

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)

FINANCIAL REPORT
June 30, 2011 and 2010

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 years ended June 30, 2011 and 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years 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 2, 2011

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2011 and 2010

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, 2011 and 2010. 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 \$17,993. Of this amount, \$3,096 is invested in capital assets and \$14,897 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 2010 by \$18,089.
- During 2011, the Authority's net assets decreased \$96 to \$17,993. During 2010, the Authority's net assets increased \$1,585.
- The Authority's operating revenues increased to \$21,657 in 2011 from \$21,529 in 2010, a 0.6% increase. In 2010, the Authority's operating revenues decreased from \$21,565 to \$21,529, a 0.2% 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 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
June 30, 2011 and 2010

Net Assets

The Authority's net assets decreased \$96, or 0.5%, to \$17,993 at June 30, 2011. The following table provides a summary of net assets.

SUMMARY OF NET ASSETS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 16,988	\$ 16,771	\$ 16,408
Capital assets, net	<u>3,096</u>	<u>3,193</u>	<u>2,210</u>
Total assets	<u>20,084</u>	<u>19,964</u>	<u>18,618</u>
Current liabilities	1,417	1,270	1,516
Noncurrent liabilities	<u>674</u>	<u>605</u>	<u>598</u>
Total liabilities	<u>2,091</u>	<u>1,875</u>	<u>2,114</u>
Invested in capital assets	3,096	3,193	2,148
Unrestricted	<u>14,897</u>	<u>14,896</u>	<u>14,356</u>
Total net assets	<u>\$ 17,993</u>	<u>\$ 18,089</u>	<u>\$ 16,504</u>

In 2011, current assets increased \$217, due to a \$567 increase in cash and declines in accounts receivable and interest receivable of \$333 and \$17, respectively. Current liabilities increased \$147, the result of a \$48 increase in refuse collection payable, a \$12 decrease in accounts payable for noncapital expenditures, and a \$111 increase in current vested compensated absences.

In 2010, current assets increased \$363, resulting from increases in cash and refuse services receivable of \$95 and \$332, respectively, and from a \$64 decrease in interest receivable. Current liabilities decreased \$246 because of a \$15 increase in refuse collection payable, a \$191 decrease in accounts payable for noncapital expenditures, and a \$70 decrease in current vested compensated absences.

Noncurrent liabilities increased \$69 and \$7 in 2011 and 2010, respectively. The 2011 net increase is the result of a \$74 increase in the liability for other postemployment benefits, a \$95 decrease in long-term vested compensated absences, and a \$90 increase in net pension obligation. The 2010 increase was the result of an \$85 decline in long-term vested compensated absences and increases in other postemployment benefits and net pension obligation of \$33 and \$59, respectively.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis, continued
June 30, 2011 and 2010

SUMMARY OF CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 21,657	\$ 21,529	\$ 21,565
Investment income	79	363	566
Other income	<u>50</u>	<u>22</u>	<u>43</u>
Total revenues	<u>21,786</u>	<u>21,914</u>	<u>22,174</u>
Depreciation expense	297	319	394
Other operating expense	21,439	20,010	22,979
Nonoperating expense	<u>146</u>	<u>-</u>	<u>-</u>
Total expenses	<u>21,882</u>	<u>20,329</u>	<u>23,373</u>
Change in net assets	(96)	1,585	(1,199)
Net assets, beginning of year	<u>18,089</u>	<u>16,504</u>	<u>17,703</u>
Net assets, end of year	<u>\$ 17,993</u>	<u>\$ 18,089</u>	<u>\$ 16,504</u>

In 2011, revenues decreased 0.6% and expenses increased 7.6%, resulting in a decrease in net assets of 0.5%. Operating revenues increased \$128, or 0.6%, compared to a decrease of \$36, or 0.2%, in 2010. Investment income in 2011 declined \$284 as the result of a decrease in interest rates. Other income increased \$28 in 2011. In 2011, other income included payments from the primary government of a grant for the purchase of a compressed natural gas vehicle.

