TULSA AUTHORITY FOR RECOVERY OF ENERGY

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

FINANCIAL REPORT

June 30, 2012 and 2011

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
Index
Years Ended June 30, 2012 and 2011

McGladrey

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the Tulsa Authority for Recovery of Energy (Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) 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 29, 2012

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, 2012 and 2011. 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 $17,141. Of this amount, $4,204 is invested in capital assets and $12,937 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 2011 by $17,993.

- During 2012, the Authority's net position decreased $852 to $17,141. During 2011, the Authority's net position decreased $96 to $17,993.

- The Authority's operating revenues decreased to $21,569 in 2012 from $21,657 in 2011, a 0.4% decrease. In 2011, the Authority's operating revenues increased from $21,529 to $21,657, a 0.6% 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.

The Authority adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

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 decreased $852, or 4.7%, to $17,141 at June 30, 2012. The following table provides a summary of net position.

SUMMARY OF NET POSITION

	2012	2011	2010
Current and other assets	$ 15,793	$ 16,988	$ 16,771
Capital assets, net	4,204	3,096	3,193
Total assets	19,997	20,084	19,964
Current liabilities	2,313	1,417	1,270
Noncurrent liabilities	543	674	605
Total liabilities	2,856	2,091	1,875
Invested in capital assets	4,204	3,096	3,193
Unrestricted	12,937	14,897	14,896
Total net position	$ 17,141	$ 17,993	$ 18,089

In 2012, current and other assets decreased $1,195, due to a $1,793 decrease in cash and increases in accounts receivable and interest receivable of $114 and $36, respectively combined with an increase of $448 in advances to the Tulsa Public Facilities Authority. The decrease in cash is primarily related to the purchase of capital assets to replace fully utilized assets. Current liabilities increased $896, the result of a $382 increase in refuse collection payable, a $430 increase in accounts payable for noncapital expenditures, and a $83 increase in current net pension obligation. The increase in refuse collection payable is attributed to the final payment required on an expiring 20 year contract with the current trash hauler. Other accounts payable were higher due to significant costs in preparing for the City's transition to a new refuse collection system.

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

Noncurrent liabilities decreased $131 in 2012 and increased $69 in 2011. The 2012 net decrease is the result of a $149 decrease in noncurrent net pension obligation, a $15 decrease in the liability for other postemployment benefits, and a $33 increase in long-term vested compensated absences. The 2011 net increase is the result of a $74 increase in the liability for other postemployment benefits, a $95 decrease in long-term vested compensated absences, and a $90 increase in net pension obligation.

SUMMARY OF CHANGES IN NET POSITION

	2012	2011	2010
Operating revenues	$ 21,569	$ 21,657	$ 21,529
Investment income	176	79	363
Other income	124	50	22
Total revenues	21,869	21,786	21,914
Depreciation expense	328	297	319
Other operating expense	22,306	21,439	20,010
Nonoperating expense	87	146	-
Total expenses	22,721	21,882	20,329
Change in net position	(852)	(96)	1,585
Net position, beginning of year	17,993	18,089	16,504
Net position, end of year	$ 17,141	$ 17,993	$ 18,089

In 2012, revenues decreased 0.4% and expenses increased 3.8%, resulting in a decrease in net position of 4.7%. Operating revenues decreased $88, or 0.4%, compared to an increase of $128, or 0.6%, in 2011. Investment income in 2012 increased $97 as the result fair value change on pooled investments. Other income increased $74 in 2012. In 2012, other income included gains on the disposal of capital assets.

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

Total expenses increased $839, or 3.8%, in 2012. Other operating expenses increased $867 as a result of increases in refuse collection expense and other operating costs of $546 and $668, respectively, and a decrease in personnel costs of $347. Refuse collection expenses were higher due to higher fuel costs and a payment required to the trash hauler at the conclusion of the 20 year contract which expired June 30, 2012. The Authority, in preparation for a new refuse collection system, incurred significant transition costs included in the increase of other operating costs. These costs include publicity and education programs, customer mailings, legal support and additional customer service staff.

