

Metropolitan Tulsa Transit Authority
A Component Unit of the City of Tulsa, Oklahoma

Financial Report
June 30, 2011

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Independent Auditor's Report

To the Board of Trustees
Metropolitan Tulsa Transit Authority
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of the Metropolitan Tulsa Transit Authority (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 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 cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussions and analysis on pages 3 through 6 and pension plan schedule on pages 21 and 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. 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.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements, taken as a whole. The accompanying supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Kansas City, Missouri
October 12, 2011

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

**Management's Discussion and Analysis
Year Ended June 30, 2011**

As management of the Metropolitan Tulsa Transit Authority (the Authority). We offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2011 and 2010. The Authority is a component unit of the City of Tulsa, Oklahoma. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 7. All amounts are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by approximately \$18,002 (net assets). For fiscal year 2010, assets exceeded liabilities by \$16,034.
- During fiscal year 2011, the Authority's total net assets increased by approximately \$1,967. For fiscal year 2010, the Authority's total net assets decreased by \$2,046.
- The Authority's total liabilities decreased by approximately \$1,976 during fiscal year 2011.
- For the year ended June 30, 2011, net capital assets increased by approximately \$2,091. For the year ended June 30, 2010, net capital assets decreased by approximately \$2,008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements include: 1) balance sheet, 2) statement of revenues, expenses and changes in net assets, 3) statement of cash flows and 4) notes to basic financial statements. This report also contains other supplementary information to demonstrate compliance with finance-related activities.

Required Financial Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The balance sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its user fees and other charges. The third required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and changes in cash resulting from operations, noncapital financing, 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.

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

**Management's Discussion and Analysis
Year Ended June 30, 2011**

Net Assets

The Authority's net assets increased approximately \$1,967 for fiscal year ended June 30, 2011. The increase is primarily due to decreased expenses and additional federal capital revenue. The Authority's net assets decreased approximately \$2,046 for the fiscal year ended June 30, 2010. The decrease is primarily due to decreased federal capital revenues.

Net Assets
(in thousands of dollars)

	2011	2010	2009
Assets:			
Current and other assets	\$ 2,740	\$ 4,840	\$ 4,826
Capital assets, net	18,062	15,971	17,979
Total assets	\$ 20,802	\$ 20,811	\$ 22,805
Liabilities:			
Current and other liabilities	\$ 1,412	\$ 3,696	\$ 4,399
Long-term liabilities	1,388	1,081	326
Total liabilities	2,800	4,777	4,725
Net assets:			
Invested in capital assets	18,062	15,971	17,979
Restricted for other purposes	760	523	494
Unrestricted (deficit)	(820)	(460)	(393)
Total net assets	18,002	16,034	18,080
Total liabilities and net assets	\$ 20,802	\$ 20,811	\$ 22,805

Change in Net Assets

For the year ended June 30, 2011, the Authority's total operating revenues increased approximately \$36 and operating expenses decreased \$1,067. The key factor for the increase in operating revenues was attributable to increased advertising revenue. Fixed Route ridership decreased 2 percent from prior year and Lift Program ridership decreased 20 percent from prior year. With regard to operating expenses, purchased transportation decreased 14 percent, depreciation decreased 11 percent and employee fringe benefits decreased 2 percent.

For the year ended June 30, 2010, the Authority's total operating revenues decreased approximately \$141 and operating expenses decreased \$442. The key factor for the decrease in operating revenues was attributable to decreased ridership in both the Fixed Route and Lift Program resulting in 4.5 percent decrease in operating revenues. Fixed Route ridership decreased 7 percent from prior year and Lift Program ridership decreased 13 percent from prior year. With regard to operating expenses, purchased transportation decreased 16 percent and services decreased 12 percent, while employee fringe benefits increased 19 percent. The increase in fringe benefits was attributable to one-time retirement incentive payments.

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

**Management's Discussion and Analysis
Year Ended June 30, 2011**

Changes in Net Assets
(in thousands of dollars)

	2011	2010	2009
Operating revenues	\$ 3,035	\$ 2,999	\$ 3,140
Nonoperating and capital revenues	18,562	15,641	17,146
Total revenues	21,597	18,640	20,286
Operating expenses	19,614	20,681	21,123
Nonoperating expenses	16	5	625
Total expenses	19,630	20,686	21,748
Increase (decrease) in net assets	\$ 1,967	\$ (2,046)	\$ (1,462)

Capital Assets

The Authority's investment in capital assets as of June 30, 2011 amounts to approximately \$18,062 (net of accumulated depreciation). This investment in capital assets includes revenue and service equipment, land, buildings and other equipment. The Authority made additional capital asset purchases during the year resulting in increased net capital assets.

