

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Accountants' Reports and Financial Statements
June 30, 2009 and 2008



Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
June 30, 2009 and 2008

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information	1	
Management's Discussion and Analysis	3	
Financial Statements		
Balance Sheets.....	6	
Statements of Revenues, Expenses and Changes in Net Assets.....	7	
Statements of Cash Flows	8	
Notes to Financial Statements	9	
Required Supplementary Information		
Union Employees' Pension Plan	18	
Supplementary Information		
Supplemental Schedule of Expenditures of Federal Awards (Year Ended June 30, 2009)	20	
Supplemental Schedule of Operating Expenses, Excluding Depreciation and Gain on Sale of Capital Assets (Year Ended June 30, 2009).....	21	
Supplemental Schedule of Project Costs (Year Ended June 30, 2009)	23	
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>.....		24
Schedule of Findings and Responses.....	26	

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Metropolitan Tulsa Transit Authority
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of Metropolitan Tulsa Transit Authority (the Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2009 and 2008, 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Tulsa Transit Authority as of June 30, 2009 and 2008, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and pension information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Board of Trustees
Metropolitan Tulsa Transit Authority
Page 2

Our 2009 audit was conducted for the purpose of forming an opinion on the Authority's 2009 basic financial statements. 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 2009 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2009 basic financial statements taken as a whole.

BKD LLP

December 2, 2009

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

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, 2009 and 2008. 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 6. 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 \$18,080 (net assets).
- The Authority's total net assets decreased by approximately \$1,462.
- The Authority's total liabilities increased by approximately \$722.
- 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 ensure and 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, 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.

Net Assets

The Authority's net assets decreased approximately \$1,462 for fiscal year ended June 30, 2009. The decrease is primarily caused by depreciation of capital assets exceeding capital outlay.

Net Assets (in thousands of dollars)

	2009	2008	2007
Assets			
Current and other assets	\$ 4,826	\$ 4,317	\$ 2,710
Capital assets, net	17,979	19,228	21,297
Total assets	<u>\$ 22,805</u>	<u>\$ 23,545</u>	<u>\$ 24,007</u>
Liabilities			
Current and other liabilities	\$ 4,399	\$ 3,677	\$ 1,946
Long-term liabilities	326	326	326
Total liabilities	<u>4,725</u>	<u>4,003</u>	<u>2,272</u>
Net Assets			
Invested in capital assets, net of related debt	17,979	19,228	21,200
Restricted for other purposes	494	435	513
Unrestricted (deficit)	<u>(393)</u>	<u>(121)</u>	<u>22</u>
Total net assets	<u>18,080</u>	<u>19,542</u>	<u>21,735</u>
Total liabilities and net assets	<u>\$ 22,805</u>	<u>\$ 23,545</u>	<u>\$ 24,007</u>

Change in Net Assets

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% increase in operating revenues; in addition, revenues from advertising sales increased. With regard to operating expenses, fuel costs decreased 25% while employee fringe benefits increased by 13% and services increased 24% from projected levels. Lift Program costs and ridership were consistent with prior year.

Changes in Net Assets
(in thousands of dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 3,140	\$ 3,058	\$ 2,878
Operating expenses	<u>21,117</u>	<u>20,840</u>	<u>19,291</u>
Operating loss	(17,977)	(17,782)	(16,413)
Nonoperating revenue, capital grants and capital appropriations	<u>16,515</u>	<u>15,589</u>	<u>16,038</u>
Decrease in net assets	<u><u>\$ (1,462)</u></u>	<u><u>\$ (2,193)</u></u>	<u><u>\$ (375)</u></u>

Capital Assets

The Authority's investment in capital assets as of June 30, 2009, amounts to approximately \$17,979 (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)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue equipment	\$ 18,855	\$ 17,521	\$ 17,440
Service equipment	297	314	324
Buildings	12,090	10,892	10,808
Shop and garage equipment	1,681	1,572	1,521
Other equipment	6,427	7,167	6,998
Furniture and fixtures	847	833	825
Land	<u>2,634</u>	<u>2,634</u>	<u>2,634</u>
	42,831	40,933	40,550
Less accumulated depreciation	<u>(24,852)</u>	<u>(21,705)</u>	<u>(19,254)</u>
Net capital assets	<u><u>\$ 17,979</u></u>	<u><u>\$ 19,228</u></u>	<u><u>\$ 21,296</u></u>

