

**TULSA AUTHORITY FOR RECOVERY OF ENERGY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**ACCOUNTANTS' REPORTS AND FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**





# TULSA AUTHORITY FOR RECOVERY OF ENERGY

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

## INDEX

June 30, 2009 and 2008

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## Independent Accountants' Report on Financial Statements and Supplementary Information

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, 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 index. 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 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 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 Tulsa Authority for Recovery of Energy 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 18, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 is not a required part of the basic financial statements but is 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.

BKD LLP

December 18, 2009

**TULSA AUTHORITY FOR RECOVERY OF ENERGY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Years Ended June 30, 2009 and 2008**

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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, 2009 and 2008. 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 \$16,504. Of this amount, \$2,148 invested in capital assets and \$14,356 unrestricted and may be used to meet the Authority's ongoing obligations. The assets of the Authority exceeded its liabilities at the close of 2008 by \$17,703.
- During 2009, the Authority's net assets decreased \$1,199 to \$16,504. During 2008, the Authority's net assets decreased \$973.
- The Authority's operating revenues increased to \$21,565 in 2009 from \$20,437 in 2008, a 5.5% increase. In 2008, the Authority's operating revenues decreased from \$34,142 to \$20,437 a 40.1% decrease.

**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 of its costs through its user fees and other charges, profitability and creditworthiness. 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**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**Years Ended June 30, 2009 and 2008**

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**Net Assets**

The Authority's net assets decreased \$1,199 or 6.8% to \$16,504 at June 30, 2009. The following table provides a summary of net assets:

**SUMMARY OF NET ASSETS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 16,408	\$ 17,832	\$ 18,915
Capital assets, net	<u>2,210</u>	<u>1,590</u>	<u>1,905</u>
Total assets	<u>18,618</u>	<u>19,422</u>	<u>20,820</u>
Current liabilities	1,516	1,387	1,793
Noncurrent liabilities	<u>598</u>	<u>332</u>	<u>351</u>
Total liabilities	<u>2,114</u>	<u>1,719</u>	<u>2,144</u>
Invested in capital assets, net of related debt	2,148	1,590	1,905
Unrestricted	<u>14,356</u>	<u>16,113</u>	<u>16,771</u>
Total net assets	<u>\$ 16,504</u>	<u>\$ 17,703</u>	<u>\$ 18,676</u>

In 2009, current assets, net decreased \$1,424 primarily due to a \$3,513 reduction in accounts receivable from other government related to amounts spent for the 2008 winter storm cleanup and interest receivable decreased by \$22. Cash increased \$1,993 and net refuse services receivable increased \$118.

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

In 2008, current assets, net decreased \$1,083 primarily due to a \$1,875 reduction in commercial refuse billings and the elimination of \$543 in energy credit receivables from the expired amended Service Agreement. Current assets include a receivable from other government of \$3,635 related to grant eligible amounts spent for the winter storm cleanup.

In 2008, current liabilities decreased \$406 primarily due to a decrease in the service fee payable of \$666 and increases in vested compensated absences of \$141 and refuse collection payable of \$97.

Noncurrent liabilities increased \$266 and decreased \$19 in 2009 and 2008, respectively. The 2009 increase is primarily the result of an increase of \$155 in the liability for other postemployment benefits ("OPEB") and an increase in vested compensated absences of \$129.

**TULSA AUTHORITY FOR RECOVERY OF ENERGY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**Years Ended June 30, 2009 and 2008**

**SUMMARY OF CHANGES IN NET ASSETS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 21,565	\$ 20,437	\$ 34,142
Investment income	566	628	1,102
Other income	43	11,252	79
Total revenues	<u>22,174</u>	<u>32,317</u>	<u>35,323</u>
Depreciation expense	394	404	589
Other operating expenses	22,979	32,886	29,343
Nonoperating expenses	-	-	7
Total expenses	<u>23,373</u>	<u>33,290</u>	<u>29,939</u>
Change in net assets	(1,199)	(973)	5,384
Net assets, beginning of year	<u>17,703</u>	<u>18,676</u>	<u>13,292</u>
Net assets, end of year	<u>\$ 16,504</u>	<u>\$ 17,703</u>	<u>\$ 18,676</u>

In 2009, revenues decreased 31.4% and expenses decreased 29.8%. The result of expenses exceeding revenue resulted in a decrease in net assets of 6.8%.