Net Capital Assets
(in thousands of dollars)

	2011	2010	2009
Revenue equipment	\$ 20,200	\$ 19,540	\$ 18,855
Service equipment	367	264	297
Security equipment	553	543	-
Buildings	12,490	12,289	12,090
Shop and garage equipment	762	1,696	1,681
Other equipment	3,090	3,497	6,427
Furniture and fixtures	866	846	847
Construction in progress	39	-	-
Land	2,634	2,634	2,634
	41,001	41,309	42,831
Less accumulated depreciation	(22,939)	(25,338)	(24,852)
Net capital assets	\$ 18,062	\$ 15,971	\$ 17,979

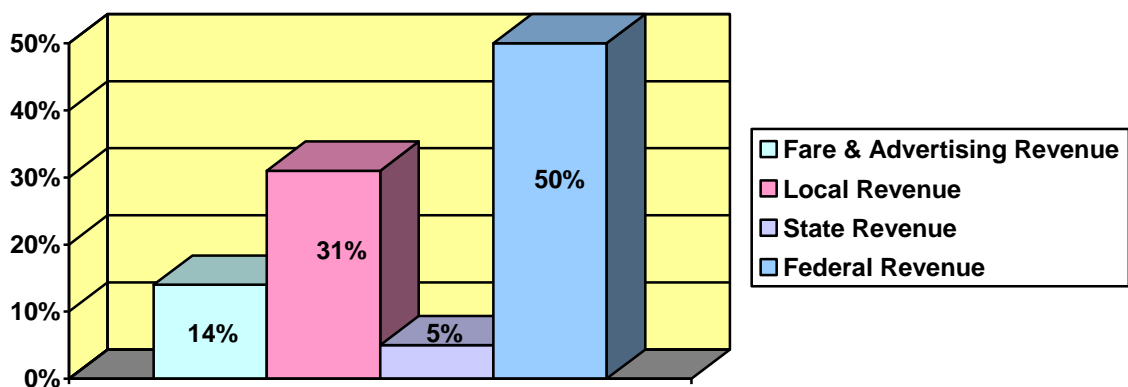
**Metropolitan Tulsa Transit Authority
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**Management’s Discussion and Analysis
Year Ended June 30, 2011**

Economic Factors

The Authority is funded by local, federal and state funding sources; in addition, the Authority generates fare and advertising revenues through the sale of various bus fare passes and packages and bus and shelter advertising. The Authority markets bus fare passes through their bus stations and other locations including local businesses, colleges and governmental offices. Bus and shelter advertising is solicited using a third-party contractor.

The Authority’s \$21,597 of total revenues is comprised as follows:



Demand for public transit remains strong. This is best demonstrated by Fixed Route rider-ship decreasing only 2 percent from prior year, and this is after local funding reductions forced the Authority to reduce fixed route service hours by 6 percent. With current service hours well below peer cities, further reduction of service hours will reduce the quality of transit service provided by the Authority.

Lift rider-ship declined 20 percent from prior year, as increased fares have impacted rider-ship; in addition, the Authority is transitioning more Lift riders to Fixed Route. This provides more independence for the rider and is cost effective for the Authority. Service data for both Fixed Route and Lift are as follows:

Service	Service Standard	Fisca Year 2011	Fiscal Year 2010	Variance
Fixed Route Bus Service	Total passenger trips	\$ 2,475,798	\$ 2,523,866	(2)%
ADA Lift Program	Total passenger trips	161,719	201,178	(20)

The Authority is the recipient of \$8.3 million from the American Recovery and Reinvestment Act of 2009. This and other federal capital grants have allowed the Authority to transition its fleet to Compressed Natural Gas (CNG). This will result in approximately a 50 percent savings in fuel cost and reduced preventive maintenance costs; in addition, use of CNG vehicles will reduce carbon emissions and foster an environment friendly transit service.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all of those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Tulsa Transit Authority, 510 South Rockford, Tulsa, Oklahoma, 74152.

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Balance Sheets
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,179,978	\$ 1,225,075
Restricted cash	760,626	523,163
Total cash and cash equivalents	1,940,604	1,748,238
Accounts receivable:		
Trade	134,445	142,865
Operating and capital grants	211,478	2,476,303
Inventories	291,541	331,326
Prepaid expenses and other	162,236	141,510
Total current assets	2,740,304	4,840,242
Capital assets, at cost:		
Revenue equipment	20,200,499	19,539,895
Service equipment	367,292	263,923
Security equipment	553,343	543,456
Buildings	12,489,753	12,289,093
Shop and garage equipment	761,636	1,695,958
Other equipment	3,090,334	3,497,156
Furniture and fixtures	866,257	845,955
Construction in progress	38,650	-
Land	2,633,707	2,633,707
	41,001,471	41,309,143
Less accumulated depreciation	22,939,170	25,337,710
	18,062,301	15,971,433
Total assets	\$ 20,802,605	\$ 20,811,675

See Notes to Basic Financial Statements.

