TULSA AUTHORITY FOR RECOVERY OF ENERGY

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

FINANCIAL REPORT

June 30, 2016 and 2015

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TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
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Years Ended June 30, 2016 and 2015

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the Tulsa Authority for Recovery of Energy (the "Authority"), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2016 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, 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
November 21, 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 years ended June 30, 2016 and 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 $19,472 (net position). Of this amount, $6,195 is invested in capital assets and $13,277 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 2015 by $17,410.

- During 2016, the Authority's net position increased $2,062 to $19,472. During 2015, the Authority's net position increased $1,902 to $17,410.

- The Authority's operating revenues increased to $26,599 in 2016 from $26,373 in 2015, a 0.9% increase. In 2015, the Authority's operating revenues decreased from $26,557 to $26,373, 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, around, 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.

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 financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the period.

Net Position

The Authority's net position increased $2,062 or 11.8%, to $19,472 at June 30, 2016. The following table provides a summary of net position.

SUMMARY OF NET POSITION

	2016	2015	2014 (as restated)
Current and other assets	$ 19,628	$ 17,815	$ 15,468
Capital assets, net	10,647	11,770	13,864
Total assets	30,275	29,585	29,332
Deferred outflow of resources	1,811	170	-
Current liabilities	3,006	2,910	2,894
Noncurrent liabilities	8,777	8,195	9,033
Total liabilities	11,783	11,105	11,927
Deferred inflow of resources	831	1,240	1,897
Net investment in capital assets	6,195	5,841	6,664
Unrestricted	13,277	11,569	8,844
Total net position	$ 19,472	$ 17,410	$ 15,508

In 2016, current and other assets increased $1,813, due to an increase of $1,835 in cash and a decrease in accounts receivable of $22. The increase in cash is primarily related to cash provided by operations. Current liabilities increased $96, due to an increase of $55 in accounts payable for noncapital expenditures, $26 in the current portion of advances from the Tulsa Public Facilities Authority and $15 in compensated absences.

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 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 increased $582 in 2016 from 2015 and decreased $838 in 2015 from 2014. The 2016 increase is the result of a $1,502 repayment of advances from the Tulsa Public Facilities Authority, a decrease of $25 in other postemployment benefits, a $20 decrease in compensated absences combined with an increase of $2,129 in net pension liability. 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

	2016	2015	2014 (as restated)
Operating revenues	$ 26,599	$ 26,373	$ 26,557
Investment income	214	119	128
Other income	15	-	35
Total revenues	26,828	26,492	26,720
Depreciation expense	1,792	1,834	1,792
Other operating expense	21,254	20,674	19,962
Nonoperating expense	1,720	1,790	1,796
Other loss	-	292	-
Total expenses	24,766	24,590	23,550
Change in net position	2,062	1,902	3,170
Net position, beginning of year	17,410	15,508	12,338
Net position, end of year	$ 19,472	$ 17,410	$ 15,508

In 2016, revenues increased 1.3% and expenses increased 0.7%, deferred outflows of resources increased 965.3% and deferred inflows of resources decreased 33.0% resulting in an increase in net position of 11.8%. Operating revenues increased $226 or 0.9% in 2016. The increased operating revenues in 2016 were the result of an increase in residential services of $466 and commercial services of $86 but a decrease of $326 in the sale of recyclable materials. Investment income increased $95 or 80% due to higher investment yields.

In 2015, revenues decreased 0.9% and expenses increased 4.4%, and deferred inflows of resources decreased 34.6% 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 and residential services of $80 but a decrease of $408 in the sale of recyclable materials. Investment income decreased $9 or 7.0% due to lower investment yields.

Total expenses increased $176, or 0.7%, in 2016. Other operating expenses increased $580 which is a result of an increase of $494 in personal services, an increase in greenwaste collection of $601 offset by decrease of $515 in other operating expenses. This increase was offset by decrease in nonoperating costs of $70 and depreciation expense in 2016 decreased $42. Other loss decreased by $292 in 2016 as a result of no loss recognized on the disposal of capital assets.

