

TULSA AUTHORITY FOR RECOVERY OF ENERGY

(A Component Unit of the City of Tulsa, Oklahoma)

FINANCIAL REPORT

June 30, 2010 and 2009

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
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Independent Auditor's Report

Board of Trustees
Tulsa Authority for Recovery of Energy
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of the Tulsa Authority for Recovery of Energy (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 18, 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 the 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 its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 2 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

McGladrey & Pullen, LLP

Kansas City, Missouri
December 9, 2010

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

As management of the Tulsa Authority for Recovery of Energy (the "Authority"), a component unit of the City of Tulsa, Oklahoma (the "City"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 6. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the current year by \$18,089. Of this amount, \$3,193 is invested in capital assets and \$14,896 is unrestricted and may be used to meet the Authority's ongoing obligations. The assets of the Authority exceeded its liabilities at the close of 2009 by \$16,504.
- During 2010, the Authority's net assets increased \$1,585 to \$18,089. During 2009, the Authority's net assets decreased \$1,199.
- The Authority's operating revenues decreased to \$21,526 in 2010 from \$21,565 in 2009, a 0.2% decrease. In 2009, the Authority's operating revenues increased from \$20,437 to \$21,565, a 5.5% increase.

Overview of the Financial Statements

The Authority, a legally separate public trust, is reported by the City as a discretely presented component unit in the City's Comprehensive Annual Financial Report. The primary function of the Authority is to provide a system of collection, transportation, and disposal of solid waste within and for the City.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include: 1) Statements of Net Assets, 2) Statements of Revenues, Expenses, and Changes in Net Assets, 3) Statements of Cash Flows and 4) Notes to the Financial Statements.

Required Financial Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets 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 its costs through its user fees and other charges, profitability, and credit worthiness. 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 operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the period.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2010 and 2009

Net Assets

The Authority's net assets increased \$1,585 or 9.6% to \$18,089 at June 30, 2010. The following table provides a summary of net assets:

SUMMARY OF NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 16,771	\$ 16,408	\$ 17,832
Capital assets, net	<u>3,193</u>	<u>2,210</u>	<u>1,590</u>
Total assets	<u>19,964</u>	<u>18,618</u>	<u>19,422</u>
Current liabilities	1,270	1,516	1,387
Noncurrent liabilities	<u>605</u>	<u>598</u>	<u>332</u>
Total liabilities	<u>1,875</u>	<u>2,114</u>	<u>1,719</u>
Invested in capital assets	3,193	2,148	1,590
Unrestricted	<u>14,896</u>	<u>14,356</u>	<u>16,113</u>
Total net assets	<u>\$ 18,089</u>	<u>\$ 16,504</u>	<u>\$ 17,703</u>

In 2010, current assets increased \$363 related to increases in cash and refuse services receivable, \$95 and \$332, respectively, and a decline in interest receivable of \$64.

In 2010, current liabilities decreased \$246, the result of a \$191 decrease in accounts payables for the purchases of other services for non-capital expenditures, a decrease of \$70 in vested compensated absences and an increase in refuse collection payable of \$15.

In 2009, current assets decreased \$1,424. Reductions in accounts receivable from other government related to amounts spent for the 2008 winter storm cleanup and interest receivable of \$3,513 and \$22, respectively, were offset by increases in cash and net refuse services receivable \$1,993 and \$118.

In 2009, current liabilities increased \$129. The increase was the result of \$146 increase in accounts payables, increase of \$18 in current vested compensated absences and a decrease in refuse collection payables of \$38.

Noncurrent liabilities increased \$7 and \$266 in 2010 and 2009, respectively. The 2010 net increase is the result of a \$59 increase in net pension obligation ("NPO"), a \$33 increase in the liability for other post employment benefits ("OPEB") and an \$85 decrease in vested compensated absences ("VCA"). The 2009 increase was the result of increases in OPEB and VCA of \$155 and \$129, respectively.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2010 and 2009

SUMMARY OF CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 21,526	\$ 21,565	\$ 20,437
Investment income	363	566	628
Other income	<u>25</u>	<u>43</u>	<u>11,252</u>
Total revenues	<u>21,914</u>	<u>22,174</u>	<u>32,317</u>
Depreciation expense	319	394	404
Other operating expense	<u>20,010</u>	<u>22,979</u>	<u>32,886</u>
Total expenses	<u>20,329</u>	<u>23,373</u>	<u>33,290</u>
Change in net assets	1,585	(1,199)	(973)
Net assets, beginning of year	<u>16,504</u>	<u>17,703</u>	<u>18,676</u>
Net assets, end of year	<u>\$ 18,089</u>	<u>\$ 16,504</u>	<u>\$ 17,703</u>

In 2010, revenues decreased 1.2% and expenses decreased 13.0% resulting in an increase in net assets of 9.6%.

