TULSA AUTHORITY FOR RECOVERY OF ENERGY

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

FINANCIAL REPORT

June 30, 2014 and 2013

McGladrey

Assurance ▪ Tax ▪ Consulting

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(A Component Unit of the City of Tulsa, Oklahoma)
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Years Ended June 30, 2014 and 2013

McGladrey

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McGladrey LLP

Kansas City, Missouri
October 27, 2014

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, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 7. 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 $19,819 (net position). Of this amount, $6,664 is invested in capital assets and $13,155 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 2013 by $17,082.

- During 2014, the Authority's net position increased $2,737 to $19,819. During 2013, the Authority's net position decreased $59 to $17,082.

- The Authority's operating revenues increased to $26,557 in 2014 from $23,758 in 2013, an 11.8% increase. In 2013, the Authority's operating revenues increased from $21,569 to $23,758, a 10.1% increase.

Overview of the Financial Statements

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

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

Net Position

The Authority's net position increased $2,737, or 16.0%, to $19,819 at June 30, 2014. The following table provides a summary of net position.

SUMMARY OF NET POSITION

	2014	2013	2012
Current and other assets	$ 15,468	$ 12,103	$ 15,793
Capital assets, net	13,864	15,469	4,204
Total assets	29,332	27,572	19,997
Current liabilities	2,975	2,744	2,313
Noncurrent liabilities	6,538	7,746	543
Total liabilities	9,513	10,490	2,856
Net investment in capital assets	6,664	7,145	4,204
Unrestricted	13,155	9,937	12,937
Total net position	$ 19,819	$ 17,082	$ 17,141

In 2014, current and other assets increased $3,365, due to an increase of $3,159 in cash, an increase of $5 in interest receivable, combined with an increase in accounts receivable of $201. The increase in cash is primarily related to the increase in cash provided by operations. Current liabilities increased $232, due to an increase of $16 in advances from the Tulsa Public Facilities Authority, combined with an increase of $122 in accounts payable for noncapital expenditures, an increase of $81 in current net pension obligation and an increase of $13 in vested compensated absences.

In 2013, current and other assets decreased $3,690, due to a decrease of $3,870 in cash, a decrease of $448 in advances to the Tulsa Public Facilities Authority, and a decrease of $24 in interest receivable, combined with an increase in accounts receivable of $652. The decrease in cash is primarily related to the purchase of capital assets to implement a new refuse collection system in October 2012. Current liabilities increased $431, due to an increase of $1,309 in advances from the Tulsa Public Facilities Authority, combined with a decrease of $752 in accounts payable for noncapital expenditures, a decrease of $43 in current vested compensated absences, and a decrease of $83 in current net pension obligation. The decrease in accounts payable is due to increased payables and expenses incurred in the prior year in preparation of the transition to a new refuse collection system beginning in October 2012.

Noncurrent liabilities decreased $1,208 in 2014 and increased $7,203 in 2013. The 2014 decrease is the result of a $1,140 repayment of advances from the Tulsa Public Facilities Authority and a decrease of $54 in noncurrent net pension obligation, combined with a $39 decrease in long-term vested absences and $25 increase in the liability for other postemployment benefits. The 2013 increase is the result of a $7,015 increase in advances from the Tulsa Public Facilities Authority, a $145 increase in the liability for other postemployment benefits, an $81 increase in noncurrent net pension obligation, combined with a decrease of $26 in long-term vested compensated absences and a decrease of $12 in deposits payable. The increase in advances from the Tulsa Public Facilities Authority was to finance the purchase of new refuse carts for the new system.

SUMMARY OF CHANGES IN NET POSITION

	2014	2013	2012
Operating revenues	$ 26,557	$ 23,758	$ 21,569
Investment income (loss)	128	(27)	176
Other income	35	34	124
Total revenues	26,720	23,765	21,869
Depreciation expense	1,792	1,405	328
Other operating expense	20,395	20,554	20,834
Nonoperating expense	1,796	1,865	1,559
Total expenses	23,983	23,824	22,721
Change in net position	2,737	(59)	(852)
Net position, beginning of year	17,082	17,141	17,993
Net position, end of year	$ 19,819	$ 17,082	$ 17,141

In 2014, revenues increased 12.4% and expenses increased 0.7%, resulting in an increase in net position of 16.0%. Operating revenues increased $2,799 or 11.8%, compared to an increase of $2,189 or 10.1%, in 2013. The increased operating revenues in 2014 was due to a higher number of larger refuse carts billed and a $747 increase in sales of recyclable materials. Investment income in 2014 increased $155 as a result of improved investment yields and an increase in the fair value of investments during the year. Other income increased by $1 in 2014.