Total expenses increased \$1,553, or 7.6%, in 2011. Other operating expenses increased \$1,429 as a result of increases in personnel costs, refuse collection expense, and other operating costs of \$462, \$597, and \$370, respectively.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis, continued
June 30, 2011 and 2010

Capital Assets

The Authority's investment in capital assets as of June 30, 2011 was \$3,096 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. Capital asset acquisitions during the year totaled \$363.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Buildings	\$ 702	\$ 702	\$ 702
Equipment	<u>6,938</u>	<u>7,461</u>	<u>6,468</u>
	7,640	8,163	7,170
Less accumulated depreciation	<u>(4,544)</u>	<u>(4,970)</u>	<u>(4,960)</u>
Capital assets, net	<u>\$ 3,096</u>	<u>\$ 3,193</u>	<u>\$ 2,210</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 6.7 percent at the end of fiscal year 2011. 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 2012 operating budget, the Authority considered many factors which impact the Authority's operations and delivery of services. The 2012 budget was increased approximately 15 percent, and fees for refuse collection were increased 3 percent. The increase in expected outlays consisted of a \$1,252 increase in operating expenses and a \$2,421 increase in capital outlay.

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, 2011 and 2010

(Amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 14,514	\$ 13,947
Accounts receivable, net	2,467	2,800
Interest receivable	7	24
	<u>16,988</u>	<u>16,771</u>
Total current assets	16,988	16,771
Depreciable capital assets, net	<u>3,096</u>	<u>3,193</u>
Total assets	<u>20,084</u>	<u>19,964</u>
<u>LIABILITIES</u>		
Current liabilities:		
Refuse collection services payable	838	790
Accounts payable	349	361
Vested compensated absences	230	119
	<u>1,417</u>	<u>1,270</u>
Total current liabilities	1,417	1,270
Noncurrent liabilities:		
Other postemployment benefits	401	327
Vested compensated absences	112	207
Net pension obligation	149	59
Deposit payable	12	12
	<u>674</u>	<u>605</u>
Total noncurrent liabilities	674	605
Total liabilities	<u>2,091</u>	<u>1,875</u>
<u>NET ASSETS</u>		
Invested in capital assets	3,096	3,193
Unrestricted	14,897	14,896
	<u>17,993</u>	<u>18,089</u>
Total net assets	<u>\$ 17,993</u>	<u>\$ 18,089</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
June 30, 2011 and 2010

(Amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Refuse services	\$ 21,657	\$ 21,529
	<u>21,657</u>	<u>21,529</u>
Operating expenses:		
Refuse collection	9,889	9,292
Salaries and wages	3,609	3,147
Other operating expenses	7,941	7,571
Depreciation	297	319
	<u>21,736</u>	<u>20,329</u>
Total operating expenses		
	<u>21,736</u>	<u>20,329</u>
Operating income (loss)	<u>(79)</u>	<u>1,200</u>
Nonoperating revenue (expense):		
Investment income	79	363
Payment from primary government	50	-
Payment to primary government	(19)	-
Gain (loss) on disposal of assets	(127)	22
	<u>(17)</u>	<u>385</u>
Total nonoperating revenue (expense)		
	<u>(17)</u>	<u>385</u>
Change in net assets	(96)	1,585
Net assets, beginning of year	<u>18,089</u>	<u>16,504</u>
Net assets, end of year	<u>\$ 17,993</u>	<u>\$ 18,089</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
June 30, 2011 and 2010

(Amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Received from customers	\$ 21,990	\$ 21,507
Payments to suppliers for goods and services	(16,214)	(15,705)
Payments to employees for services	(3,429)	(3,210)
Payments for quasi-external operating transactions, including payments in lieu of taxes	<u>(1,587)</u>	<u>(1,583)</u>
Net cash provided by operating activities	<u>760</u>	<u>1,009</u>
Cash flows from noncapital financing activities:		
Payments to primary government	<u>(12)</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>(12)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(363)	(1,370)
Payments from primary government	50	-
Proceeds from sale of capital assets	<u>36</u>	<u>29</u>
Net cash used by capital and related financing activities	<u>(277)</u>	<u>(1,341)</u>
Cash flows from investing activities:		
Interest received	<u>96</u>	<u>427</u>
Net cash provided by investing activities	<u>96</u>	<u>427</u>
Net change in cash and cash equivalents	567	95
Cash and cash equivalents, beginning of year	<u>13,947</u>	<u>13,852</u>
Cash and cash equivalents, end of year	<u>\$ 14,514</u>	<u>\$ 13,947</u>