In 2010, operating revenues decreased \$39 or 0.2%. In 2009, operating revenues increased \$1,128 or 5.5%.

Investment income in 2010 declined \$203 as the result of a decrease in interest rates.

Other income decreased \$18 or 41.9% in 2010. In 2009 other income included grant revenue related to the winter storm cleanup.

Total expenses decreased \$3,044 or 13.0% in 2010. Other operating expenses decreased \$2,969. This was the result of decreases in other operating costs, personnel costs and refuse collection expense of \$1,812, \$843 and \$314, respectively. Beginning in November 2009, refuse was delivered to the trash to energy plant reducing the land fill dumping fees \$754.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2010 and 2009

Capital Assets

The Authority's investment in capital assets as of June 30, 2010 was \$3,193 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. Capital asset acquisitions during the year totaled \$1,309.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Buildings	\$ 702	\$ 702	\$ 702
Equipment	<u>7,461</u>	<u>6,468</u>	<u>5,631</u>
	8,163	7,170	6,333
Less accumulated depreciation	<u>(4,970)</u>	<u>(4,960)</u>	<u>(4,743)</u>
Capital assets, net	<u>\$ 3,193</u>	<u>\$ 2,210</u>	<u>\$ 1,590</u>

Economic factors and next year's budget and rates

At the national level, unemployment remains above 9 percent. Unemployment in the City of Tulsa was 7.7 percent at the end of 2010. The Authority's finances have been relatively unaffected by this economic downturn as evidenced by its relatively consistent accounts receivable collection rates.

In setting its 2011 operating budget, the Authority considered many factors which impact the Authority's operations and delivery of services. The 2011 budget was increased approximately 3 percent and fees for refuse collection were held constant.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tulsa, Office of the Controller, 175 E. Second Street, Tulsa, Oklahoma 74103.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
	(In Thousands)	
Current assets:		
Cash and cash equivalents	\$ 13,947	\$ 13,852
Refuse services receivable, net	2,800	2,468
Interest receivable	24	88
Total current assets	<u>16,771</u>	<u>16,408</u>
Depreciable capital assets, net	<u>3,193</u>	<u>2,210</u>
Total assets	<u>19,964</u>	<u>18,618</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Refuse collection services payable	790	775
Accounts payable	361	552
Vested compensated absences	119	189
Total current liabilities	<u>1,270</u>	<u>1,516</u>
Noncurrent liabilities:		
Vested compensated absences	207	292
Other postemployment benefits	327	294
Net pension obligation	59	-
Deposit payable	12	12
Total noncurrent liabilities	<u>605</u>	<u>598</u>
Total liabilities	<u>1,875</u>	<u>2,114</u>
 <u>NET ASSETS</u>		
Invested in capital assets	3,193	2,148
Unrestricted	<u>14,896</u>	<u>14,356</u>
Total net assets	<u>\$ 18,089</u>	<u>\$ 16,504</u>

The accompanying notes are an integral part of these financial statements.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(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>
	<u>(In Thousands)</u>	
Operating revenues:		
Refuse services	\$ 21,526	\$ 21,565
Operating expenses:		
Refuse collection	8,548	8,862
Salaries and wages	3,147	3,990
Other operating expenses	8,315	10,127
Depreciation	319	394
	<u>20,329</u>	<u>23,373</u>
Operating income (loss)	<u>1,197</u>	<u>(1,808)</u>
Nonoperating revenue (expense):		
Investment income	363	566
Grant revenue	-	20
Other income	3	24
Gain (loss) on disposal of assets	22	(1)
	<u>388</u>	<u>609</u>
Change in net assets	1,585	(1,199)
Net assets, beginning of year	<u>16,504</u>	<u>17,703</u>
Net assets, end of year	<u>\$ 18,089</u>	<u>\$ 16,504</u>