In 2013, revenues increased 8.7% and expenses increased 4.9%, resulting in a decrease in net position of 0.3%. Operating revenues increased $2,189, or 10.1%, compared to a decrease of $88, or 0.4%, in 2012. Investment income in 2013 decreased $203 as a result of lower investment yields and a decline in the fair value of investments during the year. Other income decreased $90 in 2013. In 2012, other income included gains on the disposal of capital assets.

Total expenses increased $159, or 0.7%, in 2014. A $391 increase in personnel costs was offset by a $157 payment to the primary government in the prior year not repeating. Other operating expense decreased $159 in 2014. Increases in refuse collection expense of $114 and personnel costs of $391 were offset by a $751 decrease in other services due to transition expenses not repeated in 2014 for the new refuse collection system.

Total expenses increased $1,103, or 4.9%, in 2013. Other operating expenses decreased $253 as a result of a decrease in refuse collection expense and other operating costs of $427 and $94, respectively, and an increase in other personnel costs of $268. Refuse collection expenses were lower attributable to a decrease in recycling collection fees and a payment required to the former trash hauler in 2012 at the conclusion of the 20 year contract which expired June 30, 2012. Increases in other operating costs resulted from greater legal services paid to the City and contract employment services, which were offset by decreases in other operating services due to transitioning to a new refuse collection system incurred in the prior year.

Capital Assets

The Authority's investment in capital assets as of June 30, 2014 was $13,864 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. Capital asset acquisitions during the year totaled $193.

CAPITAL ASSETS

	2014	2013	2012
Buildings	$ 738	$ 738	$ 702
Equipment	19,358	19,381	7,024
	20,096	20,119	7,726
Less accumulated depreciation	(6,232)	(4,650)	(3,522)
Capital assets, net	$ 13,864	$ 15,469	$ 4,204

Economic factors and next year's budget and rates

At the national level, unemployment declined to 6.1 percent at June 30, 2014. Unemployment in the City of Tulsa was 4.9 percent at the end of fiscal year 2014 compared to 5.4 percent at the end of fiscal year 2013. The strength of the local economy contributes to the Authority continuing to have consistently high accounts receivable collection rates.

In setting its 2015 operating budget, the Authority considered many factors which impact the Authority's operations and delivery of services. The 2015 budgeted outlays were decreased approximately 2 percent, and revenues are expected to grow 3.5 percent. The increase in expected revenues is attributed to the anticipated increase in refuse collection charges and sales of recyclable materials.

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 Position
June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,010	$ 8,851
Accounts receivable, net	3,434	3,233
Interest receivable	24	19
Total current assets	15,468	12,103
Noncurrent assets:		
Depreciable capital assets, net	13,864	15,469
Total assets	29,332	27,572
LIABILITIES		
Current liabilities:		
Accounts payable	1,368	1,247
Advance from Tulsa Public Facilities Authority	1,325	1,309
Vested compensated absences	201	188
Net pension obligation	81	-
Total current liabilities	2,975	2,744
Noncurrent liabilities:		
Advance from Tulsa Public Facilities Authority	5,875	7,015
Vested compensated absences	80	119
Net pension obligation	27	81
Other postemployment benefits	556	531
Total noncurrent liabilities	6,538	7,746
Total liabilities	9,513	10,490
NET POSITION		
Net investment in capital assets	6,664	7,145
Unrestricted	13,155	9,937
Total net position	$ 19,819	$ 17,082

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 Position
Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	**2013**
Operating revenues:		
Refuse services	$ 26,557	$ 23,758
Total operating revenues	26,557	23,758
Operating expenses:		
Refuse collection	10,121	10,008
Salaries and wages	3,954	3,563
Other operating expenses	6,320	6,983
Depreciation	1,792	1,405
Total operating expenses	22,187	21,959
Operating income	4,370	1,799
Nonoperating revenue (expense):		
Investment income (loss)	128	(27)
Payments to primary government	(1,655)	(1,656)
Gain on disposal of assets	35	34
Loan financing expense	(141)	(209)
Total nonoperating revenue (expense)	(1,633)	(1,858)
Change in net position	2,737	(59)
Net position, beginning of year	17,082	17,141
Net position, end of year	$ 19,819	$ 17,082

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, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013
Cash flows from operating activities:		
Received from customers	$ 26,356	$ 23,106
Payments to suppliers for goods and services	(16,320)	(17,755)
Payments to employees for services	(3,928)	(3,489)
Net cash provided by operating activities	6,108	1,862
Cash flows from noncapital financing activities:		
Payments to primary government	(1,655)	(1,656)
Net cash used by noncapital financing activities	(1,655)	(1,656)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(193)	(12,670)
Payments from primary government	110	10,229
Payments to primary government	(1,375)	(1,666)
Proceeds from sale of capital assets	41	34
Net cash used by capital and related financing activities	(1,417)	(4,073)
Cash flows from investing activities:		
Interest (paid) received	123	(3)
Net cash (used) provided by investing activities	123	(3)
Net change in cash and cash equivalents	3,159	(3,870)
Cash and cash equivalents, beginning of year	8,851	12,721
Cash and cash equivalents, end of year	$ 12,010	$ 8,851