(Continued)

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, continued
June 30, 2011 and 2010

(Amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (79)	\$ 1,200
Adjustments:		
Depreciation	297	319
Decrease (increase) in receivables	333	(332)
Increase (decrease) in accounts payable	29	(115)
Increase in other postemployment benefits	74	33
Increase (decrease) in compensated absences	16	(155)
Increase in net pension obligation	<u>90</u>	<u>59</u>
Net cash provided by operating activities	<u>\$ 760</u>	<u>\$ 1,009</u>
Supplemental cash flow information:		
Capital asset acquisitions included in accounts payable	<u>\$ -</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 (in thousands of dollars)

June 30, 2011 and 2010

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. 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 are expressed in thousands unless otherwise noted.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents balances, other than petty cash, are pooled with the City of Tulsa’s cash and investments and invested by the City of Tulsa’s Treasurer. Interest income on pooled cash and investments is allocated monthly based on the percentage of the Authority’s average daily equity in the pooled portfolio to the total average daily pooled portfolio balance.

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.

ACCOUNTS RECEIVABLE – This generally 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 at June 30, 2011 and 2010, 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 \$30 and \$89 as of June 30, 2011 and 2010, respectively.

TULSA AUTHORITY FOR RECOVERY OF ENERGY

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

Notes To Basic Financial Statements (in thousands of dollars)

June 30, 2011 and 2010

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

CAPITAL ASSETS – Capital assets purchased or acquired at an initial cost of \$5 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 depreciation removed from the records. Any gain or loss is recorded as nonoperating 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 are determined on the basis of a “head count” (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 and 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 during the period earned, 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 healthcare, are taken while the employees are in active service, whereas other benefits, including postemployment 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 (in thousands of dollars)
June 30, 2011 and 2010

1. NATURE OF 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 consist of capital assets net of accumulated depreciation. 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 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.

RECLASSIFICATIONS – Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on changes in net assets.

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, 2011 and 2010, the pooled cash and investments amounted to \$14,514 and \$13,947, respectively. The amounts pooled with the City at June 30, 2011 and 2010, 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. A decrease in fair value of \$152 is recognized and reported as a reduction in investment income for the year ended June 30, 2011. For the year ended June 30, 2010, the Authority experienced an increase in fair value of \$55, which also is recognized and reported in investment income of the respective year.

Interest Rate Risk – In accordance with the City's investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City's pooled investment portfolio is 2.07 years.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
Notes To Basic Financial Statements (in thousands of dollars)
June 30, 2011 and 2010

2. CASH DEPOSITS AND INVESTMENTS, continued

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority utilizes the City of Tulsa’s investment policy to limit its exposure to credit risks. The City’s investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2011 and 2010, the U.S. agencies obligations included in the City’s pooled investment portfolio were rated Aaa and AAA by Moody’s and Standard & Poor’s, respectively.

Custodial Credit Risk – The City’s investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted, or sold without the City’s approval and release of the security. Certificates of deposit are, according to the City’s investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2011 and 2010, none of the deposits in the pooled portfolio were exposed to custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All safekeeping receipts for investment instruments are held in accounts in the City’s name, and all securities are registered in the City’s name. Therefore, none of the Authority’s investments as of June 30, 2011 and 2010 were exposed to custodial credit risk.