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

Capital Assets

The Authority's investment in capital assets as of June 30, 2012 was $4,204 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. Capital asset acquisitions during the year totaled $1,436.

	2012	2011	2010
Buildings	$ 702	$ 702	$ 702
Equipment	7,024	6,938	7,461
	7,726	7,640	8,163
Less accumulated depreciation	(3,522)	(4,544)	(4,970)
Capital assets, net	$ 4,204	$ 3,096	$ 3,193

Economic factors and next year's budget and rates

At the national level, unemployment remains above 8.2 percent. Unemployment in the City of Tulsa was 5.7 percent at the end of fiscal year 2012. The Authority's finances have been relatively unaffected by this economic downturn, as evidenced by its relatively consistent accounts receivable collection rates.

In setting its 2013 operating budget, the Authority considered many factors which impact the Authority's operations and delivery of services. The 2013 budget was decreased approximately 6 percent, and fees for refuse collection were increased 23 percent. The decrease in expected outlays consisted of a $1,194 increase in operating expenses and a $4,577 decrease in capital outlay. These changes are attributed to the conclusion of a 20 year contract with the refuse hauler and the start of a new collection system that includes providing refuse and recycling carts to residents.

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
Years Ended June 30, 2012 and 2011

(Amounts expressed in thousands)

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,721	$ 14,514
Accounts receivable, net	2,581	2,467
Interest receivable	43	7
Total current assets	15,345	16,988
Noncurrent assets:		
Depreciable capital assets, net	4,204	3,096
Advance to Tulsa Public Facilities Authority	448	-
Total noncurrent assets	4,652	3,096
Total assets	19,997	20,084
LIABILITIES		
Current liabilities:		
Refuse collection services payable	1,220	838
Accounts payable	779	349
Vested compensated absences	231	230
Net pension obligation	83	-
Total current liabilities	2,313	1,417
Noncurrent liabilities:		
Other postemployment benefits	386	401
Vested compensated absences	145	112
Net pension obligation	-	149
Deposit payable	12	12
Total noncurrent liabilities	543	674
Total liabilities	2,856	2,091
NET POSITION		
Net investment in capital assets	4,204	3,096
Unrestricted	12,937	14,897
Total net position	$ 17,141	$ 17,993

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, 2012 and 2011

(Amounts expressed in thousands)

	2012	**2011**
Operating revenues:		
Refuse services	$ 21,569	$ 21,657
Total operating revenues	21,569	21,657
Operating expenses:		
Refuse collection	10,435	9,889
Salaries and wages	3,295	3,609
Other operating expenses	8,576	7,941
Depreciation	328	297
Total operating expenses	22,634	21,736
Operating loss	(1,065)	(79)
Nonoperating revenue (expense):		
Investment income	176	79
Payment from primary government	-	50
Payment to primary government	-	(19)
Gain (loss) on disposal of assets	124	(127)
Loan financing expense	(87)	-
Total nonoperating revenue (expense)	213	(17)
Change in net position	(852)	(96)
Net position, beginning of year	17,993	18,089
Net position, end of year	$ 17,141	$ 17,993

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, 2012 and 2011

(Amounts expressed in thousands)

	2012	2011
Cash flows from operating activities:		
Received from customers	$ 21,455	$ 21,990
Payments to suppliers for goods and services	(16,720)	(16,214)
Payments to employees for services	(3,342)	(3,429)
Payments for quasi-external operating transactions, including payments in lieu of taxes	(1,472)	(1,587)
Net cash (used) provided by operating activities	(79)	760
Cash flows from noncapital financing activities:		
Payments to primary government	(7)	(12)
Net cash used by noncapital financing activities	(7)	(12)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,436)	(363)
Payments (to) from primary government	(535)	50
Proceeds from sale of capital assets	124	36
Net cash used by capital and related financing activities	(1,847)	(277)
Cash flows from investing activities:		
Interest received	140	96
Net cash provided by investing activities	140	96
Net change in cash and cash equivalents	(1,793)	567
Cash and cash equivalents, beginning of year	14,514	13,947
Cash and cash equivalents, end of year	$ 12,721	$ 14,514

(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, 2012 and 2011

(Amounts expressed in thousands)

	2012	2011
Reconciliation of operating loss to net cash (used) provided by operating activities:		
Operating loss	$ (1,065)	$ (79)
Adjustments:		
Depreciation	328	297
(Increase) decrease in receivables	(114)	333
Increase in accounts payable	819	29
(Decrease) increase in other postemployment benefits	(15)	74
Increase in compensated absences	34	16
(Decrease) increase in net pension obligation	(66)	90
Net cash (used) provided by operating activities	$ (79)	$ 760

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 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.

The Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position,* in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

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

For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased and any cash held by the City of Tulsa's internal pool to be cash equivalents.

Notes To Basic Financial Statements (in thousands of dollars)

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

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 $1,121 and $1,099 at June 30, 2012 and 2011, 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 $25 and $30 as of June 30, 2012 and 2011, respectively.

CAPITAL ASSETS – Capital assets purchased or acquired at an initial cost of $5 or more are carried at historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets sold or disposed have their cost and related accumulated depreciation removed from the records. Any gain or loss is recorded as nonoperating income in the period of sale or disposal.

DEPRECIATION – Capital assets placed in service are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	20 years
Equipment	5-20 years

ADVANCE TO TULSA PUBLIC FACILITIES AUTHORITY – Advances to the Tulsa Public Facilities Authority, a component unit of the City of Tulsa, represent monies transferred for the purpose of funding debt service payments related to the issuance of revenue bonds. Proceeds from the revenue bonds will be 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 a "head count" (i.e., the number of customers) by type of service as of the tenth day of each month. This procedure is in accordance with the terms and conditions of the contract between the Authority and Tulsa Refuse, Inc. for refuse and recycling collections.

INCOME TAXES – As a political subdivision, the Authority is exempt from federal income taxes under Section 115(1) of the Internal Revenue Code.

VESTED COMPENSATED ABSENCES – Vacation leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 14 to 26 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount that may be earned in one calendar year. Accumulated vacation leave vests and the Authority is obligated to make payment even if the employee terminates. The amount of unpaid vacation is charged to expense during the period earned, and a corresponding liability is established.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Other postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, whereas other benefits, including postemployment healthcare and other OPEB, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Authority accounts for annual OPEB costs on an accrual basis, charging expenses in the period incurred, with a corresponding liability for benefits to be paid in future periods.

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. 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.

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, 2012 and 2011, the pooled cash and investments amounted to $12,721 and $14,514, respectively. The amounts pooled with the City at June 30, 2012 and 2011, 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. A decrease in fair value of $47 is recognized and reported as a reduction in investment income for the year ended June 30, 2012. For the year ended June 30, 2011, the Authority experienced a decrease in fair value of $152, 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 1.80 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, 2012 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. As of June 30, 2011 the ratings were Aaa and AAA by Moody's and Standard & Poor's, respectively.

Custodial Credit Risk – The City's investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted, or sold without the City's approval and release of the security. Certificates of deposit are, according to the City's investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2012 and 2011, 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, 2012 and 2011 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, 2012, the City's investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association constituted approximately 17%, 15%, 22%, and 21%, respectively, of its total pooled investment portfolio. At June 30, 2011, the City's investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association constituted approximately 17%, 15%, 19%, and 13%, respectively, of its total pooled investment portfolio.

Notes To Basic Financial Statements (in thousands of dollars)

3. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2012 are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Buildings	$ 702	$ -	$ -	$ 702
Equipment	6,938	1,436	1,350	7,024
	7,640	1,436	1,350	7,726
Less accumulated depreciation:				
Buildings	(648)	(2)	-	(650)
Equipment	(3,896)	(326)	(1,350)	(2,872)
Total accumulated depreciation	(4,544)	(328)	(1,350)	(3,522)
Capital assets, net	$ 3,096	$ 1,108	$ -	$ 4,204

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

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

Notes To Basic Financial Statements (in thousands of dollars)

