TULSA PUBLIC FACILITIES AUTHORITY

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

FINANCIAL REPORT

June 30, 2012

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
INDEX
June 30, 2012

McGladrey

Independent Auditor's Report

Board of Trustees
Tulsa Public Facilities Authority
Tulsa, Oklahoma

We have audited the accompanying financial statements of the business-type activities and each major fund of the Tulsa Public Facilities Authority (the "Authority"), a blended component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Operations of the BOK Center as managed by SMG or The Operations of the Tulsa Convention Center, as managed by SMG, an agent operating these facilities as discussed in Note 12 to the financial statements, which are included within the financial statements of the Arena and Convention Center major enterprise fund and represents 6 percent and 46 percent, respectively, of the total assets and total revenues of the Arena and Convention Center major enterprise fund for the year ended June 30, 2012 and 4 percent and 28 percent, respectively, of the total assets and total revenues of the business-type activities for the year ended June 30, 2012. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for The Operations of the BOK Center, as managed by SMG and The Operations of the Tulsa Convention Center, as managed by SMG, are based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the basic financial statements, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which restated beginning net assets for items previously reported as assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012, on our respective consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

Kansas City, Missouri
November 1, 2012

As management of the Tulsa Public Facilities Authority (the "Authority"), a blended component unit of the City of Tulsa (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, 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page eight. 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 most recent year by $214,868.

- The Authority's net position decreased to $214,868 as of June 30, 2012 from $216,474 as of June 30, 2011 (as restated). The Authority had a decrease in net position of $1,606 and $6,398 for the years ended June 30, 2012 and 2011, respectively.

- The Authority's liabilities decreased by $2,490 as of June 30, 2012. Debt service on revenue bonds, offset by the issuance of the Capital Improvements Revenue Bond Series 2013, were the primary reasons for the decrease.

Overview of the Financial Statements

The Authority, a legally separate public trust, is reported by the City as a blended component unit. As such, the activities of the Authority are reported in various enterprise funds and internal service funds within the City's Comprehensive Annual Financial Report. The primary functions of the Authority are to issue revenue bonds, the proceeds of which may be loaned to the City or one of its component units and use bond proceeds to acquire, construct and ultimately lease governmental facilities to the City or one of its component units. The Authority also leases commercial office space to the City and private sector companies and manages the One Technology Center ("OTC"), the BOK Arena, and the Tulsa Convention Center facilities.

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

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

Required Financial Statements

The Authority uses fund accounting in its financial statements to demonstrate compliance with finance related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one fund type, proprietary, and reports four enterprise funds. Enterprise funds are used to report functions presented as business-type activities.

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

Net Position

The Authority's net position decreased to $214,868 at June 30, 2012, from $216,474 at June 30, 2011 (as restated). The following table provides a summary of net position:

SUMMARY OF NET POSITION

	2012	2011	Dollar Change	Percent Change
Current assets	$ 32,024	$ 15,296	$ 16,728	109.4%
Capital assets, net	281,501	288,894	(7,393)	(2.6%)
Other assets	19,952	33,366	(13,414)	(40.2%)
Total assets	333,477	337,556	(4,079)	(1.2%)
Deferred Outflows of Resources				
Deferred charge on refunding	6	23	(17)	(73.9%)
Total deferred outflows of resources	$ 6	$ 23	$ (17)	(73.9%)
Current liabilities	23,290	33,375	(10,085)	(30.2%)
Noncurrent liabilities	95,325	87,730	7,595	8.7%
Total liabilities	118,615	121,105	(2,490)	(2.1%)
Net investment in capital assets	200,670	206,338	(5,668)	(2.7%)
Restricted	5,726	3,695	2,031	55.0%
Unrestricted	8,472	6,441	2,031	31.5%
Net position	$ 214,868	$ 216,474	$ (1,606)	(0.7%)

Current assets increased $16,728 primarily from the receipt of $11,869 proceeds from the Capital Improvement Revenue Bond Series 2012 and $1,987 increase in advance ticket sales at the BOK Arena. The annual provision for depreciation was the primary reason for the decrease in capital assets.

Net Position, continued

Current liabilities decreased $10,085 primarily due to the final payment of $14,125 on the Capital Improvements Bond Series 2006A, a $1,295 increase in the current portion of long term debt on the Capital Improvement Revenue Bond Series 2012, and a $1,987 increase in advance ticket sales at the BOK Arena. The $7,595 increase in noncurrent liabilities was primarily the result of the $9,605 increase for the Capital Improvements Revenue Bond Series 2012.