In 2009, operating revenues increased \$1,128 or 5.5% as a result of several factors. The effect of change in accounting estimate in fiscal year-end 2008 resulted in a revenue increase of \$866. The unbilled residential revenue accrual increased \$259.

Investment income in 2009 declined \$62 as a result of a decrease in interest rates.

Other income decreased 99.6% in 2009. In 2008, other income included grant revenue related to the winter storm cleanup.

Total expenses, net decreased \$9,917 or 29.8% in 2009. Other operating expenses decreased \$9,907. 2008 other operating expense included expenses related to the winter storm cleanup.

**Capital Assets**

The Authority's investment in capital assets as of June 30, 2009, was \$2,210 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. Capital asset acquisitions during the year totaled \$1,020.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Buildings	\$ 702	\$ 702	\$ 702
Equipment	<u>6,468</u>	<u>5,631</u>	<u>5,549</u>
	7,170	6,333	6,251
Less accumulated depreciation	<u>(4,960)</u>	<u>(4,743)</u>	<u>(4,346)</u>
Capital assets, net	<u>\$ 2,210</u>	<u>\$ 1,590</u>	<u>\$ 1,905</u>

**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, 2009 and 2008**

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**Requests for Information**

This financial report is designed to provide interested parties with a general overview of the Authority's finances. 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 East 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, 2009 and 2008**

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
	(In Thousands)	
Current assets:		
Cash and cash equivalents	\$ 13,852	\$ 11,859
Refuse services receivable, net	2,468	2,350
Interest receivable	88	110
Due from other government	-	3,513
	<u>16,408</u>	<u>17,832</u>
Total current assets		
Capital assets, net	<u>2,210</u>	<u>1,590</u>
Total assets	<u>18,618</u>	<u>19,422</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Refuse collection services payable	775	813
Accounts payable	552	403
Vested compensated absences	189	171
	<u>1,516</u>	<u>1,387</u>
Total current liabilities		
Noncurrent liabilities:		
Vested compensated absences	292	181
Other postemployment benefits	294	139
Deposit payable	12	12
	<u>598</u>	<u>332</u>
Total noncurrent liabilities		
Total liabilities	<u>2,114</u>	<u>1,719</u>
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt	2,148	1,590
Unrestricted	<u>14,356</u>	<u>16,113</u>
Total net assets	<u>\$ 16,504</u>	<u>\$ 17,703</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
	(In Thousands)	
Operating revenues:		
Refuse services	\$ 21,565	\$ 20,437
Operating expenses:		
Refuse collection	8,862	9,066
Salaries and wages	3,990	3,757
Other operating expenses	10,127	20,063
Depreciation	394	404
	<u>23,373</u>	<u>33,290</u>
Operating loss	<u>(1,808)</u>	<u>(12,853)</u>
Nonoperating revenues (expenses):		
Investment income	566	628
Grant revenue	20	11,251
Other income	24	-
(Loss) gain on disposal of assets	(1)	1
	<u>609</u>	<u>11,880</u>
Change in net assets	(1,199)	(973)
Net assets, beginning of year	<u>17,703</u>	<u>18,676</u>
Net assets, end of year	<u>\$ 16,504</u>	<u>\$ 17,703</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
	(In Thousands)	
Cash flows from operating activities:		
Cash received from customers	\$ 21,449	\$ 22,855
Cash payments to suppliers for goods and services	(17,256)	(28,062)
Cash payments to employees for services	(3,706)	(3,635)
Cash payments for quasi-external operating transactions, including payments in lieu of taxes	(1,684)	(1,614)
Net cash used in operating activities	<u>(1,197)</u>	<u>(10,456)</u>
Cash flows from noncapital financing activities:		
FEMA grant receipts	3,533	7,768
Other noncapital financing receipts	24	-
Net cash provided by noncapital financing activities	<u>3,557</u>	<u>7,768</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(957)	(89)
Proceeds from sale of capital assets	2	1
Net cash used in capital and related financing activities	<u>(955)</u>	<u>(88)</u>
Cash flows provided by investing activities:		
Interest received	588	662
Net change in cash and cash equivalents	1,993	(2,114)
Cash and cash equivalents, beginning of year	11,859	13,973
Cash and cash equivalents, end of year	<u>\$ 13,852</u>	<u>\$ 11,859</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (1,808)	\$ (12,853)
Adjustments:		
Depreciation	394	404
(Increase) decrease in receivables	(118)	2,418
(Decrease) increase in accounts payable	50	(547)
Increase in other postemployment benefits	155	139
(Decrease) increase in compensated absences	129	(17)
Net cash used in operating activities	<u>\$ (1,198)</u>	<u>\$ (10,456)</u>
Supplemental cash flows information:		
Capital asset additions included in accounts payable	<u>\$ 61</u>	<u>\$ -</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 FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Tulsa Authority for Recovery of Energy (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.