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, 2009 and 2008

Assets

	2009	2008
Current Assets		
Cash and cash equivalents	\$ 794,088	\$ 790,315
Restricted cash	505,449	409,726
Total cash	1,299,537	1,200,041
Accounts receivable		
Trade	119,952	109,778
Operating and capital grants	2,725,191	2,195,625
Inventories, net of allowance for obsolescence; 2008 - \$62,673	648,976	778,528
Prepaid expenses and other	32,823	32,145
Total current assets	4,826,479	4,316,117
Capital Assets, at Cost		
Revenue equipment	18,855,187	17,521,420
Service equipment	296,674	313,572
Buildings	12,090,147	10,892,236
Shop and garage equipment	1,680,851	1,572,417
Other equipment	6,426,710	7,166,913
Furniture and fixtures	847,588	833,548
Land	2,633,707	2,633,707
	42,830,864	40,933,813
Less accumulated depreciation	24,852,260	21,705,344
	17,978,604	19,228,469
Total assets	\$ 22,805,083	\$ 23,544,586

Liabilities

	<u>2009</u>	<u>2008</u>
Current Liabilities		
Accounts payable		
Trade	\$ 677,154	\$ 912,703
Other	51,053	48,297
Accrued wages payable	330,573	279,489
Accrued compensated absences	668,515	570,149
Accrued insurance claims	301,405	239,938
Accrued pension contributions	117,122	-
Due to the City of Tulsa	2,233,287	1,608,592
Deferred revenue	19,500	17,610
	<u>4,398,609</u>	<u>3,676,778</u>
Advances Payable to the City of Tulsa	<u>326,000</u>	<u>326,000</u>
Total liabilities	<u>4,724,609</u>	<u>4,002,778</u>
Net Assets		
Invested in capital assets, net of related debt	17,978,604	19,228,469
Restricted – expendable for capital acquisitions	495,161	435,348
Unrestricted – deficit	(393,291)	(122,009)
	<u>18,080,474</u>	<u>19,541,808</u>
Total liabilities and net assets	<u>\$ 22,805,083</u>	<u>\$ 23,544,586</u>

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Passenger	\$ 2,541,088	\$ 2,462,804
Advertising	560,333	560,681
Other	38,418	34,626
	<u>3,139,839</u>	<u>3,058,111</u>
Operating Expenses		
Labor	6,237,630	6,214,072
Purchased transportation	3,601,132	3,607,728
Materials and supplies consumed	3,356,321	3,572,751
Fringes	2,778,097	2,448,095
Services	943,157	759,338
Insurance	276,864	265,531
Utilities	365,127	359,052
Depreciation	3,126,855	3,049,525
Gain on disposal of capital assets	(6,124)	(7,488)
Other	437,926	571,777
	<u>21,116,985</u>	<u>20,840,381</u>
Operating Loss	<u>(17,977,146)</u>	<u>(17,782,270)</u>
Nonoperating Revenues (Expenses)		
Federal Transit Administration operating grants	4,947,177	5,638,586
State of Oklahoma operating grants	1,109,246	1,092,689
City of Tulsa operating appropriations	8,325,000	7,588,000
Pass-through of federal grants to the City of Tulsa	(624,695)	(1,608,592)
Interest	20,857	25,280
Other	256,601	297,418
	<u>14,034,186</u>	<u>13,033,381</u>
Deficiency of Revenues Over Expenses Before Capital Appropriations and Capital Grants	(3,942,960)	(4,748,889)
Capital grants – Federal Transit Administration	2,095,129	2,125,402
Capital appropriations – City of Tulsa	386,497	430,563
	<u>1,461,334</u>	<u>(2,192,924)</u>
Change in Net Assets	(1,461,334)	(2,192,924)
Net Assets, Beginning of Year	<u>19,541,808</u>	<u>21,734,732</u>
Net Assets, End of Year	<u>\$ 18,080,474</u>	<u>\$ 19,541,808</u>

