 6.3 percent for the years ended 2010, 2009 and 2008, respectively. The Authority's contributions to the Plan for fiscal years 2010, 2009 and 2008 were approximately \$111,000, \$117,000 and \$114,000, respectively, which equaled its required portion of the contributions for each year.

The Plan is reported as a Municipal Pension Trust Fund in the City's 2010 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone, financial report and is not included in the report of a public employee retirement system.

There are no investments in any one organization representing 5 percent or more of the Plan's net assets. There are no investments in loans to or leases with related parties to the Plan.

Union Employees' Pension Plan: The Authority has a pension plan (the Union Plan) covering substantially all of its union employees, which is a single-employer defined benefit pension plan. The Union Plan provides retirement, disability, death and termination benefits to plan members and beneficiaries. The Authority and Local 892 of the Amalgamated Transit Union (the Union) are parties to the Metropolitan Tulsa Transit Authority Union Employees' Pension Plan Agreement (the Agreement) dated July 1, 1975, as amended, and have the authority to establish and amend benefit provisions through renegotiation of the Agreement. The employer and employee contribution rates are determined by the Agreement. The employee contribution rates for fiscal years 2010 and 2009 were 4 percent and 4 percent, respectively. The employer contribution rates for fiscal years 2010 and 2009 were 9 percent and 7 percent, respectively.

The Union Plan does not issue a stand-alone, financial report and is not included in the report of a public employee retirement system or a report of another entity.

All full-time employees represented by the Union who have both completed one year of employment and attained age 21 are eligible to participate in the Union Plan. Participants become 100 percent vested after ten years of service.

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

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

The annual required contribution for the current year was determined as part of the July 1, 2009, actuarial valuation using the entry age normal cost method. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial liability is being amortized as a level percent of payroll over an open amortization period, which is currently 30 years.

Union Plan assets consist of fixed income funds, equity securities and short-term investments whose value is determined using market values. There are no investments in any organization representing 5 percent or more of the plan net assets. There are no investments in loans to or leases with related parties to the Union Plan. Actuarial valuation assumptions include the use of a 7.5 percent discount rate and a projected salary increase of 3.25 percent per year to retirement age.

	2010	2009
Annual required contribution (ARC)	\$ 377,831	\$ 259,756
Interest on net pension obligation	2,200	-
Adjustment to ARC	(1,622)	-
Annual pension cost	378,409	259,756
Contributions made	316,814	230,422
Increase in net pension obligation	61,595	29,334
Net pension obligation, July 1, 2009	29,334	-
Net pension obligation, July 1, 2010	<u>\$ 90,929</u>	<u>\$ 29,334</u>

The Authority's annual pension cost and net pension obligation is as follows:

Fiscal Year	Annual Required Pension Cost	Percentage Contributed	Net Pension Obligation
2010	\$ 378,409	83% *	\$ 90,929
2009	259,756	89 *	29,334
2008	183,332	100	-

* A portion of this amount was contributed with interest subsequent to June 30.

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

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Funded status and funding progress as of June 30, 2010: As of July 1, 2009, the most recent actuarial valuation date, the Union Plan was 83.4 percent funded. The actuarial value of assets was \$8,280,062 and the actuarial accrued liability was \$9,924,465 resulting in a total unfunded actuarial liability of \$1,644,403. The annual covered payroll (annual payroll of active employees covered by the plan) was \$3,520,150 and the ratio of the unfunded actuarial liability to annual covered payroll was 46.7 percent.

Funded status and funding progress as of June 30, 2009: As of July 1, 2008 actuarial valuation date, the Union Plan was 97.3 percent funded. The actuarial value of assets was \$9,182,320 and the actuarial accrued liability was \$9,438,789 resulting in a total unfunded actuarial liability of \$256,469. The annual covered payroll (annual payroll of active employees covered by the plan) was \$3,108,933 and the ratio of the unfunded actuarial liability to annual covered payroll was 8.2 percent.

The required schedule of funding progress presented immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 5. Commitments and Contingencies

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

The Authority is party to other legal proceedings which arise in the normal course of operations. Any liability resulting from these proceedings is not believed by management to have a material effect on the financial statements.

Note 6. Related-Party Transactions

During the years ended June 30, 2010 and 2009, the Authority received no advances from the City, although \$326,000 of prior advances was outstanding as of June 30, 2010 and 2009. In addition, the Authority owed the City \$2,237,232 and \$2,233,287 for grant reimbursements, which is reflected in due to the City of Tulsa as of June 30, 2010 and 2009, respectively. The Authority provided \$4,932 and \$624,695 of pass-through federal grants for fiscal years 2010 and 2009, respectively.