The accompanying notes are an integral part of these financial statements.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
	<u>(In Thousands)</u>	
Cash flows from operating activities:		
Received from customers	\$ 21,194	\$ 21,449
Payments to suppliers for goods and services	(15,291)	(17,256)
Payments to employees for services	(3,210)	(3,706)
Payments for quasi-external operating transactions, including payments in lieu of taxes	<u>(1,687)</u>	<u>(1,684)</u>
Net cash provided by (used in) operating activities	<u>1,006</u>	<u>(1,197)</u>
Cash flows from noncapital financing activities:		
FEMA grant receipts	-	3,533
Other noncapital financing receipts	<u>3</u>	<u>24</u>
Net cash provided by noncapital financing activities	<u>3</u>	<u>3,557</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,370)	(957)
Proceeds from sale of capital assets	<u>29</u>	<u>2</u>
Net cash used for capital and related financing activities	<u>(1,341)</u>	<u>(955)</u>
Cash flows provided by investing activities:		
Interest received	<u>427</u>	<u>588</u>
Net change in cash and cash equivalents	95	1,993
Cash and cash equivalents, beginning of year	<u>13,852</u>	<u>11,859</u>
Cash and cash equivalents, end of year	<u>\$ 13,947</u>	<u>\$ 13,852</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 1,197	\$ (1,808)
Adjustments:		
Depreciation	319	394
Increase in receivables	(332)	(117)
(Decrease) increase in accounts payable	(115)	50
Increase in other post-employment benefits	33	155
Increase in net pension obligation	59	-
(Decrease) increase in compensated absences	<u>(155)</u>	<u>129</u>
Net cash provided by (used) in operating activities	<u>\$ 1,006</u>	<u>\$ (1,197)</u>
Supplemental cash flow information:		
Capital asset acquisitions included in accounts payable	<u>\$ (61)</u>	<u>\$ 61</u>

The accompanying notes are an integral part of these financial statements.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

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

NATURE OF BUSINESS AND REPORTING ENTITY – The Tulsa Authority for Recovery of Energy (the “Authority”) was created on November 11, 1977, for the benefit of the City of Tulsa (the “City”), to provide for the collection, removal, transportation, and disposal of solid waste within and for the City. Trustees for the Authority include the Mayor of the City and six individuals appointed by the Mayor and confirmed by the City Council. The Authority is included as a component unit in the City’s comprehensive annual financial report.

BASIS OF ACCOUNTING – 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. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. 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. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. All amounts unless otherwise noted, are expressed in thousands.

CASH AND CASH EQUIVALENTS – For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased and any cash held by the City of Tulsa’s internal pool to be cash equivalents.

REFUSE SERVICES RECEIVABLE – Consists of amounts receivable from customers within and around the Tulsa metropolitan area for residential municipal waste collection and disposal and commercial municipal solid waste disposal. Refuse services receivables include an amount for unbilled revenue of approximately \$1,099 and \$1,088 at June 30, 2010 and 2009, respectively, for services provided but not billed to customers at year end.

The Authority recorded an allowance for uncollectible accounts against refuse services receivable of approximately \$89 and \$77 as of June 30, 2010 and 2009, respectively.

CAPITAL ASSETS – Capital assets purchased or acquired, with an initial cost of \$5,000 or more, are carried at historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets sold or disposed have their cost and related accumulated

TULSA AUTHORITY FOR RECOVERY OF ENERGY

(A Component Unit of the City of Tulsa, Oklahoma)

NOTES TO BASIC FINANCIAL STATEMENTS, continued

Years Ended June 30, 2010 and 2009

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

CAPITAL ASSETS, continued

depreciation removed from the records. Any gain or loss is recorded as non-operating income in the period of sale or disposal.

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

Buildings	20 years
Equipment	5-20 years

REFUSE COLLECTION – Refuse collection and curbside recycling collection expenses for residential customers is determined on the basis of a “headcount” (i.e., the number of customers) by type of service as of the tenth day of each month. This procedure is in accordance with the terms and conditions of the contract between the Authority and Tulsa Refuse, Inc. for refuse collection and between the Authority and Red River Service Corporation, DBA RR Waste Solutions for recycling collections.

INCOME TAXES – As a political subdivision, the Authority is exempt from federal income taxes under Section 115(1) of the Internal Revenue Code.

VESTED COMPENSATED ABSENCES – Vacation leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 14 to 26 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount that may be earned in one calendar year. Accumulated vacation leave vests and the Authority is obligated to make payment even if the employee terminates. The amount of unpaid vacation is charged to expense currently and a corresponding liability established.

	<u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>2010</u>	<u>Due in one year</u>
Compensated absences	481	326	481	326	\$ 119

	<u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>2009</u>	<u>Due in one year</u>
Compensated absences	352	481	352	481	\$ 189

OTHER POST EMPLOYMENT BENEFITS (OPEB) – Other post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, whereas other benefits, including post-employment healthcare and other OPEB, are taken after the employees’ services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Authority accounts for annual OPEB costs on an accrual basis, charging expenses in the period incurred with a corresponding liability for benefits to be paid in future periods.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS, continued
Years Ended June 30, 2010 and 2009

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 definition of invested capital assets, net of related debt or restricted.

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.

2. CASH DEPOSITS AND INVESTMENTS

Cash deposits of the Authority are maintained within the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2010 and 2009, the pooled cash and investments amounted to \$13,947 and \$13,852, respectively. The amounts pooled with the City at June 30, 2010 and 2009, were represented by investments which were insured or registered or securities held by the City or its agent in the City's name.

