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

FINANCIAL REPORT
June 30, 2015

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(A Component Unit of the City of Tulsa, Oklahoma)
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RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Authority for Recovery of Energy (the "Authority"), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As described in Note 9, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an Amendment of GASB Statement No. 27*, which restated beginning net position to record the net pension liability and deferred inflows of resources. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, and pension information on page 24, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Kansas City, Missouri
January 19, 2016

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 year ended June 30, 2015. 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 $17,410 (net position). Of this amount, $5,841 is invested in capital assets and $11,569 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 2014 by $15,508 (as restated).

- During 2015, the Authority's net position increased $1,902 to $17,410. During 2014, the Authority's net position increased $3,170 to $15,508 (as restated).

- The Authority's operating revenues decreased to $26,373 in 2015 from $26,557 in 2014, a 0.7% decrease.

Overview of the Financial Statements

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

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

Required Financial Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets, liabilities and deferred outflows/inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the period.

Net Position

The Authority's net position increased $1,902 or 12.3%, to $17,410 at June 30, 2015. The following table provides a summary of net position.

SUMMARY OF NET POSITION

	2015	2014 (as restated)
Current and other assets	$ 17,815	$ 15,468
Capital assets, net	11,770	13,864
Total assets	29,585	29,332
Deferred outflow of resources	588	-
Current liabilities	2,910	2,894
Noncurrent liabilities	8,195	9,033
Total liabilities	11,105	11,927
Deferred inflow of resources	1,658	1,897
Net investment in capital assets	5,841	6,664
Unrestricted	11,569	8,844
Total net position	$ 17,410	$ 15,508

In 2015, current and other assets increased $2,347, due to an increase of $2,573 in cash and a decrease in accounts receivable of $226. The increase in cash is primarily related to cash provided by operations. Current liabilities increased $16, due to an increase of $21 in the current portion of advances from the Tulsa Public Facilities Authority combined with an increase of $24 in accounts payable for noncapital expenditures and a decrease of $29 in compensated absences.

Noncurrent liabilities decreased $838 in 2015 from 2014. The 2015 decrease is the result of a $1,292 repayment of advances from the Tulsa Public Facilities Authority and a decrease of $3 in other postemployment benefits and an increase of $444 in net pension liability combined with a $13 increase in compensated absences.

SUMMARY OF CHANGES IN NET POSITION

	2015	2014 (as restated)
Operating revenues	$ 26,373	$ 26,557
Investment income	119	128
Other income	-	35
Total revenues	26,492	26,720
Depreciation expense	1,834	1,792
Other operating expense	20,674	19,962
Nonoperating expense	1,790	1,796
Other loss	292	-
Total expenses	24,590	23,550
Change in net position	1,902	3,170
Net position, beginning of year	15,508	12,338
Net position, end of year	$ 17,410	$ 15,508

In 2015, revenues decreased 0.7% and expenses increased 4.6%, and deferred inflows of resources decreased 12.6% resulting in an increase in net position of 12.3%. Operating revenues decreased $184 or 0.7% in 2015. The decreased operating revenues in 2015 were the result of an increase in commercial services of $144 but a decrease of $407 in the sale of recyclable materials. Investment income decreased $9 or 7.3% due to lower investment yields.

Total expenses increased $1,075, or 4.6%, in 2015. Other operating expenses increased $712 which is a result of the addition of green waste collection. This increase was offset by decrease in nonoperating costs of $6 and depreciation expense in 2015 increased $42. Other (income) loss decreased by $327 in 2015 as a result of loss on the disposal of capital assets.

Capital Assets

The Authority's investment in capital assets as of June 30, 2015 was $11,770 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings and equipment. Capital asset acquisitions during the year totaled $555.

CAPITAL ASSETS

	2015	2014
Land Improvements	$ 14	$ -
Buildings	833	738
Equipment	17,934	19,358
	18,781	20,096
Less accumulated depreciation	(7,011)	(6,232)
Capital assets, net	$ 11,770	$ 13,864

Economic factors and next year's budget and rates

At the national level, unemployment declined to 5.3 percent at June 30, 2015. Unemployment in the City of Tulsa was 4.8 percent at the end of fiscal year 2015 compared to 4.9 percent at the end of fiscal year 2014. The strength of the local economy contributes to the Authority continuing to have consistently high accounts receivable collection rates.

In setting its 2016 operating budget, the Authority considered many factors which impact the Authority's operations and delivery of services. The 2016 budgeted outlays are expected to increase approximately 9 percent, and revenues are expected to slightly decrease 1.5 percent. The majority of the increase in expected outlay is an investment in capital assets of $2,012.