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Operating Activities		
Cash received from customers	\$ 3,129,665	\$ 3,078,065
Cash payments to suppliers for goods and services	(8,377,037)	(7,389,119)
Cash payments to employees	(8,749,155)	(8,648,630)
Net cash used in operating activities	(13,996,527)	(12,959,684)
Noncapital Financing Activities		
Operating grants received from Federal Transit Administration	5,394,595	5,145,706
Operating appropriations received from the City of Tulsa	8,325,000	7,588,000
Operating grants received from the state of Oklahoma	1,109,246	1,092,689
Other operating assistance received	204,123	253,500
Outstanding checks in excess of cash balance	(21,247)	21,247
Net cash provided by noncapital financing activities	15,011,717	14,101,142
Capital and Related Financing Activities		
Capital expenditures	(1,876,990)	(982,289)
Capital contributions from Federal Transit Administration	1,172,513	1,108,156
Pass-through of capital grants to the City of Tulsa	(624,695)	(1,608,592)
Capital contributions from the City of Tulsa	386,497	430,563
Principal payments on note payable to bank	-	(96,956)
Proceeds from sale of capital assets	6,124	-
Net cash used in capital and related financing activities	(936,551)	(1,149,118)
Investing Activities		
Interest earned	20,857	25,280
Net cash provided by investing activities	20,857	25,280
Increase in Cash and Cash Equivalents	99,496	17,620
Cash and Cash Equivalents, Beginning of Year	1,200,041	1,182,421
Cash and Cash Equivalents, End of Year	\$ 1,299,537	\$ 1,200,041

	<u>2009</u>	<u>2008</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (17,977,146)	\$ (17,782,270)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	3,126,855	3,049,525
Gain on disposal of capital assets	(6,124)	(7,488)
Decrease (increase) in accounts receivable	(10,174)	19,953
Decrease (increase) in inventories	129,552	(113,718)
Decrease (increase) in prepaid expenses	(678)	24,552
Increase (decrease) in accounts payable	(211,546)	377,695
Increase (decrease) in accrued liabilities	328,039	(136,525)
Increase in due to the City of Tulsa	624,695	1,608,592
	<u>624,695</u>	<u>1,608,592</u>
Net cash used in operating activities	<u>\$ (13,996,527)</u>	<u>\$ (12,959,684)</u>

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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. 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.

Summary of Significant Accounting Policies

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.

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 Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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, 2009 and 2008, cash equivalents consisted primarily of certificates of deposit and money market accounts.

Inventories

The parts and fuel inventories are stated at the lower of cost or market with cost being determined on a first-in, first-out basis.

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

Capital Assets

Capital assets are stated at cost. Depreciation of capital assets is based on the estimated useful lives of the respective assets using the remaining life method:

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 statement of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

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.

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction 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

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.

At June 30, 2009 and 2008, respectively, \$13,818 and \$220,845 of the Authority's bank balances of \$519,654 and \$587,790 were uninsured and uncollateralized.

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

Investments

The Authority does not have a formal investment policy; however, state statutes govern the types of permissible investments that can be held by the Authority.

At June 30, 2009 and 2008, the Authority had the following investments and maturities:

Type	2009		2008	
	Fair Value	Maturity in Years	Fair Value	Maturity in Years
Certificates of deposit	\$ 231,214	<1	\$ -	
Money market mutual fund	<u>-</u>		<u>752,601</u>	<1
	<u>\$ 231,214</u>		<u>\$ 752,601</u>	

Interest Rate Risk – The certificates of deposit and money market mutual fund are presented as investments with a maturity of less than one year because the funds are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The money market mutual fund was rated AAAM by Standards & Poor’s and Aaa by Moody’s Investors Service.

Concentration of Credit Risk – The Authority has no policy on concentration of credit risk.

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

Note 3: Capital Assets

The changes in capital assets for the years ended June 30, 2009 and 2008, were:

	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	<u>38,300,106</u>	<u>1,925,435</u>	<u>(28,384)</u>	<u>-</u>	<u>40,197,157</u>
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	<u>21,705,344</u>	<u>3,167,832</u>	<u>(20,916)</u>	<u>-</u>	<u>24,852,260</u>
Total capital assets being depreciated, net	<u>16,594,762</u>	<u>(1,242,397)</u>	<u>(7,468)</u>	<u>-</u>	<u>15,344,897</u>
Capital assets, net	<u>\$ 19,228,469</u>	<u>\$ (1,242,397)</u>	<u>\$ (7,468)</u>	<u>\$ -</u>	<u>\$ 17,978,604</u>