(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
Years Ended June 30, 2014 and 2013

(Amounts expressed in thousands)

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 4,370	$ 1,799
Adjustments:		
Depreciation	1,792	1,405
Increase in receivables	(201)	(652)
Increase (decrease) in accounts payable	121	(764)
Increase in other postemployment benefits	25	145
Decrease in vested compensated absences	(26)	(69)
Increase (decrease) in net pension obligation	27	(2)
Net cash provided by operating activities	$ 6,108	$ 1,862

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

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 basic 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's cash and investments and invested by the City'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'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 amounts for unbilled revenue of approximately $1,320 and $1,352 at June 30, 2014 and 2013, 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 $26 and $24 as of June 30, 2014 and 2013, respectively.

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	20-50 years
Equipment	5-20 years

ADVANCE FROM TULSA PUBLIC FACILITIES AUTHORITY – Advances from the Tulsa Public Facilities Authority, a blended component unit of the City, represent monies transferred for the purpose of funding debt service payments related to the issuance of revenue bonds. Proceeds from the revenue bonds were used to purchase capital assets to be used in the Authority's refuse collection system.

REFUSE COLLECTION – Refuse collection and curbside recycling collection expenses for residential customers are determined on the basis of average "head count" (i.e., the number of customers) by type of service each month. This procedure is in accordance with the terms and conditions of the contract between the Authority and Northeast Waste Solutions, LLC.

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.

POSTEMPLOYMENT BENEFITS (PENSION AND 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 retirement and postemployment healthcare, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Authority accounts for annual pension and other postemployment benefit costs on an accrual basis, charging expenses in the period incurred, with a corresponding liability for benefits to be paid in future periods.

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

NET POSITION – Net position of the Authority represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of borrowings used to finance the purchase of those assets. Net position is reported as restricted when there are limitations imposed on the assets' 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 resources are available, the Authority first applies restricted resources. Unrestricted net position is assets less liabilities that do not meet the definition of net investment in 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 changes in net position during the reporting period.

RECLASSIFICATIONS - Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on Changes in Net Position.

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, 2014 and 2013, the pooled cash and investments amounted to $12,010 and $8,851, respectively. The amounts pooled with the City at June 30, 2014 and 2013, 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 position. An increase in fair value of $35 is recognized and reported as an increase in investment income for the year ended June 30, 2014. For the year ended June 30, 2013, the Authority experienced a decrease in fair value of $121, 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 2.31 years.

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, 2014 and 2013, the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ 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, 2014 and 2013, 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, 2014 and 2013 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, 2014, 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 19%, 18%, 19%, and 18%, respectively, of its total pooled investment portfolio. At June 30, 2013, 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 18%, 22%, 19%, and 22%, respectively, of its total pooled investment portfolio.

Notes To Financial Statements (in thousands of dollars)

3. CAPITAL ASSETS

The changes in capital assets for the years ended June 30, 2014 and 2013 are summarized as follows:

2014:	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Buildings	$ 738	$ -	$ -	$ 738
Equipment	19,381	193	216	19,358
	20,119	193	216	20,096
Less accumulated depreciation:				
Buildings	(651)	(3)	-	(654)
Equipment	(3,999)	(1,789)	(210)	(5,578)
Total accumulated depreciation	(4,650)	(1,792)	(210)	(6,232)
Capital assets, net	$ 15,469	$ (1,599)	$ 6	$ 13,864

2013:	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Buildings	$ 702	$ 36	$ -	$ 738
Equipment	7,024	12,634	277	19,381
	7,726	12,670	277	20,119
Less accumulated depreciation:				
Buildings	(650)	(1)	-	(651)
Equipment	(2,872)	(1,404)	(277)	(3,999)
Total accumulated depreciation	(3,522)	(1,405)	(277)	(4,650)
Capital assets, net	$ 4,204	$ 11,265	$ -	$ 15,469

Notes To Financial Statements (in thousands of dollars)

4. LONG-TERM LIABILITIES

The changes in long-term liabilities for the years ended June 30, 2014 and 2013 are summarized as follows:

2014:	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Other long-term liabilities:					
Advance from Tulsa Public Facilities Authority	$ 8,324	$ 110	$ 1,234	$ 7,200	$ 1,325
Vested compensated absences	307	252	278	281	201
Net pension obligation	81	27	-	108	81
Other postemployment benefits	531	25	-	556	-
Total other long-term liabilities	$ 9,243	$ 414	$ 1,512	$ 8,145	$ 1,607