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)
Statement of Net Position
June 30, 2015

(Amounts expressed in thousands)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 14,583
Accounts receivable, net	3,208
Interest receivable	24
Total current assets	17,815
Noncurrent assets:	
Depreciable capital assets, net	11,770
Total assets	29,585
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	588
LIABILITIES	
Current liabilities:	
Accounts payable	1,392
Advance from Tulsa Public Facilities Authority	1,346
Compensated absences	172
Total current liabilities	2,910
Noncurrent liabilities:	
Advance from Tulsa Public Facilities Authority	4,583
Compensated absences	94
Net pension liability	2,966
Other postemployment benefits	552
Total noncurrent liabilities	8,195
Total liabilities	11,105
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	1,658
NET POSITION	
Net investment in capital assets	5,841
Unrestricted	11,569
Total net position	$ 17,410

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)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

(Amounts expressed in thousands)

Operating revenues:	
Refuse services	$ 26,373
Total operating revenues	26,373
Operating expenses:	
Refuse collection	11,101
Personal Services	3,593
Other operating expenses	5,980
Depreciation	1,834
Total operating expenses	22,508
Operating income	3,865
Nonoperating revenue (expense):	
Investment income	119
Payments to primary government	(1,666)
Loss on disposal of assets	(292)
Loan financing expense	(124)
Total nonoperating revenue (expense)	(1,963)
Change in net position	1,902
Net position, beginning of year, as restated	15,508
Net position, end of year	$ 17,410

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)
Statement of Cash Flows
For the Year Ended June 30, 2015

(Amounts expressed in thousands)

Cash flows from operating activities:	
Received from customers	$ 26,600
Payments to suppliers for goods and services	(17,057)
Payments to employees for services	(3,994)
Net cash provided by operating activities	5,549
Cash flows from noncapital financing activities:	
Payments to primary government	(1,666)
Net cash used by noncapital financing activities	(1,666)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(555)
Payments to primary government	(1,395)
Proceeds from sale of capital assets	521
Net cash used by capital and related financing activities	(1,429)
Cash flows from investing activities:	
Interest received	119
Net cash provided by investing activities	119
Net change in cash and cash equivalents	2,573
Cash and cash equivalents, beginning of year	12,010
Cash and cash equivalents, end of year	$ 14,583

(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)
Statement of Cash Flows, continued
For the Year Ended June 30, 2015

(Amounts expressed in thousands)

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 3,865
Adjustments:	
Depreciation	1,834
Decrease in receivables	226
Increase in accounts payable	24
Decrease in other postemployment benefits	(4)
Decrease in vested compensated absences	(15)
Change in pension related amounts	(381)
Net cash provided by operating activities	$ 5,549

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 are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to enterprise activities of 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 basic financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents balances, other than petty cash, are pooled with the City's cash and investments and invested by the City's Treasurer. The Authority's cash and cash equivalents are recorded at the net asset value of their position in the City's pool. The City's investment pool is stated at fair value based on quoted market prices. Changes in estimated fair value of pooled investments are 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 pooled cash and investments to be cash and cash equivalents.

ACCOUNTS RECEIVABLE – This generally consists of amounts receivable from customers within and around the Tulsa metropolitan area for residential municipal waste collection and disposal and commercial municipal solid waste disposal. Refuse services receivables include amounts for unbilled revenue of approximately $1,322 at June 30, 2015, 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 $21 as of June 30, 2015.

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

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

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

Land Improvements	25 years
Buildings	20-50 years
Equipment	5-20 years

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

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

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

COMPENSATED ABSENCES – Vacation and sick 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. Accumulated sick leave is not paid out to the employee upon separation, if separation occurs before retirement eligibility. Upon retirement the employee is eligible to receive a lump sum payout of one hour for every three hours accrued if the employee has at least 960 hours. The amount of unpaid vacation and sick leave 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

PENSIONS – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement Plan (MERP) and additions to/deductions from MERP's fiduciary net position have been determined on the same basis as they are reported by MERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POSTEMPLOYMENT BENEFITS – 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, are taken after the employees' services have ended. Nevertheless, the benefits constitute compensation for employee services. The Authority accounts for other postemployment benefit costs on an accrual basis, charging expenses in the period incurred, with a corresponding liability for benefits to be paid in future periods.

DEFERRED OUTFLOW/INFLOW OF RESOURECES – Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be reported as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Authority records deferred outflows of resources and deferred inflows of resources related to their participation in MERP.