	<u>2011</u>	<u>2010</u>
Liabilities		
Current liabilities:		
Accounts payable:		
Trade	\$ 509,227	\$ 578,762
Other	38,539	66,285
Accrued wages payable	351,677	330,286
Accrued compensated absences	81,695	72,920
Accrued insurance claims	344,266	325,150
Accrued pension contributions	68,495	66,059
Due to the City of Tulsa	-	2,237,232
Line of credit	7,180	-
Unearned revenue	11,429	19,500
Total current liabilities	1,412,508	3,696,194
Noncurrent liabilities:		
Advances payable to the City of Tulsa	326,000	326,000
Net pension obligation	230,504	138,332
Other postemployment benefits	205,793	-
Accrued compensated absences	625,668	616,204
Total noncurrent liabilities	1,387,965	1,080,536
Total liabilities	2,800,473	4,776,730
Net assets:		
Invested in capital assets	18,062,301	15,971,433
Restricted, expendable for capital acquisitions	636,718	393,239
Restricted, expendable for worker's compensation	123,908	129,924
Unrestricted, deficit	(820,795)	(459,651)
Total net assets	18,002,132	16,034,945
Total liabilities and net assets	\$ 20,802,605	\$ 20,811,675

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Passenger	\$ 2,389,778	\$ 2,399,887
Advertising	601,847	571,692
Other	43,930	27,330
Total operating revenues	3,035,555	2,998,909
Operating expenses:		
Labor	5,856,259	6,187,825
Purchased transportation	2,570,945	3,003,033
Materials and supplies consumed	3,239,878	3,291,546
Fringes	3,267,981	3,329,832
Services	836,667	827,783
Insurance	445,006	342,527
Utilities	350,336	340,904
Depreciation	2,696,451	3,034,486
Other	350,577	323,248
Total operating expenses	19,614,100	20,681,184
Operating loss	(16,578,545)	(17,682,275)
Nonoperating revenues (expenses):		
Federal Transit Administration operating grants	8,800,816	7,516,490
State of Oklahoma operating grants	1,159,000	983,250
City of Tulsa operating appropriations	5,775,000	5,748,000
Pass-through of federal grants to the City of Tulsa	-	(4,932)
Interest	2,729	2,391
Loss on disposal of capital assets	(16,366)	-
Other	274,000	278,821
Nonoperating revenue, net	15,995,179	14,524,020
Deficiency of revenues over expenses before capital appropriations and capital grants	(583,366)	(3,158,255)
Capital grants, Federal Transit Administration	1,551,258	851,784
Capital appropriations, City of Tulsa	999,295	260,942
Change in net assets	1,967,187	(2,045,529)
Net assets, beginning of year	16,034,945	18,080,474
Net assets, end of year	\$ 18,002,132	\$ 16,034,945

See Notes to Basic Financial Statements.

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers	\$ 3,043,975	\$ 2,975,996
Cash payments to suppliers for goods and services	(10,089,747)	(7,975,548)
Cash payments to employees	(8,784,209)	(9,410,066)
Net cash (used in) operating activities	(15,829,981)	(14,409,618)
Cash flows from noncapital financing activities:		
Operating grants received from Federal Transit Administration	11,057,570	7,765,378
Operating appropriations received from the City of Tulsa	5,775,000	5,748,000
Operating grants received from the state of Oklahoma	1,159,000	983,250
Other assistance received	274,000	278,821
Proceeds from line of credit	7,180	-
Net cash provided by noncapital financing activities	18,272,750	14,775,449
Cash flows from capital and related financing activities:		
Capital expenditures	(4,860,822)	(1,027,315)
Capital contributions from Federal Transit Administration	1,551,258	851,784
Pass-through of capital grants to the City of Tulsa	-	(4,932)
Capital contributions from the City of Tulsa	999,295	260,942
Proceeds from sale of capital assets	57,137	-
Net cash provided by (used in) capital and related financing activities	(2,253,132)	80,479
Cash flows provided by investing activities, interest earned	2,729	2,391
Increase in cash and cash equivalents	192,366	448,701
Cash and cash equivalents, beginning of year	1,748,238	1,299,537
Cash and cash equivalents, end of year	\$ 1,940,604	\$ 1,748,238
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating loss	\$ (16,578,545)	\$ (17,682,275)
Depreciation	2,696,451	3,034,486
Changes in operating assets and liabilities:		
Accounts receivable	8,420	(22,913)
Inventories	39,785	317,650
Prepaid expenses and other	(20,726)	(108,687)
Accounts payable	(97,281)	(83,160)
Accrued liabilities	19,116	23,745
Payable to employees	340,031	107,591
Due to the City of Tulsa	(2,237,232)	3,945
Net cash (used in) operating activities	\$ (15,829,981)	\$ (14,409,618)

See Notes to Basic Financial Statements.