**ORGANIZATION AND PURPOSE** – 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 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** – 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’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 \$1,088 and \$933 at June 30, 2009 and 2008, 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 \$77 and \$116 as of June 30, 2009 and 2008, respectively.

**CAPITAL ASSETS** – Capital assets purchased or acquired 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 depreciation removed from the records. Any gain or loss is recorded as nonoperating income in the period of sale or disposal.

# TULSA AUTHORITY FOR RECOVERY OF ENERGY

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**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 expense 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.

**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 13 to 24 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 currently charged to expense and a corresponding liability is established.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)** – Other postemployment 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 health care, are taken while the employees are in active service, whereas other benefits, including postemployment health care 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.

**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 U.S. government or its agencies. At June 30, 2009 and 2008, the pooled cash and investments amounted to \$13,852 and \$11,859, respectively. The amounts pooled with the City at June 30, 2009 and 2008, were represented by investments which were insured or registered, or securities held by the City or its agent, in the City’s name.

**TULSA AUTHORITY FOR RECOVERY OF ENERGY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**2. CASH DEPOSITS AND INVESTMENTS, continued**

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 \$152 is recognized and reported as an addition in investment income for the year ended June 30, 2009. For the year ended June 30, 2008, the Authority experienced an increase in fair value of \$81, which also is recognized and reported in investment income of the respective year.

**3. CAPITAL ASSETS**

The changes in capital assets for the years ended June 30, 2009 and 2008, are summarized as follows:

<b>2009:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
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>
<b>2008:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Depreciable capital assets:				
Buildings	\$ 702	\$ -	\$ -	\$ 702
Equipment	5,549	89	7	5,631
	<u>6,251</u>	<u>89</u>	<u>7</u>	<u>6,333</u>
Less accumulated depreciation:				
Buildings	(640)	(2)	-	(642)
Equipment	(3,706)	(402)	(7)	(4,101)
Total accumulated depreciation	<u>(4,346)</u>	<u>(404)</u>	<u>(7)</u>	<u>(4,743)</u>
Capital assets, net	<u>\$ 1,905</u>	<u>\$ (315)</u>	<u>\$ -</u>	<u>\$ 1,590</u>

# **TULSA AUTHORITY FOR RECOVERY OF ENERGY**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009 and 2008**

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### **4. MUNICIPAL EMPLOYEES' PENSION PLAN**

The Authority contributes to the Municipal Employees Pension System (the "System"), 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. Nonuniform, nonelected full-time employees of the Authority along with other employees of the City of Tulsa 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 System 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 Authority is set forth in the City Charter and State Statutes and is vested in the System's board of trustees, which are appointed by the Mayor with approval of the City Council. System 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 System for 2009 and 2008 were \$94 and \$170, respectively, which equaled its portion of the contributions for each year.