The Authority follows the provisions of GASB Statement No. 31, "Certain Investments and External Investment Pools," which requires governmental entities to report investments at fair value in the statement of net assets. An increase in fair value of \$55 is recognized and reported as an addition in investment income for the year ended June 30, 2010. For the year ended June 30, 2009, the Authority experienced an increase in fair value of \$152, which also is recognized and reported in investment income of the respective year.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS, continued
Years Ended June 30, 2010 and 2009

3. CAPITAL ASSETS

The change in capital assets for the years ended June 30, 2010 and 2009 is summarized as follows:

2010:	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Buildings	\$ 702	\$ -	\$ -	\$ 702
Equipment	6,468	1,309	316	7,461
	<u>7,170</u>	<u>1,309</u>	<u>316</u>	<u>8,163</u>
Less accumulated depreciation:				
Buildings	(644)	(2)	-	(646)
Equipment	(4,316)	(317)	(309)	(4,324)
Total accumulated depreciation	<u>(4,960)</u>	<u>(319)</u>	<u>(309)</u>	<u>(4,970)</u>
Capital assets, net	<u>\$ 2,210</u>	<u>\$ 990</u>	<u>\$ 7</u>	<u>\$ 3,193</u>
2009:	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Buildings	\$ 702	\$ -	\$ -	\$ 702
Equipment	5,631	1,020	183	6,468
	<u>6,333</u>	<u>1,020</u>	<u>183</u>	<u>7,170</u>
Less accumulated depreciation:				
Buildings	(642)	(2)	-	(644)
Equipment	(4,101)	(392)	(177)	(4,316)
Total accumulated depreciation	<u>(4,743)</u>	<u>(394)</u>	<u>(177)</u>	<u>(4,960)</u>
Capital assets, net	<u>\$ 1,590</u>	<u>\$ 626</u>	<u>\$ 6</u>	<u>\$ 2,210</u>

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS, continued
Years Ended June 30, 2010 and 2009

4. MUNICIPAL EMPLOYEES' PENSION FUND

The Authority contributes to the Municipal Employees Retirement Plan (the "Plan"), a cost sharing multiple employer defined benefit pension plan administered by the City of Tulsa, Oklahoma. The pension plan was established by the City in accordance with the City Charter and State Statutes, and is reported in the City's Pension Trust Fund. Non-uniform, non-elected full-time employees of the Authority along with other employees of the City of Tulsa and certain related agencies are eligible to participate in the plan on the first day of month which coincides with, or next following, their first day of employment. Employees become 100% 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 ability to establish and amend requirements of plan members and the Authority 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% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. The rate was 8.99%, 6.3% and 6.3% for the years ended 2010, 2009 and 2008, respectively. The Authority's contributions to the plan for 2010, 2009 and 2008, were \$84, \$94 and \$170, respectively, which equaled 73%, 100% and 100% of the annual required contributions for each year. The difference between the required contributions to the Plan and the actual contributions made by the Authority was \$59 and zero as of June 30, 2010 and 2009, respectively.

The plan is reported as a 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 or a report of another entity.

5. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS, continued
Years Ended June 30, 2010 and 2009

5. OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

The actuarial valuation of liabilities under plan is calculated using the entry age normal cost method as of the July 1, 2009 and 2008 actuarial valuations. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$33,852 and \$33,036 for the City as of June 30, 2010 and 2009, respectively. The Authority's portion of the unfunded actuarial accrued liability is not separately determinable.

The City's actuarial determined annual required contribution (ARC) for fiscal years ending June 30, 2010 and 2009 were \$3,239 and \$3,071, respectively, of which \$522 and \$284 was paid on a pay-as-you-go basis in 2010 and 2009 respectively. The Authority was allocated \$327 and \$294 of the net OPEB obligation for the fiscal year ending June 30, 2010 and 2009, which has been reflected in the financial statements. The amount allocated to the Authority is based on the percentage of the Authority's payroll cost compared to the total payroll cost of the active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

6. RISK MANAGEMENT

The Authority participates in the City's insurance programs through payment for services. The City retains all risk of loss. Significant losses are covered by commercial insurance for all major programs except workers' compensation, for which the City retains all risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

7. RELATED PARTY TRANSACTIONS

During the years ended, the Authority conducted the following transactions with related parties:

	<u>2010</u>	<u>2009</u>
Payments in lieu of taxes to City of Tulsa	\$ 1,583	\$ 1,591
Insurance and indirect cost reimbursement to City of Tulsa	\$ 727	\$ 729
Refuse service revenue from City of Tulsa	\$ 203	\$ 207
Charges for maintenance of equipment paid to City of Tulsa	\$ 763	\$ 1,019
Rent paid to Tulsa Public Facilities Authority	\$ 104	\$ 104