SUMMARY OF CHANGES IN NET POSITION

	2012	2011	Dollar Change	Percent Change
Operating revenues	$ 25,054	$ 23,500	$ 1,554	6.6%
Nonoperating revenues	5,369	5,549	(180)	(3.2%)
Total revenues	30,423	29,049	1,374	4.7%
Operating expenses	31,878	29,826	2,052	6.9%
Nonoperating expenses	4,750	5,064	(314)	(6.2%)
Total expenses	36,628	34,890	1,738	5.0%
Capital contributions, intergovernmental	4,599	515	4,084	793.0%
Change in net position	(1,606)	(5,326)	3,720	69.8%
Net position, beginning of year	216,474	221,800	(5,326)	(2.4%)
Net position, end of year	$ 214,868	$ 216,474	$ (1,606)	(0.7%)

In 2012, the Authority's operating revenues increased $1,554 or 6.6%. Increases in lease revenue, $848, golf fees, $526, and payments from the primary government for debt services, $498, were offset by a $238 decrease in facilities revenue. Operating expenses increased $2,052 or 6.9%. Increases of $741 in depreciation expense, $527 in payments to related parties, and $468 for interest expense were the primary reasons.

Nonoperating revenues consist of payments from the City for operations of OTC, contributions from corporate citizens for BOK Arena improvements, and investment income. Nonoperating revenues decreased $180 primarily due to a $105 decrease in payments from the primary government. Nonoperating expenses consist of interest and related charges for OTC, the BOK Arena and the Tulsa Convention Center. Nonoperating expenses decreased $314 primarily due to a $132 decline in interest expense related to the reduction of outstanding debt, net of new debt issued.

Capital Assets

The Authority's investment in capital assets as of June 30, 2012, amounts to $281,501 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, parking garage, leasehold improvements and artwork.

CAPITAL ASSETS

	2012	2011	Dollar Change	Percent Change
Land	$ 16,001	$ 16,001	$ -	0.0%
Artwork	243	132	111	84.1%
Leasehold improvements	55,399	55,351	48	0.1%
Buildings	243,569	231,342	12,227	5.3%
Parking garage	6,118	6,118	-	0.0%
Equipment	34,373	30,272	4,101	13.5%
	355,703	339,216	16,487	4.9%
Less accumulated depreciation	(74,453)	(50,737)	(23,716)	46.7%
Construction-in-progress	251	415	(164)	(39.5%)
Capital assets, net	$ 281,501	$ 288,894	$ (7,393)	(2.6%)

Noncurrent Liabilities

At year end, the Authority had debt outstanding of $96,967. The Authority's debt decreased $6,109 during the year. The decline is primarily the result of the $10,900 issuance of the Capital Improvements Revenue Bond Series 2012 offset by payment of $14,125 on the Capital Improvements Bond Series 2006A.

OUTSTANDING DEBT

	2012	2011	Dollar Change	Percent Change
Assembly Center Lease Payment Revenue Bonds, Series 1985	$ 4,560	$ 5,900	$ (1,340)	(22.7%)
Recreational Facilities Revenue Bonds, Series 1985,	445	875	(430)	(49.1%)
Capital Improvements Revenue Bonds, Series 2006A	-	14,125	(14,125)	(100.0%)
Lease Revenue Bonds, Series 2007A	34,620	34,620	-	0.0%
Lease Revenue Bonds, Series 2007B	32,530	32,530	-	0.0%
Capital Improvement Revenue Bonds, Series 2008	13,505	14,230	(725)	(5.1%)
Capital Improvement Revenue Bonds, Series 2012	10,900	-	10,900	100.0%
Total revenue bonds	96,560	102,280	(5,720)	(5.6%)
E911 Promissory Note, Series 2005	407	796	(389)	(48.9%)
Total debt	$ 96,967	$ 103,076	$ (6,109)	(5.9%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2013 budget and fees charged for business-type activities. At the national level, unemployment declined to 8.2 percent at the end of fiscal-year 2012. Unemployment in the City of Tulsa declined to 5.2 percent at the end of fiscal-year 2012. The Authority has not experienced a decline in collection rates for accounts receivable as the economy slowly recovers from the economic downturn.

Nationally, consumer spending since the recession has been weaker than in any post-World War II recovery. Economic activity in the state of Oklahoma remains below pre-recession levels. Oklahoma's growth in gross domestic product ranked 29th nationally the for calendar year 2011.