Total expenses increased $1,040, or 4.4% in 2015. Other expenses increased $712 which is a result of the addition of green waste collection. This increase was offset by a decrease in nonoperating costs $6 and depreciation expense in 2015 increased $42. Other loss increased by $292 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, 2016 was $10,647 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings and equipment. Capital asset acquisitions during the year totaled $669.

CAPITAL ASSETS

	2016	2015	2014
Land Improvements	$ 100	$ 14	$ -
Buildings	833	833	738
Equipment	18,415	17,934	19,358
	19,348	18,781	20,096
Less accumulated depreciation	(8,701)	(7,011)	(6,232)
Capital assets, net	$ 10,647	$ 11,770	$ 13,864

Economic factors and next year's budget and rates

At the national level, unemployment declined to 4.9 percent at June 30, 2016. Unemployment in the City of Tulsa was 5.4 percent at the end of fiscal year 2016 compared to 4.8 percent at the end of fiscal year 2015. The downturn in the oil and gas industry has affected the local unemployment rate but the Authority still has a consistent accounts receivable collection rate.

In setting its 2017 operating budget, the Authority considered many factors which impact the Authority's operations and delivery of services. The 2017 budgeted outlays are expected to decrease approximately 2 percent, and revenues are expected to remain consistent with 2016.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tulsa, Office of the Controller, 175 E. Second Street, Tulsa, Oklahoma 74103.

TULSA AUTHORITY FOR RECOVERY OF ENERGY
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Position
June 30, 2016 and 2015

(Amounts expressed in thousands)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,419	$ 14,583
Accounts receivable, net	3,166	3,208
Interest receivable	43	24
Total current assets	19,628	17,815
Noncurrent assets:		
Depreciable capital assets, net	10,647	11,770
Total assets	30,275	29,585
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	1,811	170
LIABILITIES		
Current liabilities:		
Accounts payable	1,446	1,392
Advance from Tulsa Public Facilities Authority	1,372	1,346
Compensated absences	188	172
Total current liabilities	3,006	2,910
Noncurrent liabilities:		
Advance from Tulsa Public Facilities Authority	3,080	4,583
Compensated absences	74	94
Net pension liability	5,095	2,966
Other postemployment benefits	528	552
Total noncurrent liabilities	8,777	8,195
Total liabilities	11,783	11,105
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	831	1,240
NET POSITION		
Net investment in capital assets	6,195	5,841
Unrestricted	13,277	11,569
Total net position	$ 19,472	$ 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)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

	2016	2015
Operating revenues:		
Refuse services	$ 26,599	$ 26,373
Total operating revenues	26,599	26,373
Operating expenses:		
Refuse collection	11,702	11,101
Personal Services	4,086	3,593
Other operating expenses	5,466	5,980
Depreciation	1,792	1,834
Total operating expenses	23,046	22,508
Operating income	3,553	3,865
Nonoperating revenue (expense):		
Investment income	214	119
Payments in lieu of taxes to primary government	(1,613)	(1,666)
Gain (loss) on disposal of assets	15	(292)
Loan financing expense	(107)	(124)
Total nonoperating revenue (expense)	(1,491)	(1,963)
Change in net position	2,062	1,902
Net position, beginning of year	17,410	15,508
Net position, end of year	$ 19,472	$ 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)
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

	2016	2015
Cash flows from operating activities:		
Received from customers	$ 26,641	$ 26,600
Payments to suppliers for goods and services	(17,125)	(17,057)
Payments to employees for services	(4,044)	(3,994)
Net cash provided by operating activities	5,472	5,549
Cash flows from noncapital financing activities:		
Payments in lieu of taxes to primary government	(1,613)	(1,666)
Net cash used by noncapital financing activities	(1,613)	(1,666)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(649)	(555)
Loan payments to Tulsa Public Facilities Authority	(1,584)	(1,395)
Proceeds from sale of capital assets	15	521
Net cash used by capital and related financing activities	(2,218)	(1,429)
Cash flows from investing activities:		
Interest received	195	119
Net cash provided by investing activities	195	119
Net change in cash and cash equivalents	1,836	2,573
Cash and cash equivalents, beginning of year	14,583	12,010
Cash and cash equivalents, end of year	$ 16,419	$ 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)
Statements of Cash Flows, continued
Years Ended June 30, 2016 and 2015