NET POSITION – Net position of the Authority represents the difference between assets and deferred outflows of resources and liabilities and inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of borrowings used to finance the purchase of those assets. Net position is reported as restricted when there are limitations imposed on the assets' use either through enabling legislation adopted by the Authority, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Authority first applies restricted resources. Unrestricted net position is assets less liabilities that do not meet the definition of net investment in capital assets or restricted.

USE OF ESTIMATES – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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, 2015 the pooled cash and investments amounted to $14,583. The City's cash and investments pool is collateralized by securities held by the City or its agent in the City's name.

An increase in fair value of $6 is recognized and reported as an increase in investment income for the year ended June 30, 2015.

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2015 the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ by Moody's and Standard & Poor's, respectively.

Custodial Credit Risk – The City's investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted, or sold without the City's approval and release of the security. Certificates of deposit are, according to the City's investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2015 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 City 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 investments in the City's investment pool as of June 30, 2015 were exposed to custodial credit risk.

Concentration of Credit Risk – 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, 2015, the City's investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association constituted approximately 19%, 18%, 17%, and 15%, respectively, of its total pooled investment portfolio.

Notes To Financial Statements (in thousands of dollars)

3. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2015 are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Land Improvements	$ -	14	-	14
Buildings	738	95	-	833
Equipment	19,358	446	1,870	17,934
	20,096	555	1,870	18,781
Less accumulated depreciation:				
Buildings	(654)	(5)	-	(659)
Equipment	(5,578)	(1,829)	(1,055)	(6,352)
Total accumulated depreciation	(6,232)	(1,834)	(1,055)	(7,011)
Capital assets, net	$ 13,864	$ (1,279)	$ 815	$ 11,770

The Authority has use of land that belongs to the City at no cost.

4. LONG-TERM LIABILITIES

The changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance	Due within One Year
Long-term liabilities:					
Advance from Tulsa Public Facilities Authority	$ 7,200	$ -	$ 1,271	$ 5,929	$ 1,346
Compensated absences	281	197	212	266	172
Net pension liability	2,522	1,396	952	2,966	-
Other postemployment benefits	556	-	4	552	-
Total other long-term liabilities	$ 10,559	$ 1,593	$ 2,439	$ 9,713	$ 1,518

4. LONG-TERM LIABILITIES, continued

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

In April 2012 TPFA issued $10,900 in capital improvements revenue bonds secured by a pledge by the Authority and the City for the purpose as described in the projects agreement. The reserve funds are held by a trustee and carried on the books of TPFA along with the bonds payable. The bonds carry an interest rate of 3-4%, mature over a period of five years ending April 1, 2020, and have annual debt service requirements ranging from $1,606 to $1,518. The Authority has recorded an advance from TPFA of $5,929 as of June 30, 2015 for the outstanding balance.

5. PENSION PLAN

Plan Description – Employees of the Authority are provided with pensions through MERP - a cost-sharing multiple-employer defined benefit pension plan administered by the City. MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City's Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2nd Street, Tulsa, Oklahoma 74103.

Benefits Provided – MERP provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest 30 months of pensionable wages during the last five years of service and a multiplier based on the years of service. Employees are eligible for full retirement at age 65 and at least 5 years of service or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early Retirement). Benefits for Early retirement are reduced 2.5 percent per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement with additional service credited during the period of disability. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50 percent of the member's accrued benefit determined based on final average earnings and service as of the date of death.

Notes To Financial Statements (in thousands of dollars)

5. PENSION PLAN, continued

Contributions – Contributions are set per City ordinance. Employees were required to contribute 6.5 percent of their pensionable wages for the year ended June 30, 2015. The Authority was required to contribute 11.5 percent of pensionable wages for the year ended June 30, 2015. Actual contributions to the pension plan from the Authority were $305 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Authority reported a liability of $2,966 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension liability to June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the Authority's proportion was 2.3682 percent, which was an increase of 0.1106 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Authority recognized a pension gain of $78. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ -	$ 183
Changes of assumptions	-	1,018
Net difference between projected and actual earnings on pension plan investments	418	457
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	170	-
Total	$ 588	$ 1,658

Note: Changes of assumptions – In 2014 amounts reported as changes in assumptions resulted primarily from the change in the single discount rate from 6.56% to 7.75%.

Notes To Financial Statements (in thousands of dollars)

5. PENSION PLAN, continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (gain) as follows.

Year	
2016	$ (385)
2017	(385)
2018	(385)
2019	85
	$ (1,070)

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.25 to 13.70 percent, including inflation.
Investment rate of return	7.75 percent compounded annually, net of investment expense and including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Tables, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the four-year period ending December 31, 2009.