The BOK Arena remains ranked in the top ten nationally based upon ticket sales in spite of the sluggish economic recovery. The BOK Arena generated less revenue in fiscal year 2012 due to fewer event days in the current fiscal year. Ticket prices vary by type of event at the arena.

Office vacancies in the City of Tulsa decreased approximately two percent from July 2011 through June 2012. The commercial real estate leasing environment in Tulsa remains improved slightly from the previous year. Vacant office space in Tulsa's central business district was approximately 21 percent at June 30, 2012. The Authority experienced a decline in the square footage under lease at OTC of approximately two percent during fiscal year 2012.

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 East Second Street, Tulsa, Oklahoma 74103.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF NET POSITION
June 30, 2012

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities Revenue Bond	Business-Type Activities Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 3,508	$ 13,181	$ -	$ -	$ 16,689
Cash and cash equivalents, restricted	-	-	12,351	299	12,650
Due from other government	-	348	-	-	348
Interest receivable	14	2	-	-	16
Accounts receivable	91	1,077	-	-	1,168
Notes receivable, current portion	27	-	-	-	27
Prepaid expenses	154	340	-	-	494
Inventory	-	225	-	-	225
Advances to primary government, restricted	-	-	407	-	407
	3,794	15,173	12,758	299	32,024
Noncurrent assets:					
Cash and cash equivalents, restricted	5,512	3,523	7,882	-	16,917
Advances to primary government, restricted	-	1,108	-	-	1,108
Prepaid expenses	584	1,343	-	-	1,927
Nondepreciable capital assets	2,791	9,204	4,500	-	16,495
Depreciable capital assets, net	51,180	213,606	-	220	265,006
Total Assets	$ 63,861	$ 243,957	$ 25,140	$ 519	$ 333,477
Deferred Ouflows of Resources					
Deferred charge on refunding	-	-	-	6	6
Total deferred outflows of resources	$ -	$ -	$ -	$ 6	$ 6

(Continued)

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF NET POSITION, Continued
June 30, 2012

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	$ 475	$ 1,682	$ -	$ -	$ 2,157
Retainage payable	4	21	-	-	25
Unearned revenue	235	7,344	-	-	7,579
Accrued bond interest payable	477	355	82	1	915
Due to primary government	-	325	7,882	-	8,207
Current portion of bonds payable	-	2,260	1,295	445	4,000
Current portion of note payable	-	-	407	-	407
	1,191	11,987	9,666	446	23,290
Noncurrent liabilities:					
Unearned revenue	-	1,522	-	-	1,522
Revenue bonds payable, net of current portion	67,150	15,805	9,605	-	92,560
Due to related entity	-	-	448	-	448
Unamortized premium	-	-	921	-	921
Other liabilities	12	-	-	-	12
Unamortized discount	(138)	-	-	-	(138)
	67,024	17,327	10,974	-	95,325
Total liabilities	68,215	29,314	20,640	446	118,615
NET POSITION					
Net investment in capital assets	(8,697)	205,092	4,500	(225)	200,670
Restricted for:					
Debt service	1,004	2,821	-	298	4,123
Capital projects	1,265	-	-	-	1,265
Other purposes	338	-	-	-	338
Unrestricted	1,736	6,730	-	6	8,472
Total net position (deficit)	$ (4,354)	$ 214,643	$ 4,500	$ 79	214,868

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CHANGES IN REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2012

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
Operating revenues:					
Lease revenue	$ 8,372	$ -	$ -	$ -	$ 8,372
Golf fees	-	-	-	2,550	2,550
Facilities revenue	-	9,922	-	-	9,922
Sponsorship and naming rights revenue	-	2,090	-	-	2,090
Parking facilities revenue	989	-	-	-	989
Investment income	-	-	1	-	1
Advance/loan interest income	-	-	90	-	90
Payments from primary government	-	-	539	461	1,000
Other	40	-	-	-	40
	9,401	12,012	630	3,011	25,054
Operating expenses:					
Personal services	652	-	-	-	652
Materials and supplies	99	-	-	-	99
Other service charges	4,248	10,661	-	-	14,909
Bond issue costs	-	-	53	-	53
Payments to related parties	-	-	-	2,551	2,551
Interest expense	-	-	577	-	577
Depreciation	1,879	11,011	-	147	13,037
	6,878	21,672	630	2,698	31,878
Operating income (loss)	2,523	(9,660)	-	313	(6,824)
Nonoperating revenues (expenses):					
Investment income	63	25	-	-	88
Interest expense	(3,556)	(1,151)	-	(43)	(4,750)
Payments from primary government	-	5,279	-	-	5,279
Gain on disposal of capital assets	2	-	-	-	2
	(3,491)	4,153	-	(43)	619
Capital contributions, intergovernmental	263	4,336	-	-	4,599
Change in net position	(705)	(1,171)	-	270	(1,606)
Net postion (deficit), beginning of year as restated	(3,649)	215,814	4,500	(191)	216,474
Net position (deficit), end of year	$ (4,354)	$ 214,643	$ 4,500	$ 79	$ 214,868