The System is reported as a Pension Trust Fund in the City's 2009 Comprehensive Annual Financial Report. The System 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 POSTEMPLOYMENT BENEFITS (OPEB)**

The City provides postemployment health care 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 the City through its personnel and union contracts.

All health care benefits are provided through the City's fully insured health plan. The benefit levels are the same as those offered to active employees. Benefits include general inpatient and outpatient medical services and prescriptions. General employees are eligible for membership in the Plan if they retire from the City on or after age 55 with five 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.

The City's actuarial determined annual required contribution (ARC) for fiscal years ending June 30, 2009 and 2008, were \$3,076 and \$8,075, respectively, of which \$285 and \$326 was paid on a pay-as-you-go basis in 2009 and 2008, respectively. The Authority was allocated \$294 and \$139 of the net obligation for the fiscal year ending June 30, 2009 and 2008, respectively, 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.

**TULSA AUTHORITY FOR RECOVERY OF ENERGY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**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 June 30, 2009 and 2008, the Authority conducted the following transactions with related parties:

	<u>2009</u>	<u>2008</u>
Payments in lieu of taxes to the City of Tulsa	\$ 1,591	\$ 1,614
Insurance and indirect cost reimbursement to the City of Tulsa	\$ 729	\$ 645
Refuse service revenue from the City of Tulsa	\$ 207	\$ 219
Charges for maintenance of equipment paid to the City of Tulsa	\$ 1,019	\$ 1,024
Rent paid to Tulsa Public Facilities Authority	\$ 104	\$ -

**8. SIGNIFICANT EVENT**

During December 2007, the City experienced significant damage from ice storms. The Authority authorized funds to be used for the removal of the solid waste. Expenditures for this removal were approximately \$11,000 and are included as operating expenses on the Statement of Revenues, Expenses and Changes in Net Assets. Cash reimbursements by FEMA and the State of Oklahoma emergency agency were approximately \$6,658 and \$1,110, respectively, and are included on the Statement of Revenues, Expenses and Changes in Net Assets. The Authority recorded an additional receivable from FEMA, the State of Oklahoma emergency agency and the Federal Highway Administration of approximately \$2,625, \$438 and \$450, respectively, at June 30, 2008. These receivables were collected in the 2009 fiscal year.

**9. SUBSEQUENT EVENT**

On November 2, 2009, the Authority entered into a contract with Covanta WBH, LLC to dispose of solid waste at the Walter B. Hall Resource Recovery Facility. The contract terms started November 2, 2009, and will terminate June 30, 2012.

**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  
Tulsa Authority for Recovery of Energy  
Tulsa, Oklahoma

We have audited the financial statements of the Tulsa Authority for Recovery of Energy (the Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 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 09-01 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  
Tulsa Authority for Recovery of Energy

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 18, 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 18, 2009

**TULSA AUTHORITY FOR RECOVERY OF ENERGY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2009**

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**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
09-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Not all capital assets are maintained in the Barscan system (the City’s system for accounting for all capital assets). Certain items are reconciled outside the system. In addition, capital assets are not reconciled in a timely or accurate manner, lives assigned are not evaluated for accuracy and details are not reviewed for accuracy and completeness.</p> <p>Context – Capital assets are not being entered into the system in a timely manner; reconciliations are not being completed accurately or in a timely manner; and secondary reviews are not being performed.</p> <p>Effect – Potential misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Staffing positions continue to remain open or availability of staff is limited to perform the monthly updating and proper reviews of the information.</p> <p>Recommendation – We recommend management evaluate staffing needs and develop secondary review procedures to evaluate the integrity of the information.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the recommendation and will evaluate staffing levels necessary to provide adequate internal controls over financial reporting.</p>