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

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies

Nature of business:

The Metropolitan Tulsa Transit Authority (the Authority) was created by a trust indenture to provide a means of financing and operating municipal public transportation services. The provisions of the trust provide that the Authority will acquire and operate the transportation services, receive all revenue generated from the transportation services, pay all operating expenses and finance future improvements.

Reporting entity:

The City of Tulsa, Oklahoma (the City) is the beneficiary of the trust operated by the Authority and upon termination of the trust, title to the assets of the Authority shall pass to the City. The Authority is a component unit of the City and is included in the City's Comprehensive Annual Financial Report as a discretely presented component unit.

Significant accounting policies:

Basis of accounting and presentation: The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated nonexchange transactions, interest income and other similar transactions are included in nonoperating revenues and expenses.

The accounting policies of the Metropolitan Tulsa Transit Authority conform to generally accepted accounting principles applicable to proprietary funds as defined by the Governmental Accounting Standards Board (GASB). Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of proprietary funds in accordance with an election made by the Authority under GASB Statement No. 20.

Cash and cash equivalents: The Authority considers all investments which have an original maturity of 90 days or less to be cash equivalents. At June 30, 2011 and 2010, cash equivalents consist of certificates of deposit. The Authority defines cash and cash equivalents used in the statement of cash flows as all cash and liquid investments with original maturities of 90 days or less (both restricted and unrestricted).

Restricted cash: The Authority is required to maintain a capital match account for its local share of capital assets purchased with the Federal Transit Administration (FTA). Restricted cash also includes reserves to comply with worker's compensation agreement.

Inventories: The parts and fuel inventories are stated at the lower of cost or market with cost being determined on an average cost basis.

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

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Capital assets: Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500, and an initial useful life of one year or greater. Capital assets are stated at cost. Depreciation of capital assets is computed using the straight-line method over the estimated useful life of each asset.

Revenue equipment	4 - 12 years
Service, shop, garage and other equipment	3 - 10 years
Furniture and fixtures	4- 10 years
Buildings	10 - 30 years

Maintenance and repairs are charged against operations, while renewals and betterments are capitalized. When a capital asset is retired or otherwise disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Capital contributions and operating grants: Capital contributions represent capital grants and other capital contributions for which all applicable eligibility requirements have been met by the Authority.

The Authority follows the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which establishes accounting and financial reporting standards to guide state and local governments' decisions about when and how to report the results of nonexchange transactions involving cash and other financial and capital resources.

It is the policy of the City to support the Authority's operations at a level which permits the Authority to operate on a break-even basis, exclusive of depreciation and capital transactions.

Compensated absences: Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

	2010	Additions	Deletions	2011	Due in One Year
Compensated absences	\$ 689,124	\$ 707,363	\$ 689,124	\$ 707,363	\$ 81,695
	2009	Additions	Deletions	2010	Due in One Year
Compensated absences	\$ 668,515	\$ 689,124	\$ 668,515	\$ 689,124	\$ 72,920

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

Notes to Basic Financial Statements

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Net assets: Net assets of the Authority represent the difference between assets and liabilities. Net assets invested in capital 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 definitions of invested in capital assets or restricted.

Income taxes: The Authority, as a political subdivision of the City, is excluded from federal income taxes under Section 115(1) of the internal Revenue Code, as amended.

Risk management: The Authority is exposed to various risks of loss from torts; theft of damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased in conjunction with the City for claims arising from such matters other than bodily injury, property damage and workers' compensation. For bodily injury and property damage, losses are limited by the Oklahoma Tort Claims Act. The act limits liability to \$125,000 per claimant bodily injuries and \$25,000 per claimant property damage with a maximum loss per occurrence of \$1,000,000. For workers' compensation, losses incurred for the first \$350,000 per claim and any excess over \$5,000,000 per claim are retained by the Authority. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Authority is self-insured for a portion of its exposure to risk of loss from bodily injury, property damages and workers' compensation. Annual estimated provisions are accrued for the self-insured portion of bodily injury, property damage and workers' compensation claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally, accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain amounts in the June 30, 2010 financial statements have been reclassified with no effect on net assets or change in net assets to conform with current year presentations.

Note 2. Deposits and Investments

Deposits: As of June 30, 2011 and 2010, the Authority's cash equivalents consisted of checking accounts and certificates of deposit. The Authority had no investments. Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

The financial institution holding the Authority's cash accounts is participating in the Dodd-Frank Wall Street Reform and Consumer Protection Act. Under that program, through December 31, 2012, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. As of June 30, 2011 and 2010, none of the Authority's bank balances of \$2,123,580 and \$1,853,730, respectively, were uninsured and uncollateralized.