Note 7. Self-Insurance Liability

The Authority is self-insuring its liability for bodily injury and property damage losses incurred. Losses are limited by the Oklahoma Tort Claims Act. The act limits liability to \$125,000 per claimant bodily injuries and \$25,000 per claimant property damage with a maximum loss per occurrence of \$1,000,000. The Authority is also self-insuring its liability for workers' compensation losses incurred for the first \$350,000 per claim and any excess over \$3,000,000 per claim. Losses estimated to have been incurred and not paid as of the balance sheet date are accrued as a liability. These loss estimates are determined using the history of claims activity from prior years to predict losses which have been incurred but not reported to the Authority.

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

Notes to Basic Financial Statements

Note 7. Self-Insurance Liability (Continued)

The following is a summary of the self-insurance activity during the fiscal years ended June 30, 2010, 2009 and 2008, respectively:

	2010	2009	2008
Liability, beginning of year	\$ 301,405	\$ 239,938	\$ 390,000
Claims incurred:			
Auto/general	248,419	252,953	188,968
Workers' compensation	112,783	103,199	107,306
Claims paid	(377,019)	(294,685)	(446,336)
Liability, end of year	<u>\$ 285,588</u>	<u>\$ 301,405</u>	<u>\$ 239,938</u>

The accrued insurance claims liability as of June 30, 2010 and 2009, respectively, also includes a workers' compensation bonus accrual of \$39,562 and none, respectively, for union employees without any worker's compensation claims during the year.

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

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over- funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/2009	\$ 8,280,062	\$ 9,924,465	\$ 1,644,403	83.4%	\$ 3,520,150	46.7%
07/01/2008	9,182,320	9,438,789	256,469	97.3	3,108,933	8.2
07/01/2007	8,631,809	7,507,774	(1,124,035)	115.0	3,255,034	(34.5)

See Note to Required Supplementary Information.

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

Note to Required Supplementary Information

Valuation date	July 1, 2009
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Actuarial asset valuation method	Actuarial value of assets recognized 20 percent of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.25%
Inflation rate	3.0%
Cost-of-living adjustments	None

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

**Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010**

Federal Grantor/ Program Title	Project Number	CFDA #	Program or Award Amount
U.S Department of Transportation (Direct)			
	*	OK-03-0022-01	20.500 \$ 2,475,787
		OK-03-X024-02	20.507 4,296,800
		OK-03-X041-00	20.507 1,943,557
		OK-04-0006-00	20.500 245,000
		OK-37-X017-00	20.516 1,176,487
		OK-39-0001-00	20.522 137,600
		OK-90-X075-02	20.507 5,477,663
		OK-90-X079-02	20.507 5,311,801
		OK-90-X083-01	20.507 5,489,623
		OK-90-X087-00	20.507 5,764,000
		OK-90-X090-00	20.507 53,934
		OK-90-X093-00	20.507 551,162
		OK-90-X095-01	20.507 6,953,449
		OK-90-X100-01	20.507 6,465,926
		OK-95-X003-01	20.507 100,000
		ARRA - OK-96-X003-01	20.507 8,853,448
U.S. Department of Energy (Direct)		OK-13942-SSEP09	81.041 3,651,900
			<u>\$ 58,948,137</u>

* Includes \$4,848 of capital grant received by the Authority and passed through to the City of Tulsa.

Unexpended Balance at July 1, 2009	Grants Closed During Current Year	Grant Amendments/ During Awarded Current Year	Other Income and Matching	Current Year Expenditures (Federal and Local)	Unexpended Balance at July 1, 2010
\$ 22,185	\$ -	\$ -	\$ 986	\$ 4,848	\$ 18,323
103,875	-	-	-	-	103,875
1,652,569	-	-	136,942	684,708	1,104,803
114,120	-	-	-	-	114,120
490,200	490,200	-	980,408	1,470,608	-
-	-	137,600	-	79,514	58,086
583	583	-	146	729	-
57,721	57,721	-	14,430	72,151	-
69,519	69,519	-	19,127	88,646	-
488,465	-	-	18,050	90,249	416,266
53,934	53,934	-	13,484	67,418	-
551,162	551,162	-	1,102,324	1,653,486	-
4,496,949	-	-	1,300,326	5,309,159	488,116
-	-	6,465,926	747,019	2,886,476	4,326,469
-	-	100,000	24,144	120,718	3,426
-	-	8,853,448	-	104,940	8,748,508
-	-	3,651,900	-	-	3,651,900
<u>\$ 8,101,282</u>	<u>\$ 1,223,119</u>	<u>\$ 19,208,874</u>	<u>\$ 4,357,386</u>	<u>\$ 12,633,650</u>	<u>\$ 19,033,892</u>