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF CASH FLOWS
June 30, 2012

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
Cash flows from operating activities:					
Principal paid on revenue bonds	$ -	$ -	$ (14,125)	$ -	$ (14,125)
Interest paid on revenue bonds	-	-	(746)	-	(746)
Receipts from customers	9,376	13,980	-	-	23,356
Receipts from golf fees	-	-	-	2,550	2,550
Investment income	-	-	1	-	1
Investment expense	-	-	(8)	-	(8)
Investment sales	-	-	18,610	-	18,610
Loan repayments received	-	-	7,482	-	7,482
Payments to suppliers for goods and services	(4,054)	(11,458)	-	-	(15,512)
Payments for employment services	(640)	-	-	-	(640)
Proceeds from issuance of revenue bonds	-	-	11,869	-	11,869
Payments for bond issuance costs	-	-	(53)	-	(53)
Advances paid to primary government	-	-	(5,963)	-	(5,963)
Payments from primary government	-	-	420	-	420
Payments from related entity	-	-	567	461	1,028
Principal paid on long-term debt	-	-	(389)	-	(389)
Interest paid on long-term debt	-	-	(31)	-	(31)
Payments to related parties	-	-	-	(2,551)	(2,551)
Net cash provided by operating activities	4,682	2,522	17,634	460	25,298
Cash flows from noncapital financing activities:					
Payments from primary government	-	1,280	-	-	1,280
Net cash provided by noncapital financing activities	-	1,280	-	-	1,280
Cash flows from capital financing activities:					
Acquisition of capital assets	(577)	(259)	-	-	(836)
Payments from primary government	-	3,520	-	-	3,520
Principal paid on revenue bonds	-	(2,065)	-	(429)	(2,494)
Interest paid on revenue bonds	(3,738)	(1,204)	-	(23)	(4,965)
Proceeds from sale of capital assets	2	-	-	-	2
Net cash used in capital financing activities	(4,313)	(8)	-	(452)	(4,773)

(Continued)

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF CASH FLOWS, Continued
June 30, 2012

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
Cash flows from investing activities:					
Investment income	$ 57	$ 81	$ -	$ -	$ 138
Payments from notes receivable	311	-	-	-	311
Proceeds from sales or maturities of investments	1,261	1,585	-	-	2,846
Net cash provided by investing activities	1,629	1,666	-	-	3,295
Net change in cash and cash equivalents	1,998	5,460	17,634	8	25,100
Cash and cash equivalents, beginning of year	7,022	11,244	2,599	291	21,156
Cash and cash equivalents, end of year	$ 9,020	$ 16,704	$ 20,233	$ 299	$ 46,256
Reconcilation of cash and cash equivalents to the Statement of Net Position					
Unrestricted cash and cash equivalents	$ 3,508	$ 13,181	$ -	$ -	$ 16,689
Restricted cash and cash equivalents	5,512	3,523	20,233	299	29,567
Total cash and cash equivalents	$ 9,020	$ 16,704	$ 20,233	$ 299	$ 46,256
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 2,523	$ (9,660)	$ -	$ 313	$ (6,824)
Adjustments:					
Depreciation	1,879	11,011	-	147	13,037
Change in accounts receivable	(25)	(173)	-	-	(198)
Change in inventories	-	(28)	-	-	(28)
Change in prepaid expenses	154	109	-	-	263
Change in accounts payable and accrued expenses	151	(877)	-	-	(726)
Change in unearned revenue	-	2,140	-	-	2,140
Interest expense	-	-	31	-	31
Principal paid on debt	-	-	389	-	389
Change in investing assets and liabilities	-	-	26,084	-	26,084
Change in financing assets and liabilities	-	-	11,483	-	11,483
Change in operational financing activities	-	-	(14,871)	-	(14,871)
Change in advances	-	-	(5,482)	-	(5,482)
Net cash provided by operating activities	$ 4,682	$ 2,522	$ 17,634	$ 460	$ 25,298
Noncash investing and capital financing activities:					
Capital acqusitions through accounts payable and retainage	$ -	$ 6	$ -	$ -	$ 6
Capital contributions, intergovernmental	$ 263	$ 4,336	$ -	$ -	$ 4,599