Note 3. Capital Assets

The changes in capital assets for the years ended June 30, 2011 and 2010 were:

	2011				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital assets not being depreciated,					
Construction in progress	\$ -	\$ 38,650	\$ -	\$ -	\$ 38,650
Land	2,633,707	-	-	-	2,633,707
Total capital assets not being depreciated	2,633,707	38,650	-	-	2,672,357
Capital assets being depreciated:					
Revenue equipment	19,539,895	4,367,676	(3,618,173)	(88,899)	20,200,499
Service equipment	263,923	46,176	(31,706)	88,899	367,292
Security equipment	543,456	9,887	-	-	553,343
Buildings	12,289,093	200,660	-	-	12,489,753
Shop and garage equipment	1,695,958	8,050	(942,372)	-	761,636
Other equipment	3,497,156	152,802	(559,624)	-	3,090,334
Furniture and fixtures	845,955	36,921	(16,619)	-	866,257
Total capital assets being depreciated	38,675,436	4,822,172	(5,168,494)	-	38,329,114
Accumulated depreciation:					
Revenue equipment	12,722,037	1,693,679	(3,544,671)	(63,446)	10,807,599
Service equipment	242,515	27,095	(31,706)	63,446	301,350
Security equipment	515,584	15,736	-	-	531,320
Buildings	7,051,854	521,129	-	-	7,572,983
Shop and garage equipment	1,417,342	55,473	(942,372)	-	530,443
Other equipment	2,549,090	369,629	(559,623)	-	2,359,096
Furniture and fixtures	839,288	13,710	(16,619)	-	836,379
Total accumulated depreciation	25,337,710	2,696,451	(5,094,991)	-	22,939,170
Total capital assets being depreciated, net	13,337,726	2,125,721	(73,503)	-	15,389,944
Capital assets, net	\$ 15,971,433	\$ 2,164,371	\$ (73,503)	\$ -	\$ 18,062,301

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

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	2010				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital assets not being depreciated, land	\$ 2,633,707	\$ -	\$ -	\$ -	\$ 2,633,707
Capital assets being depreciated:					
Revenue equipment	18,855,187	684,708	-	-	19,539,895
Service equipment	296,674	-	(32,751)	-	263,923
Security equipment	-	1,517	-	541,939	543,456
Buildings	12,090,147	171,655	-	27,291	12,289,093
Shop and garage equipment	1,680,851	15,107	-	-	1,695,958
Other equipment	6,426,710	150,474	(2,510,798)	(569,230)	3,497,156
Furniture and fixtures	847,588	3,854	(5,487)	-	845,955
Total capital assets being depreciated	40,197,157	1,027,315	(2,549,036)	-	38,675,436
Accumulated depreciation:					
Revenue equipment	11,363,293	1,358,744	-	-	12,722,037
Service equipment	264,289	10,977	(32,751)	-	242,515
Security equipment	-	7,495	-	508,089	515,584
Buildings	6,143,772	887,644	-	20,438	7,051,854
Shop and garage equipment	1,267,927	149,415	-	-	1,417,342
Other equipment	4,977,772	610,643	(2,510,798)	(528,527)	2,549,090
Furniture and fixtures	835,207	9,568	(5,487)	-	839,288
Total accumulated depreciation	24,852,260	3,034,486	(2,549,036)	-	25,337,710
Total capital assets being depreciated, net	15,344,897	(2,007,171)	-	-	13,337,726
Capital assets, net	\$ 17,978,604	\$ (2,007,171)	\$ -	\$ -	\$ 15,971,433

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

Notes to Basic Financial Statements

Note 4. Pension Plans

Each qualified Authority employee is included in one of two pension plans depending on their status as union or salaried personnel. Each plan is administered by a separate board of trustees and the assets are held in custody by certain banks.

A summary of significant data for each of the pension plans follows:

Municipal Employees' Pension Plan: The Authority contributes to the Municipal Employees' Pension System (the Plan), a cost sharing multiple-employer defined benefit pension plan administered by the City of Tulsa, Oklahoma. The Plan was established by the City in accordance with the City Charter and state statutes and is reported in the City's Municipal Pension Trust Fund. Nonuniform, nonelected full-time employees of the Authority along with other employees of the City and certain related agencies participate in this plan immediately upon employment. Employees become 100 percent vested after five years of employment.

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

The Authority to establish and amend requirements of plan members and the Plan is set forth in the City Charter and state statutes and is vested in the Plan's board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute 4.0 percent of their annual covered salary. The Authority is required to contribute at an actuarially determined rate; the rate was 6.3 percent for the years ended 2011, 2010 and 2009, respectively. The Authority's contributions to the Plan for fiscal years 2011, 2010 and 2009 were approximately \$122,000, \$111,000 and \$117,000, respectively, which equaled its required portion of the contributions for each year.

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

There are no investments in any one organization representing 5 percent or more of the Plan's net assets. There are no investments in loans to or leases with related parties to the Plan.