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

	2008				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	17,439,843	256,469	(150,165)	(24,727)	17,521,420
Service equipment	324,337	42,142	(34,962)	(17,945)	313,572
Buildings	10,808,489	68,239	(8,780)	24,288	10,892,236
Shop and garage equipment	1,521,336	153,159	(144,750)	42,672	1,572,417
Other equipment	6,998,059	461,497	(231,421)	(61,222)	7,166,913
Furniture and fixtures	824,671	1,582	(29,639)	36,934	833,548
Total capital assets being depreciated	<u>37,916,735</u>	<u>983,088</u>	<u>(599,717)</u>	<u>-</u>	<u>38,300,106</u>
Accumulated depreciation					
Revenue equipment	7,780,124	1,715,585	(150,165)	(24,727)	9,320,817
Service equipment	301,855	16,811	(32,972)	(17,945)	267,749
Buildings	4,745,522	409,674	(8,780)	21,077	5,167,493
Shop and garage equipment	1,198,900	90,795	(144,750)	42,672	1,187,617
Other equipment	4,487,354	793,785	(231,422)	(53,255)	4,996,462
Furniture and fixtures	739,791	22,875	(29,638)	32,178	765,206
Total accumulated depreciation	<u>19,253,546</u>	<u>3,049,525</u>	<u>(597,727)</u>	<u>-</u>	<u>21,705,344</u>
Total capital assets being depreciated, net	<u>18,663,189</u>	<u>(2,066,437)</u>	<u>(1,990)</u>	<u>-</u>	<u>16,594,762</u>
Capital assets, net	<u>\$ 21,296,896</u>	<u>\$ (2,066,437)</u>	<u>\$ (1,990)</u>	<u>\$ -</u>	<u>\$ 19,228,469</u>

Note 4: Note Payable to Bank

During the year ended June 30, 2003, the Authority entered into a note payable to a bank to finance certain capital assets. The note matured and was paid in full during the year ended June 30, 2008.

Note 5: Pension Plans

Each qualified Authority employee is included in one of two pension plans. Each plan is administered by a separate board of trustees and the assets are held in custody by certain banks.

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

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% 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% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate; the rate was 6.3% for the years ended 2009 and 2008, respectively. The Authority's contributions to the Plan for 2009 and 2008 were approximately \$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 2009 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.

There are no investments in any one organization representing 5% 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.

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% vested after ten years of service.

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

The annual required contribution for the current year was determined as part of the July 1, 2008, 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 three-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. Actuarial valuation assumptions include the use of a 7.5% discount rate and a projected salary increase of 3.25% per year to retirement age. Information regarding contributions by the Authority and employees for the years ended June 30, 2009 and 2008, is presented below:

	2009	2008
Covered payroll	\$ 3,292,444	\$ 3,106,601
Total payroll	\$ 4,984,703	\$ 5,007,867
Actuarially determined contribution	\$ 362,169	\$ 277,252
Employee contribution percent	4.0%	3.0%
Employee contribution	\$ 131,698	\$ 93,920
Employer contribution percent	7.0%	5.9%
Employer contribution	\$ 230,471	\$ 183,332

The information provided related to the Union Plan is based on a standardized measure established by General Accounting Standards Board Statement No. 25 (GASB 25). This information has been presented for three years as required by GASB 25.

Fiscal Year	Annual Required Employer Contribution	Percentage Contributed
2009	\$ 230,471	100%**
2008	\$ 183,332	100%
2007	\$ 151,479	100%

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

There are no investments in any organization representing 5% or more of the plan net assets. There are no investments in loans to or leases with related parties to the Union Plan.

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Notes to Financial Statements
June 30, 2009 and 2008

Note 6: 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 7: Related-Party Transactions

During the years ended June 30, 2009 and 2008, the Authority received no advances from the City, although \$326,000 of prior advances was outstanding as of June 30, 2009 and 2008. In addition, the Authority owed the City \$2,233,287 and \$1,608,592 for grant reimbursements, which is reflected in due to the City of Tulsa at June 30, 2009 and 2008, respectively.

Note 8: 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.