Concentration of Credit Risk – The Authority utilizes the City’s investment policy to determine the amount that may be invested in any one issuer. While the City may choose to maintain one hundred percent of its investment portfolio in U.S. Treasury bills, notes, and bonds, at no time will the portfolio be composed of more than seventy percent of related federal agencies. At June 30, 2011, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association constituted approximately 17%, 15%, 19%, and 13%, respectively, of its total pooled investment portfolio. At June 30, 2010, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association constituted approximately 11%, 10%, 14%, and 10%, respectively, of its total pooled investment portfolio.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
Notes To Basic Financial Statements (in thousands of dollars)
June 30, 2011 and 2010

3. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2011 are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Buildings	\$ 702	\$ -	\$ -	\$ 702
Equipment	7,461	363	886	6,938
	<u>8,163</u>	<u>363</u>	<u>886</u>	<u>7,640</u>
Less accumulated depreciation:				
Buildings	(646)	(2)	-	(648)
Equipment	(4,324)	(295)	(723)	(3,896)
	<u>(4,970)</u>	<u>(297)</u>	<u>(723)</u>	<u>(4,544)</u>
Capital assets, net	<u>\$ 3,193</u>	<u>\$ 66</u>	<u>\$ 163</u>	<u>\$ 3,096</u>

The changes in capital assets for the year ended June 30, 2010 are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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)
	<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>

TULSA AUTHORITY FOR RECOVERY OF ENERGY

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

Notes To Basic Financial Statements (in thousands of dollars)

June 30, 2011 and 2010

4. LONG-TERM LIABILITIES

The changes in long-term liabilities for the years ended June 30, 2011 and 2010 are summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One Year</u>
2011:					
Other long-term liabilities:					
Vested compensated absences	\$ 326	\$ 282	\$ 266	\$ 342	\$ 230
Net pension obligation	59	90	-	149	-
Other postemployment benefits	327	74	-	401	-
	<u>712</u>	<u>446</u>	<u>266</u>	<u>892</u>	<u>230</u>
Total other long-term liabilities	\$ 712	\$ 446	\$ 266	\$ 892	\$ 230
2010:					
Other long-term liabilities:					
Vested compensated absences	\$ 481	\$ 326	\$ 481	\$ 326	\$ 119
Net pension obligation	-	59	-	59	-
Other postemployment benefits	294	33	-	327	-
	<u>775</u>	<u>418</u>	<u>481</u>	<u>712</u>	<u>119</u>
Total other long-term liabilities	\$ 775	\$ 418	\$ 481	\$ 712	\$ 119

5. 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. Nonuniform, nonelected, 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 the month coinciding 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.

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5. MUNICIPAL EMPLOYEES' PENSION FUND, continued

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 rates were 9.62%, 8.99%, and 6.3% for the years ended 2011, 2010, and 2009, respectively. The Authority's contributions to the plan for 2011, 2010 and 2009, were \$154, \$164, and \$168, respectively, which equaled 65%, 70%, and 100% of the annual required contributions for each year. The differences between the required contributions to the Plan and the actual contributions made by the Authority were \$81 and \$70 as of June 30, 2011 and 2010, respectively.

The Plan is reported as a Pension Trust Fund in the City's 2011 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.

6. 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 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 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.

The actuarial valuation of liabilities under the plan is calculated using the entry age normal cost method as of the July 1, 2010 and 2009 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately \$34,166 and \$33,852 for the City as of June 30, 2011 and 2010, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable.

The City's actuarially determined annual required contributions (ARC) for fiscal years ending June 30, 2011 and 2010 were \$3,219 and \$3,239, respectively, of which \$537 and \$522 were paid on a pay-as-you-go basis in 2011 and 2010, respectively. The Authority was allocated \$401 and \$327 of the net OPEB obligation for the fiscal years ending June 30, 2011 and 2010, 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.

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7. 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.

8. RELATED PARTY TRANSACTIONS

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

	<u>2011</u>	<u>2010</u>
Payments in lieu of taxes to City of Tulsa	\$ 1,587	\$ 1,583
Insurance and indirect cost reimbursement to City of Tulsa	\$ 831	\$ 727
Refuse service revenue from City of Tulsa	\$ 207	\$ 203
Charges paid to City of Tulsa for maintenance of equipment	\$ 713	\$ 763
Payment of grant from City of Tulsa for CNG vehicle	\$ 50	\$ -
Payment to City of Tulsa for CNG refueling station	\$ 19	\$ -
Rent paid to Tulsa Public Facilities Authority	\$ -	\$ 104