	2010	Additions	Deletions	2011	Due in One Year
Net pension obligation	\$ 47,403	\$ 145,678	\$ 122,000	\$ 71,801	\$ -

	2009	Additions	Deletions	2010	Due in One Year
Net pension obligation	\$ -	\$ 158,403	\$ 111,000	\$ 47,403	\$ -

Union Employees' Pension Plan: The Authority has a pension plan (the Union Plan) covering substantially all of its union employees, which is a single-employer defined benefit pension plan. The Union Plan provides retirement, disability, death and termination benefits to plan members and beneficiaries. The Authority and Local 892 of the Amalgamated Transit Union (the Union) are parties to the Metropolitan Tulsa Transit Authority Union Employees' Pension Plan Agreement (the Agreement) dated July 1, 1975, as amended, and have the authority to establish and amend benefit provisions through renegotiation of the Agreement. The employer and employee contribution rates are determined by the Agreement. The employee contribution rates for fiscal years 2011 and 2010 were 4 percent. The employer contribution rates for fiscal years 2011 and 2010 were 9 percent.

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

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

The Union 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.

All full-time employees represented by the Union who have both completed one year of employment and attained age 21 are eligible to participate in the Union Plan. Participants become 100 percent vested after ten years of service.

The annual required contribution for the current year was determined as part of the July 1, 2010, actuarial valuation using the entry age normal cost method. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial liability is being amortized as a level percent of payroll over an open amortization period, which is currently 30 years.

Union Plan assets consist of fixed income funds, equity securities and short-term investments whose value is determined using market values. There are no investments in any organization representing 5 percent or more of the plan net assets. There are no investments in loans to or leases with related parties to the Union Plan. Actuarial valuation assumptions include the use of a 7.5 percent discount rate and a projected salary increase of 3.25 percent per year to retirement age.

	2011	2010
Annual required contribution (ARC)	\$ 340,700	\$ 377,831
Interest on net pension obligation	7,790	2,200
Adjustment to ARC	(6,016)	(1,622)
Annual pension cost	342,474	378,409
Contributions made	273,980	316,814
Increase in net pension obligation	68,494	61,595
Net pension obligation, July 1, 2010	90,929	29,334
Net pension obligation, July 1, 2011	<u>\$ 159,423</u>	<u>\$ 90,929</u>

The Authority's annual pension cost and net pension obligation is as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 342,474	80% *	\$ 159,423
2010	378,409	83 *	90,929
2009	259,756	89 *	29,334

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

Funded status and funding progress as of June 30, 2011: As of July 1, 2010, the most recent actuarial valuation date, the Union Plan was 85.3 percent funded. The actuarial value of assets was \$8,844,751 and the actuarial accrued liability was \$10,372,628 resulting in a total unfunded actuarial liability of \$1,527,877. The annual covered payroll (annual payroll of active employees covered by the plan) was \$3,044,226 and the ratio of the unfunded actuarial liability to annual covered payroll was 50.2 percent.

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

Notes to Basic Financial Statements

Note 4. Pension Plans (Continued)

Funded status and funding progress as of June 30, 2010: As of July 1, 2009, the most recent actuarial valuation date, the Union Plan was 83.4 percent funded. The actuarial value of assets was \$8,280,062 and the actuarial accrued liability was \$9,924,465 resulting in a total unfunded actuarial liability of \$1,644,403. The annual covered payroll (annual payroll of active employees covered by the plan) was \$3,520,150 and the ratio of the unfunded actuarial liability to annual covered payroll was 46.7 percent.

The required schedule of funding progress presented immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 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 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 \$34,166,000 and \$33,852,000 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 ended June 30, 2011 and 2010 were \$3,219,000 and \$3,239,000, respectively, of which \$537,000 and \$522,000 were paid on a pay-as-you-go basis in 2011 and 2010, respectively. The Authority was allocated \$205,793 and none of the net OPEB obligation for the fiscal years ended 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.

Note 6. Commitments and Contingencies

In the normal course of operations, the Authority receives grant funds from federal agencies. The grant programs are subject to audit by agents of the granting agency, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The Authority is party to other legal proceedings which arise in the normal course of operations. Any liability resulting from these proceedings is not believed by management to have a material effect on the financial statements.

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

Notes to Basic Financial Statements

Note 6. Commitments and Contingencies (Continued)

The Authority is currently in the process of converting their existing fleet of lift vehicles from diesel fuel to compressed natural gas. As of June 30, 2011, the Authority has entered into contracts totaling \$8,985,000, which will be funded primarily by federal grants, as well as local capital contributions and the line of credit. These contracts cover a range of activities, and all work is scheduled to be completed in fiscal year 2012.