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

	2009	2008
	<hr/>	<hr/>
Liability at beginning of year	\$ 239,938	\$ 390,000
Claims incurred		
Auto/general	252,953	188,968
Workers' compensation	103,199	107,306
Claims paid	(294,685)	(426,786)
Decrease in previous estimates	<hr/> -	<hr/> (19,550)
Liability at end of year	<hr/> <hr/> \$ 301,405	<hr/> <hr/> \$ 239,938

Required Supplementary Information

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Required Supplementary Information
June 30, 2009 and 2008

Union Employees' Pension Plan

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ 9,182,320	\$ 9,438,789	\$ 256,469	97.3%	\$ 3,108,933	8.2%
7/1/2007	\$ 8,631,809	\$ 7,507,774	\$ (1,124,035)	115.0%	\$ 3,255,034	-34.5%
7/1/2006	\$ 7,922,862	\$ 6,784,047	\$ (1,138,815)	116.8%	\$ 2,939,372	-38.7%
7/1/2005	\$ 7,493,848	\$ 6,527,766	\$ (966,082)	114.8%	\$ 3,037,382	-31.8%
7/1/2004	\$ 7,395,844	\$ 6,290,708	\$ (1,105,136)	117.6%	\$ 3,296,093	-33.5%
7/1/2003	\$ 7,114,291	\$ 6,090,236	\$ (1,024,055)	116.8%	\$ 3,798,954	-27.0%
7/1/2002	\$ 6,914,273	\$ 5,287,334	\$ (1,626,939)	130.8%	\$ 3,801,387	-42.8%

Schedule of Employer Contributions

Fiscal Year	Annual Required Employer Contribution	Percentage Contributed
2009	\$ 230,471	100%**
2008	\$ 183,332	100%
2007	\$ 151,479	100%
2006	\$ 188,094	100%*
2005	\$ 203,626	100%
2004	\$ 212,036	100%*

* Amount was contributed with interest subsequent to June 30 of the respective year.

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

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Required Supplementary Information (continued)
June 30, 2009 and 2008

Notes to Required Supplementary Information

Valuation date	July 1, 2008
Actuarial cost method	Entry age normal cost
Amortization method	Level percent open
Remaining amortization period	30 years
Actuarial asset valuation method	Actuarial value of assets recognized 20% 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

Supplementary Information

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/ Program Title	CFDA Number	Project Number	Program or Award Amount	Unexpended Balance at July 1, 2008	Grants Awarded/ Closed During Current Year	Other Income and Matching	Current Year Expenditures	Unexpended Balance at June 30, 2009
U.S. Department of Transportation								
Passed through Urban Mass								
Transit Administration	*	20.500	OK-03-0022	\$ 2,475,787	\$ 646,880	\$ -	\$ -	\$ 22,185
		20.500	OK-04-0006	245,000	-	245,000	163,600	114,120
		20.507	OK-03-X024	4,296,800	871,743	-	959,835	103,875
		20.507	OK-03-X041	1,943,557	1,791,157	-	173,228	1,652,569
		20.507	OK-37-X017	1,176,487	784,323	-	588,246	490,200
		20.507	OK-90-X075	5,477,663	8,074	-	8,944	583
		20.507	OK-90-X079	1,000,000	167,717	8,838	148,521	57,721
		20.507	OK-90-X083	5,489,623	155,389	100,000	224,300	69,519
		20.507	OK-90-X087	5,764,000	2,705,922	-	2,813,177	488,465
		20.507	OK-90-X090	53,934	-	53,934	-	53,934
		20.507	OK-90-X093	551,162	-	551,162	-	551,162
		20.507	OK-90-X095	6,953,449	-	6,953,449	3,418,717	4,496,949
		20.507	OK-95-X002	100,000	-	100,000	125,000	-
				\$ 35,527,462	\$ 7,131,205	\$ 8,012,383	\$ 9,248,263	\$ 8,101,282

* Includes \$624,695 of capital grant received by the Authority and passed through to the City of Tulsa.

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Supplemental Schedule of Operating Expenses, Excluding
Depreciation and Gain on Sale of Capital Assets
Year Ended June 30, 2009

Labor

Operator salaries and wages	\$ 3,106,983
Transportation administration	310,350
System security	123,110
Safety and training administration	81,536
Maintenance administration	151,920
Maintenance and servicing – revenue vehicles	1,065,832
Service and development administration	118,906
General office administration	1,278,993
Total labor	<u>6,237,630</u>

Purchased Transportation

Lift Program – ADA	3,433,632
Fixed Route	167,500
Total purchased transportation	<u>3,601,132</u>

Materials and Supplies Consumed

Diesel fuel	1,595,214
Gasoline service	58,880
Oil and lubricants	45,305
Tires and tubes	102,861
Shop and garage building repair	261,419
Service and shop equipment	59,574
Other shop and garage expense	42,530
Repair parts for revenue vehicles	990,974
Servicing supplies	16,714
Transportation and safety	5,524
Schedules	50,901
Tickets and transfers	32,839
General office expenses	93,586
Total materials and supplies consumed	<u>3,356,321</u>