(Amounts expressed in thousands)

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 3,553	$ 3,865
Adjustments:		
Depreciation	1,792	1,834
Decrease in receivables	42	226
Increase in accounts payable	34	24
Decrease in other postemployment benefits	(24)	(4)
Decrease in vested compensated absences	(4)	(15)
Increase (decrease) in pension related amounts	79	(381)
Net cash provided by operating activities	$ 5,472	$ 5,549
Supplemental cash flow information:		
Capital asset acquisitions included in accounts payable	$ 20	$ -

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, around, 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 discretely presented component unit in the City's Comprehensive Annual Financial Report (CAFR).

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 equivalent balances are held within the City's pooled portfolio. The Authority's cash and cash equivalents are recorded at the net asset value of their position in the City's pooled portfolio.

The Authority is allocated interest monthly based on their average daily position in the City's pooled portfolio. Changes in fair value of the City's pooled portfolio are allocated annually based on the Authority's position as of June 30.

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 amounts held by the City's portfolio pool, to be cash equivalents.

The amounts held in the City's pooled portfolio are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

Notes To 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 $1,430 and $1,322 at June 30, 2016 and 2015, 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 $23 and $21 as of June 30, 2016 and 2015, 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 acquisition 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, curbside recycling, and greenwaste 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.

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

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 liability for sick leave consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation payments and other employees who are expected to become eligible in the future to receive such payments upon separation are included. The amount of unpaid vacation and sick leave is charged to expense during the period earned and is probable of payout, and a corresponding liability is established.

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 RESOURCES – 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.

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

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.

RECLASSIFICATIONS – Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on total net position or changes in net position.

2. CASH DEPOSITS AND CASH EQUIVALENTS

Cash deposits of the Authority are maintained within the City's pooled portfolio. The City's pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2016 and 2015, the Authority maintained balances of $16,419 and $14,583, respectively, in the City's pooled portfolio which represented 2.26% and 2.16%, respectively of the City's pooled portfolio.

The City's pooled portfolio is collateralized by securities held by the City or its agent in the city's name as of June 30, 2016 and 2015.

Please refer to the City's Comprehensive Annual Financial Report for additional information on the City's pooled portfolio, including required disclosures of risks and fair value measurements. A copy of the City's separately-issued report can be obtained at www.cityoftulsa.org.

Notes To Financial Statements (in thousands of dollars)

3. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2016 and 2015 are summarized as follows:

2016:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Depreciable capital assets:				
Land Improvements	$ 14	86	-	$ 100
Buildings	833	-	-	833
Equipment	17,934	583	102	18,415
	18,781	669	102	19,348
Less accumulated depreciation:				
Land Improvements	-	-	-	-
Buildings	(659)	(7)	-	(666)
Equipment	(6,352)	(1,785)	(102)	(8,035)
Total accumulated depreciation	(7,011)	(1,792)	(102)	(8,701)
Capital assets, net	$ 11,770	$ (1,123)	$ -	$ 10,647

2015:	**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, at no cost, of land that belongs to the City.

Notes To Financial Statements (in thousands of dollars)

4. LONG-TERM LIABILITIES

The changes in long-term liabilities for the years ended June 30, 2016 and 2015 are summarized as follows:

2016:	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Long-term liabilities:					
Advance from Tulsa Public Facilities Authority	$ 5,929	$ -	$ 1,477	$ 4,452	$ 1,372
Compensated absences	266	189	193	262	188
Net pension liability	2,966	2,782	653	5,095	-
Other postemployment benefits	552	-	24	528	-
Total other long-term liabilities	$ 9,713	$ 2,971	$ 2,347	$ 10,337	$ 1,560

2015:	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
Vested 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

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 4%, mature over a period of four years ending April 1, 2020, and have annual debt service requirements ranging from $1,591 to $1,518. The Authority has recorded an advance from TPFA of $4,452 and $5,929 as of June 30, 2016 and 2015, respectively, 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 CAFR. The report may be obtained by writing to the City of Tulsa, Office of the 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.