Note 7. Related-Party Transactions

During the years ended June 30, 2011 and 2010, the Authority received no advances from the City, although \$326,000 of prior advances was outstanding as of June 30, 2011 and 2010. In addition, the Authority owed the City \$0 and \$2,237,232 for grant reimbursements, which is reflected in due to the City of Tulsa as of June 30, 2011 and 2010, respectively. The Authority provided \$0 and \$4,932 of pass-through federal grants for fiscal years 2011 and 2010, respectively.

During the years ended June 30, 2011 and 2010, the Authority received operating appropriations from the City of \$5,775,000 and \$5,748,000, respectively. During the years ended June 30, 2011 and 2010, the Authority received capital appropriations from the City of \$999,295 and \$260,942, respectively.

Note 8. Self-Insurance Liability

The Authority is self-insuring its liability for bodily injury and property damage losses incurred. Losses are limited by the Oklahoma Tort Claims Act. The act limits liability to \$125,000 per claimant bodily injuries and \$25,000 per claimant property damage with a maximum loss per occurrence of \$1,000,000. The Authority is also self-insuring its liability for workers' compensation losses incurred for the first \$350,000 per claim and any excess over \$5,000,000 per claim. Losses estimated to have been incurred and not paid as of the balance sheet date are accrued as a liability. These loss estimates are determined using the history of claims activity from prior years to predict losses which have been incurred but not reported to the Authority.

The following is a summary of the self-insurance activity during the fiscal years ended June 30, 2011, 2010 and 2009, respectively:

	2011	2010	2009
Liability, beginning of year	\$ 285,588	\$ 301,405	\$ 239,938
Claims incurred:			
Auto/general	306,237	246,894	103,199
Workers' compensation	200,406	112,783	233,613
Claims paid	(447,965)	(375,494)	(275,345)
Liability, end of year	<u>\$ 344,266</u>	<u>\$ 285,588</u>	<u>\$ 301,405</u>

The accrued insurance claims liability as of June 30, 2011 and 2010, respectively, also includes a workers' compensation bonus accrual of \$0 and \$39,562, respectively, for union employees without any worker's compensation claims during the year.

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

Notes to Basic Financial Statements

Note 9. Line of Credit

The Authority has a revolving line of credit with F&M Bank in the amount of \$650,000 which expires May 15, 2014. As of June 30, 2011 and 2010, there was \$7,180 and \$0 borrowed and outstanding against the line of credit. The line of credit bears a variable interest rate equal to the commercial prime interest rate, which was 4 percent as of June 30, 2011.

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

**Required Supplementary Information
Union Employees' Pension Plan**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over- funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/2010	\$ 8,844,751	\$ 10,372,628	\$ 1,527,877	85.3%	\$ 3,044,226	50.2%
07/01/2009	8,280,062	9,924,465	1,644,403	83.4	3,520,150	46.7
07/01/2008	9,182,320	9,438,789	256,469	97.3	3,108,933	8.2

See Note to Required Supplementary Information.

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

Note to Required Supplementary Information

Valuation date	July 1, 2010
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Actuarial asset valuation method	Actuarial value of assets recognized 20 percent of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.25%
Inflation rate	3.0%
Cost-of-living adjustments	None

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

**Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011**

Federal Grantor/ Program Title	Project Number	CFDA #	Program or Award Amount
U.S. Department of Transportation (Direct)			
	OK-03-0022-01	20.500	\$ 2,475,787
	OK-03-X024-02	20.507	4,296,800
	OK-03-X041-00	20.507	1,943,557
	OK-04-0006-00	20.500	245,000
	OK-39-0001-00	20.522	137,600
	OK-90-X087-00	20.507	5,764,000
	OK-90-X095-01	20.507	6,953,449
	OK-90-X100-01	20.507	6,465,926
	OK-95-X003-01	20.507	100,000
	ARRA - OK-96-X003-01	20.507	8,853,448
	OK-04-0011-00	20.500	712,500
	OK-90-X104-00	20.507	6,595,908
	OK-37-X037-00	20.516	356,969
	OK-04-0014-00	20.519	2,500,000
U.S. Department of Energy (Direct)	ARRA - OK-13942-SSEP09	81.041	3,651,900
			<u>\$ 51,052,844</u>

Unexpended Balance at July 1, 2010	Grants Closed During Current Year	Grant Amendments/ During Awarded Current Year	Other Income and Matching	Current Year Expenditures (Federal and Local)	Unexpended Balance at July 1, 2011
\$ 18,323	\$ 18,323	\$ -	\$ -	\$ 18,323	\$ -
103,875	103,875	-	25,968	129,843	-
1,104,803	1,104,803	-	276,201	1,381,004	-
114,120	-	-	-	-	114,120
58,086	-	-	8,635	43,176	23,545
416,266	-	-	26,803	135,478	307,591
488,116	-	-	31,364	156,821	362,659
4,326,469	-	-	1,531,258	5,520,542	337,185
3,426	-	550,000	20,576	187,871	386,131
8,748,508	-	-	583,750	2,922,699	6,409,559
-	-	712,500	-	-	712,500
-	-	6,595,908	540,205	2,701,023	4,435,090
-	-	356,969	535,454	892,423	-
-	-	2,500,000	7,180	35,900	2,471,280
3,651,900	-	(291,900)	-	-	3,360,000
<u>\$ 19,033,892</u>	<u>\$ 1,227,001</u>	<u>\$ 10,423,477</u>	<u>\$ 3,587,394</u>	<u>\$ 14,125,103</u>	<u>\$ 18,919,660</u>