2013:	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Other long-term liabilities:					
Advance from Tulsa Public Facilities Authority	$ -	$ 10,229	$ 1,905	$ 8,324	$ 1,309
Vested compensated absences	376	209	278	307	188
Net pension obligation	83	88	90	81	-
Other postemployment benefits	386	145	-	531	-
Total other long-term liabilities	$ 845	$ 10,671	$ 2,273	$ 9,243	$ 1,497

5. MUNICIPAL EMPLOYEES' PENSION PLAN

The Authority contributes to the Municipal Employees Retirement Plan (the "Plan"), a cost-sharing, multiple-employer, defined benefit pension plan administered by the City. The pension plan was established by the City in accordance with the City Charter and State Statutes, and is reported in the City's Comprehensive Annual Financial Report. All full-time employees of the Authority, along with other employees of the City 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, except employees elected or covered under the pension programs established for police officer and firefighters. Employees become 100% vested after five years of employment.

Notes To Financial Statements (in thousands of dollars)

5. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

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

The ability to establish and amend requirements of plan members and the Authority is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the Mayor with approval of the City Council. Plan members are required to contribute 6.0% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. The Authority's pension cost information is presented below:

Annual Pension Cost Trend Information

Year	Actuarially Required Contributions	Actual Contributions	Percentage Contributed	Net Pension Obligation
2014	$ 246	$ 223	91%	$ 108
2013	248	315	127%	81
2012	267	263	98%	83

The Plan is reported as a Pension Trust Fund in the City's 2014 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 multiple-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 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.

Notes To Financial Statements (in thousands of dollars)

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

The actuarial valuation of liabilities under the plan is calculated using the entry age normal cost method as of the July 1, 2014, 2013 and 2012 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately $14,216 $28,539 and $27,437 for the City as of June 30, 2014, 2013, and 2012, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable.

The City's and the authority's OPEB information is presented below:

Annual OPEB Cost Information - City

Year	Actuarially Required Contributions	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2014	$ 1,376	$ 1,332	97%	$ 556
2013	2,880	1,685	59%	531
2012	2,769	1,208	44%	386

The amount allocated to the Authority is based on the number of active eligible employees of the Authority compared to the total number of active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

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. COMMITMENTS

The Authority entered into a projects agreement with the City and the Tulsa Public Facilities Authority (the "TPFA"), a blended component unit of the City. The projects agreement provides financing for the acquisition, furnishing, equipping, maintaining, storing, and delivering of trash carts and other capital improvements, equipment and facilities for use in the operations of the Authority's system for solid waste management providing collection and disposal of collectible residential solid waste of the City. The financing is provided by TPFA through the issuance of bonds to be repaid by revenues received by the Authority from the collection of residential solid waste. In the event the Authority fails to make the required payments, the City will be required to make the debt service payments, subject to certain conditions.

Notes To Financial Statements (in thousands of dollars)

8. COMMITMENTS, continued

In April 2012 TPFA issued $10,900 in capital improvements revenue bonds secured by a pledge by the Authority and the City for the purpose as described in the projects agreement. The reserve funds are held by a trustee and carried on the books of TPFA along with the bonds payable. The bonds carry an interest rate of 3-4%, mature over a period of six years ending April 1, 2020, and have annual debt service requirements ranging from $1,625 to $1,518. The Authority has recorded an advance from TPFA of $7,200 as of June 30, 2014 for the outstanding balance.

9. GENERAL LITIGATION

The Authority is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the net position, changes in net position, and cash flows of the Authority.

10. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2014 and 2013, the Authority conducted the following transactions with related parties:

	2014	2013
Payments in lieu of taxes to City of Tulsa	$ 1,655	$ 1,499
Insurance and indirect cost reimbursement to City of Tulsa	$ 719	$ 696
Refuse service revenue from City of Tulsa	$ 150	$ 180
Charges paid to City of Tulsa for fuel and equipment maintenance	$ 1,112	$ 896
Payment to City of Tulsa for CNG refueling station	$ -	$ 157
Payments from Tulsa Public Facilities Authority for loan financing	$ 110	$ 10,229
Payments to Tulsa Public Facilities Authority for loan financing	$ 1,375	$ 1,666

11. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Authority beginning with its year ending June 30, 2015. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that met certain criteria.

11. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS, continued

This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension costs. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. While the impact of GASB Statement No. 68 on the Authority's financial statements in the year of adoption has not been determined, it has the potential to have a significant impact on the Authority's financial statements.

GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, issued November 2013, will be effective for the Authority for its year ending June 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.