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

Schedule of Operating Expenses, Excluding Depreciation
Year Ended June 30, 2010

Labor:

Operator salaries and wages	\$ 3,075,895
Transportation administration	286,272
System security	128,120
Safety and training administration	70,020
Maintenance administration	162,666
Maintenance and servicing, revenue vehicles	1,021,694
Service and development administration	120,687
General office administration	1,322,471
Total labor	<u>6,187,825</u>

Purchased transportation:

Lift program, ADA	2,799,033
Fixed route	204,000
Total purchased transportation	<u>3,003,033</u>

Materials and supplies consumed:

Diesel fuel	1,401,470
Gasoline service	54,430
Oil and lubricants	87,385
Tires and tubes	118,039
Shop and garage building repair	242,664
Service and shop equipment	55,424
Other shop and garage expense	59,536
Repair parts for revenue vehicles	1,057,619
Servicing supplies	30,110
Transportation and safety	7,270
Schedules	48,331
Tickets and transfers	45,906
General office expenses	83,362
Total materials and supplies consumed	<u>3,291,546</u>

(Continued)

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

Schedule of Operating Expenses, Excluding Depreciation (Continued)
Year Ended June 30, 2010

Fringes:

FICA taxes	549,398
Pension plan expenses	550,609
Health and dental expense	973,355
Life and disability insurance	35,943
Workers' compensation insurance (including self-insurance)	246,894
Sick leave	297,380
Holiday pay	174,783
Vacation pay	206,350
Uniform allowance - drivers	40,388
Work clothing and tool allowance, mechanics	24,201
Unemployment tax, state	70,716
Other	159,815
Total fringes	3,329,832

Services:

Legal fees	10,775
Audit and other outside services	77,502
Office equipment maintenance	16,921
Advertising	198,565
Professional and technical services	303,915
Staffing services for Lift and Fixed Route Programs	22,442
Call center services	88
Building and facility services	172,049
Security services	25,526
Total services	827,783

Insurance, property and liability insurance (including self-insurance)	342,527
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Utilities:

Heat, power and water	202,578
Communications	138,326
Total utilities	340,904

(Continued)

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

Schedule of Operating Expenses, Excluding Depreciation (Continued)
Year Ended June 30, 2010

Other:	
Planning expense	80,789
Dues and subscriptions	20,347
Travel and meetings, staff	9,264
Marketing and advertising	100,308
Trade advertising	31,405
Other miscellaneous expenses	67,788
Leases and rentals	13,347
Total other	<u>323,248</u>
Total operating expenses, excluding depreciation	<u><u>\$ 17,646,698</u></u>

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

Schedule of Projects Costs
Year Ended June 30, 2010

Total operating expenses:	
Labor	\$ 6,187,825
Purchased transportation	3,003,033
Materials and supplies consumed	3,291,546
Fringes	3,329,832
Services	827,783
Insurance	342,527
Utilities	340,904
Other	323,248
Total operating expenses, excluding depreciation	<u>17,646,698</u>
Depreciation	<u>3,034,486</u>
Total operating expenses	<u>20,681,184</u>
Less exclusions:	
Ineligible expenses:	
Depreciation	3,034,486
Contra-expense, interest earned on working capital	(2,391)
Other exclusions, expenses reimbursable by:	
Planning assistance, FTA	1,548,533
Revolving transit funds, Oklahoma	983,250
CMAQ operating assistance, FTA	87,433
Preventative maintenance assistance, FTA	3,301,696
Lift program assistance, FTA	1,442,666
Job access assistance, FTA	1,026,362
Lease assistance, FTA	109,800
Total exclusions	<u>11,531,835</u>
Eligible operating expenses	<u>9,149,349</u>
Less:	
Passenger farebox revenues	2,399,887
Contract services and other	27,330
	<u>2,427,217</u>
Net eligible project cost	<u>6,722,132</u>
Less local share of operating assistance:	
City of Tulsa	5,748,000
Advertising revenues	571,692
Other	278,821
	<u>6,598,513</u>
Net revenues before applying FTA operating funds	<u>\$ 123,619</u>