4. LONG-TERM LIABILITIES

The changes in long-term liabilities for the years ended June 30, 2012 and 2011 are summarized as follows:

2012:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Due within One Year**
Other long-term liabilities:					
Vested compensated absences	$ 342	$ 353	$ 319	$ 376	$ 231
Net pension obligation	149	-	66	$ 83	83
Other postemployment benefits	401	-	15	386	-
Total other long-term liabilities	$ 892	$ 353	$ 400	$ 845	$ 314

2011:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Due within One Year**
Other long-term liabilities:					
Vested compensated absences	$ 326	$ 282	$ 266	$ 342	$ 230
Net pension obligation	59	90	-	149	-
Other postemployment benefits	327	74	-	401	-
Total other long-term liabilities	$ 712	$ 446	$ 266	$ 892	$ 230

5. MUNICIPAL EMPLOYEES' PENSION FUND

The Authority contributes to the Municipal Employees Retirement Plan (the "Plan"), a cost-sharing, multiple-employer, defined benefit pension plan administered by the City of Tulsa, Oklahoma. The pension plan was established by the City in accordance with the City Charter and State Statutes, and is reported in the City's Pension Trust Fund. Nonuniform, nonelected, full-time employees of the Authority, along with other employees of the City of Tulsa and certain related agencies, are eligible to participate in the plan on the first day of the month coinciding with or next following their first day of employment. Employees become 100% vested after five years of employment.

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

5. MUNICIPAL EMPLOYEES' PENSION FUND, continued

The ability to establish and amend requirements of plan members and the Authority is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute 5.0% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. The rates were 12.12%, 9.62%, and 8.99% for the years ended 2012, 2011, and 2010, respectively. The Authority's contributions to the plan for 2012, 2011, and 2010, were $263, $154, and $164, respectively, which equaled 98%, 65%, and 70% of the annual required contributions for each year. The differences between the required contributions to the Plan and the actual contributions made by the Authority were $4 and $81 as of June 30, 2012 and 2011, respectively.

The Plan is reported as a Pension Trust Fund in the City's 2012 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City provides postemployment health care benefits for retired employees and their dependents through the City of Tulsa Postretirement Medical Plan (the "Plan"), a single-employer defined benefit health care plan. The benefits, coverage levels, employee contributions, and employer contributions are governed by 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, 2011 and 2010 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately $27,437 and $34,166 for the City as of June 30, 2012 and 2011, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable.

The City's actuarially determined annual required contributions (ARC) for fiscal years ending June 30, 2012 and 2011 were $2,769 and $3,219, respectively, of which $1,208 and $537 were paid on a pay-as-you-go basis in 2012 and 2011, respectively. The Authority was allocated $386 and $401 of the net OPEB obligation for the fiscal years ending June 30, 2012 and 2011, 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.

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 component unit of the City of Tulsa. 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.

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. At June 30, 2012 no funds had been expended from the bond proceeds other than for costs associated with the issuance of the bonds. The proceeds and 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 eight years ending April 1, 2020, and have annual debt service requirements ranging from $1,667 to $1,518. In subsequent fiscal years, the Authority will report a payable to TPFA for the amount of the outstanding debt.

In June 2012 the Authority entered into a contract to purchase carts in an amount not to exceed $11,250. The purchase will be primarily financed with proceeds from bonds issued by TPFA. The Authority has additional commitments in the amount of $2,809 for equipment and services.

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.

Notes To Basic Financial Statements (in thousands of dollars)

10. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2012 and 2011, the Authority conducted the following transactions with related parties:

	2012	2011
Payments in lieu of taxes to City of Tulsa	$ 1,472	$ 1,587
Insurance and indirect cost reimbursement to City of Tulsa	$ 741	$ 831
Refuse service revenue from City of Tulsa	$ 187	$ 207
Charges paid to City of Tulsa for fuel and equipment maintenance	$ 816	$ 713
Payment of grant from City of Tulsa for CNG vehicle	$ -	$ 50
Payment to City of Tulsa for CNG refueling station	$ -	$ 19
Payments to Tulsa Public Facilities Authority for loan financing	$ 535	$ -