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

**Schedule of Operating Expenses, Excluding Depreciation
Year Ended June 30, 2011**

Labor:

Operator salaries and wages	\$ 2,892,879
Transportation administration	284,330
System security	147,558
Safety and training administration	21,213
Maintenance administration	163,952
Maintenance and servicing, revenue vehicles	989,899
Service and development administration	85,099
General office administration	1,271,329
Total labor	<u>5,856,259</u>

Purchased transportation:

Lift program, ADA	2,352,353
Fixed route	218,592
Total purchased transportation	<u>2,570,945</u>

Materials and supplies consumed:

Diesel fuel	1,517,107
Gasoline service	269,826
Oil and lubricants	69,325
Tires and tubes	118,568
Shop and garage building repair	216,050
Service and shop equipment	45,304
Other shop and garage expense	68,959
Repair parts for revenue vehicles	775,321
Servicing supplies	19,506
Transportation and safety	4,358
Schedules	24,958
Tickets and transfers	28,370
General office expenses	82,226
Total materials and supplies consumed	<u>3,239,878</u>

(Continued)

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Schedule of Operating Expenses, Excluding Depreciation (Continued)
Year Ended June 30, 2011

Fringes:

FICA taxes	486,974
Pension plan expenses	496,022
Other postemployment benefits	205,793
Health and dental expense	937,160
Life and disability insurance	6,987
Workers' compensation insurance (including self-insurance)	306,237
Sick leave	246,068
Holiday pay	165,031
Vacation pay	158,736
Uniform allowance - drivers	38,165
Work clothing and tool allowance, mechanics	27,651
Unemployment tax, state	17,759
Other	175,398
Total fringes	3,267,981

Services:

Legal fees	21,298
Audit and other outside services	32,239
Office equipment maintenance	31,564
Advertising	216,645
Professional and technical services	355,915
Staffing services for Lift and Fixed Route Programs	13,926
Call center services	9,157
Building and facility services	142,577
Security services	13,346
Total services	836,667

Insurance, property and liability insurance (including self-insurance)	445,006
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Utilities:

Heat, power and water	216,932
Communications	133,404
Total utilities	350,336

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Schedule of Operating Expenses, Excluding Depreciation (Continued)
Year Ended June 30, 2011

Other:	
Planning expense	96,715
Dues and subscriptions	24,293
Travel and meetings, staff	21,369
Marketing and advertising	48,826
Trade advertising	60,700
Other miscellaneous expenses	85,284
Leases and rentals	13,390
Total other	<u>350,577</u>
Total operating expenses, excluding depreciation	<u><u>\$ 16,917,649</u></u>

Metropolitan Tulsa Transit Authority
(A Component Unit of the City of Tulsa, Oklahoma)

Schedule of Projects Costs
Year Ended June 30, 2011

Total operating expenses:	
Labor	\$ 5,856,259
Purchased transportation	2,570,945
Materials and supplies consumed	3,239,878
Fringes	3,267,981
Services	836,667
Insurance	445,006
Utilities	350,336
Other	350,577
Total operating expenses, excluding depreciation	<u>16,917,649</u>
Depreciation	<u>2,696,451</u>
Total operating expenses	<u>19,614,100</u>
Less exclusions:	
Ineligible expenses:	
Depreciation	2,696,451
Contra-expense, interest earned on working capital	(2,729)
Other exclusions, expenses reimbursable by:	
Planning assistance, FTA	1,429,158
Revolving transit funds, Oklahoma	1,159,000
CMAQ operating assistance, FTA	54,616
Preventative maintenance assistance, FTA	2,985,525
Lift program assistance, FTA	1,596,084
Job access assistance, FTA	356,969
Lease assistance, FTA	39,515
Total exclusions	<u>10,314,589</u>
Eligible operating expenses	<u>9,299,511</u>
Less:	
Passenger farebox revenues	2,389,778
Contract services and other	43,930
	<u>2,433,708</u>
Net eligible project cost	<u>6,865,803</u>
Less local share of operating assistance:	
City of Tulsa	5,775,000
Advertising revenues	601,847
Other	274,000
	<u>6,650,847</u>
Net revenues before applying FTA operating funds	<u>\$ 214,956</u>