Notes To Financial Statements (in thousands of dollars)

5. PENSION PLAN, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	34%	1.75%
Domestic equity	31%	7.04%
International equity	21%	7.10%
Real estate	7%	5.15%
Commodities	3%	0.50%
Timber	4%	4.65%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be specified in the MERP funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes To Financial Statements (in thousands of dollars)

5. PENSION PLAN, continued

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount Rate – The following presents the Authority's proportionate share of the net position liability calculated using the discount rate of 7.75 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the net pension liability	$ 4,357	$ 2,966	$ 1,781

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the City's CAFR; which can be located at www.cityoftulsa.org.

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Authority provides postemployment health care benefits for retired employees and their dependents through participation in the City of Tulsa Postretirement Medical Plan (the "Plan"), a multiple-employer defined benefit health care plan. The benefits, coverage levels, employee contributions, and employer contributions are governed by the City through its personnel and union contracts and is funded on a pay-as-you-go basis.

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, 2015, 2014 and 2013 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately \$12,180, \$14,216 and \$28,539 for the City as of June 30, 2015, 2014 and 2013 respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determined.

Notes To Financial Statements (in thousands of dollars)

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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

Annual OPEB Cost Information - City				
Year	Actuarially Required Contributions	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2015	$ 1,207	$ 618	51%	$ 553
2014	1,376	1,332	97%	556
2013	2,880	1,685	59%	531

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

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City purchases commercial insurance for general liability and property damage as well as employee health and dental. The Authority is included in the City's insurance policies and premium costs are passed on to the Authority through indirect cost allocation. The Authority is responsible for deductibles relating to specific claims pertaining to the Authority. There have been no significant reductions in insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years.

The Authority also participates in the City's workers compensation self-insurance program. The City retains all risk of loss for workers' compensation claims.

Notes To Financial Statements (in thousands of dollars)

8. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2015 the Authority conducted the following transactions with related parties:

Payments in lieu of taxes to City of Tulsa	$ 1,666
Insurance and indirect cost reimbursement to City of Tulsa	$ 1,493
Refuse service revenue from City of Tulsa	$ 174
Charges paid to City of Tulsa for fuel and equipment maintenance	$ 924
Payments to Tulsa Public Facilities Authority for loan financing	$ 1,395

9. RESTATEMENT

The Authority has restated its beginning of year net position for recognition of a net pension liability and deferred inflows of resources. The restatement is in connection with the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, effective for the fiscal year ended June 30, 2015. The result of the restatement on the current beginning of year net position is as follows:

Net position, beginning of year	$ 19,819
Adjustment applicable to prior period	(4,311)
Net position, beginning of year as restated	$ 15,508

The impact on prior year change in net position has not been determined.

10. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 72, *Fair Value Measurement and Application,* issued February 2015, will be effective for the Authority beginning with its year ending June 30, 2016.

This Statement provides guidance for determining a fair value measurement for financial reporting purposes, and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

10. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS, continued

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* issued June 2015, will be effective for the Authority beginning with its year ending June 30, 2016. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB plans that are not administered through trusts that meet the specified criteria. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measure of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

GASB Statement No. 75, *Accounting and Financial Reporting for PostEmployment Benefits Other Than Pensions*, issued June 2015, will be effective for the Authority beginning with its year ending June 30, 2017. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* established new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
Required Supplemental Information (in thousands of dollars)
June 30, 2015

Schedule of Proportionate Share - For the current and prior year

Year	Authority's proportion of net pension liability	Authority's proportionate share of net pension liability	Authority's covered-employee payroll	Authority's proportionate share of net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of total pension liability
2015	2.3682%	$ 2,966	$ 2,454	121%	77.13%
2014	2.2576%	2,522	2,503	101%	79.29%

* Prior year information is not available.

** The amounts presented were determined as of year-end.

Schedule of Employer Contributions - Last ten years

Year	Contractually Required Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2015	$ 224	$ 305	$ (81)	$ 2,454	12.43%
2014	271	271	-	2,503	10.83%
2013	315	315	-	2,245	14.03%
2012	263	353	(90)	2,206	16.00%
2011	153	211	(58)	2,427	8.69%
2010	164	164	-	2,605	6.30%
2009	168	168	-	2,666	6.30%
2008	178	178	-	2,825	6.30%
2007	178	178	-	2,825	6.30%
2006	176	176	-	2,795	6.30%

RSM