Fringes

FICA taxes	539,569
Pension plan expenses	348,154
Health and dental expense	868,312
Life and disability insurance	48,762
Workers' compensation insurance (including self-insurance)	233,613
Sick leave	170,731
Holiday pay	177,293
Vacation pay	292,239
Uniform allowance – drivers	29,188
Work clothing and tool allowance – mechanics	21,165
Unemployment tax – state	12,109
Other	36,962
Total fringes	<u>2,778,097</u>

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Supplemental Schedule of Operating Expenses, Excluding
Depreciation and Gain on Sale of Capital Assets (continued)
Year Ended June 30, 2009

Services

Legal fees	\$ 15,751
Audit and other outside services	158,775
Office equipment maintenance	25,049
Advertising	232,224
Professional and technical services	225,868
Staffing services for Lift and Fixed Route Programs	25,684
Call center services	436
Building and facility services	217,316
Security services	42,054
Total services	<u>943,157</u>

Insurance

Property and liability insurance (including self-insurance)	<u>276,864</u>
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Utilities

Heat, power and water	236,336
Communications	128,791
Total utilities	<u>365,127</u>

Other

Planning expense	174,225
Dues and subscriptions	21,985
Travel and meetings – staff	8,341
Marketing and advertising	186,003
Trade advertising	40,938
Other miscellaneous expenses	(8,628)
Leases and rentals	15,062
Total other	<u>437,926</u>

Total operating expenses, excluding depreciation and gain on sale of capital assets	<u>\$ 17,996,254</u>
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Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Supplemental Schedule of Projects Costs
Year Ended June 30, 2009

Total Operating Expenses	
Labor	\$ 6,237,630
Purchased transportation	3,601,132
Materials and supplies consumed	3,356,321
Fringes	2,778,097
Services	943,157
Insurance	276,864
Utilities	365,127
Other	<u>437,926</u>
Total operating expenses, excluding depreciation and gain on disposal of capital assets	17,996,254
Depreciation	3,126,855
Gain on disposal of capital assets	<u>(6,124)</u>
Total operating expenses	<u>21,116,985</u>
Less Exclusions	
Ineligible expenses	
Depreciation	3,126,855
Gain on disposal of capital assets	(6,124)
Contra-expense – interest earned on working capital	20,857
Other exclusions – expenses reimbursable by	
Planning assistance – FTA	953,635
Revolving transit funds – Oklahoma	1,109,246
CMAQ operating assistance – FTA	106,462
Preventative maintenance assistance – FTA	1,976,015
Lift Program assistance – FTA	1,535,268
Job access assistance – FTA	294,123
Lease assistance – FTA	<u>81,674</u>
Total exclusions	<u>9,198,011</u>
Eligible operating expenses	<u>11,918,974</u>
Less	
Passenger farebox revenues	2,541,088
Contract services and other	38,418
	<u>2,579,506</u>
Net eligible project cost	<u>9,339,468</u>
Less local share of operating assistance	
City of Tulsa	8,325,000
Advertising revenues	560,333
Other	256,601
	<u>9,141,934</u>
Net revenues before applying FTA operating funds	<u>\$ 197,534</u>

**Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance With *Government Auditing Standards***

Board of Trustees
Metropolitan Tulsa Transit Authority
Tulsa, Oklahoma

We have audited the financial statements of Metropolitan Tulsa Transit Authority (the Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 2, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 09-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Board of Trustees
Metropolitan Tulsa Transit Authority

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above is considered to be a material weakness.

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 audit 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*.

We also noted certain additional matters that we reported to the Authority's management in a separate letter dated December 2, 2009.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

BKD LLP

December 2, 2009

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2009

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
09-1	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – One individual has incompatible duties in the cash receipts, cash disbursements and payroll transactions cycles and can post journal entries without secondary review and approval.</p> <p>Context – The individual has access, recording and monitoring and reviewing responsibilities within the transactions cycles noted above and can post journal entries without secondary review and approval.</p> <p>Effect – Potential misstatements in the financial statements or misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – The Authority has had personnel turnover, which has resulted in changes in daily functions of personnel.</p> <p>Recommendation – The Authority’s management should review the current internal control structure and evaluate opportunities to improve controls.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding. We are currently working on hiring a new accounting manager that will help alleviate the incompatibilities.</p>