Contributions – Contributions are set per City ordinance. Employees were required to contribute 6.5 percent of their pensionable wages for the years ended June 30, 2016 and 2015. The Authority was required to contribute 11.5 percent of pensionable wages for the years ended June 30, 2016 and 2015. Actual contributions to the pension plan from the Authority were $312 and $296 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016, the Authority reported a liability of $5,095 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The liability for June 30, 2015 was $2,966. Standard update procedures were used to roll forward the total pension liability to June 30, 2016. 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, 2016 and 2015, the Authority's proportion was 2.3555 percent and 2.3682 percent, respectively.

For the year ended June 30, 2016 the Authority recognized pension expense of $390 and for the year ended June 30, 2015 a pension gain of $86. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes To Financial Statements (in thousands of dollars)

5. PENSION PLAN, continued

2016:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual plan experience	$ 54	$ 132
Changes of assumptions	1,114	682
Net difference between projected and actual earnings on pension plan investments	518	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	125	17
Total	$ 1,811	$ 831

2015:	**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	-	39
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	170	-
Total	$ 170	$ 1,240

Note: Changes of assumptions – In 2016 amounts reported as changes in assumptions resulted primarily from the changes in the mortality table and discount rate from 7.75% to 7.50%.

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 as follows.

Year	
2017	$ 78
2018	78
2019	547
2020	277
	$ 980

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 11.75 percent, including inflation.
Investment rate of return	7.5 percent compounded annually, net of investment expense and including inflation

Mortality rates were based on RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Generational mortality improvements with Scale MP-2015 are from the table's base year of 2014.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

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:

Notes To Financial Statements (in thousands of dollars)

5. PENSION PLAN, continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	24%	1.16%
Domestic equity	36%	6.19%
International equity	24%	6.59%
Real estate	8%	4.24%
Commodities	3%	0.50%
Timber	4%	4.25%
Cash	1%	0.11%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50 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 participating employers will be made as specified in MERP's funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 14.85 percent of payroll, which is the actuarially determined contribution rate. Based on those assumptions, MERP'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 the projected benefit payments to determine the total pension liability.

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$ 6,848	$ 5,095	$ 3,627

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.

Notes To Financial Statements (in thousands of dollars)

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 are 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, 2016, 2015 and 2014 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately \$9,713, \$12,180 and \$14,216 for the City as of June 30, 2016, 2015 and 2014 respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determined.

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
2016	$ 977	$ 796	81%	$ 528
2015	1,207	618	51%	552
2014	1,376	1,332	97%	556

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 CAFR.

Notes To Financial Statements (in thousands of dollars)

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.

8. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2016 and 2015, the Authority conducted the following transactions with related parties:

	2016	2015
Payments in lieu of taxes to City of Tulsa	$ 1,613	$ 1,666
Insurance and indirect cost reimbursement to City of Tulsa	$ 1,455	$ 1,493
Refuse service revenue from City of Tulsa	$ 195	$ 174
Charges paid to City of Tulsa for fuel and equipment maintenance	$ 690	$ 924
Payments to Tulsa Public Facilities Authority for loan financing	$ 1,584	$ 1,395

9. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for PostEmployment Benefits Other Than Pensions*, will be effective for the Authority beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by government for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73,* will be effective June 30, 2017. This statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.
Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based and ratios that use that measure.

Required Supplemental Information (in thousands of dollars)

Municipal Employees' Retirement Plan
Schedule of Proportionate Share - For the current and prior years

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
2016	2.3555%	$ 5,095	$ 2,766	184%	65.62%
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.

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from changes in the mortality table and discount rate from 7.75% to 7.50%.

Municipal Employees' Retirement Plan
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
2016	$ 312	$ 312	$ -	$ 2,712	11.50%
2015	296	377	(81)	2,647	14.24%
2014	244	244	-	2,122	11.50%
2013	225	225	-	2,250	10.00%
2012	205	295	(90)	2,206	13.37%
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%

RSM