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 Public Facilities Authority (the "Authority") is a public trust created on March 10, 1981, as the Tulsa Civic Center Authority. On March 12, 1982, the Authority amended its Trust Indenture to change its name to the Tulsa Public Facilities Authority and expand its purposes to promote the acquisition, construction, and operation of various facilities and public improvements in and for the City of Tulsa, Oklahoma (the "City"). The Authority serves as a financing authority for the City as well as an enterprise authority for the operation of the One Technology Center ("OTC"), and BOK Arena and Tulsa Convention Center facilities. The five trustees are the Mayor and four individuals appointed by the Mayor and confirmed by the City Council. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The OTC was acquired to consolidate City operations previously located in several locations in or near the central business district in downtown Tulsa and contains approximately 630,000 square feet of commercial office space.

The BOK Arena was constructed as part of Vision 2025, a project to grow economic and community infrastructure for future generations. The BOK Arena is a 19,199 seat state-of-the-art sports and entertainment venue.

The Authority is included in the City's comprehensive annual financial report ("CAFR") as a blended component unit. As such, the activities of the Authority are reported in various proprietary funds within the City's CAFR, as either enterprise funds or internal service funds.

BASIS OF ACCOUNTING - The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to government 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.

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

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

The Authority reports the following major enterprise funds:

The One Technology Center fund accounts for the commercial leasing activities of the One Technology Center building and parking garage in Tulsa, Oklahoma.

Arena and Convention Center Fund accounts for the operation of the BOK Arena and the Tulsa Convention Center; both are sports and entertainment facilities in downtown Tulsa.

The Recreational Facilities fund accounts for the activity of the City's two 36-hole golf course facilities, which is financed by debt that is secured by the pledge of golf revenues. This fund is reported as nonmajor in the City's CAFR.

The Authority reports the following internal service fund:

Financing Fund – Capital Improvements Revenue Bond 2012, Capital Improvements Revenue Bond 2006A, E911 Promissory Note, Capital Improvements Revenue Bond - issues revenue bonds and a promissory note, the proceeds of which are loaned to the City or to one of its component units.

CASH AND CASH EQUIVALENTS - For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased and any cash held by the City of Tulsa's internal pool to be cash equivalents. Interest income in pooled cash and investments is allocated monthly based on the percentage of the Authority's average daily equity in the pooled portfolio to the total average daily pooled portfolio balance.

INVESTMENTS - Investments consist primarily of obligations of the U.S. Treasury, federal agencies and instrumentalities, and money market funds. These investments are held by bond trustees and invested in accordance with the requirements and terms of various bond indentures.

The Authority follows the provisions of GASB Statement No. 31, "Certain Investments and External Investment Pools," which requires governmental entities to report investments at fair value in the statement of net assets. A net increase in fair value of investments of $16 is recognized and reported in investment income in the statement of revenues, expenses and changes in net position for the year ended June 30, 2012.

CAPITAL ASSETS - Capital assets purchased or acquired are carried at historical cost. The excess of interest cost, including amortization of bond discounts, over interest earned on the proceeds of borrowings is capitalized during the construction period. Interest of $189 was capitalized during the year ended June 30, 2012.

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

DEPRECIATION - Capital assets placed in service are depreciated on a straight-line basis over the following estimated service lives and have the following capital thresholds:

Buildings	30-50 years	$5
Parking garage	30 years	$5
Leasehold improvements	24 years	$5
Equipment	3-20 years	$5
Land and artwork	Not depreciated	

UNAMORTIZED DISCOUNTS - Original issue discounts on the Authority's revenue bonds are accreted over the lives of the bonds using the effective interest method.

UNAMORTIZED PREMIUMS – Original issue premiums on the Authority's revenue bonds are amortized over the lives of the bonds using the effective interest method.

UNEARNED REVENUE – Unearned revenues for the BOK Arena are comprised of arena naming rights, sponsorships, club sales, advance ticket sales and event deposits and are recognized over the life of the agreement, generally three to ten years or at the completion of the event. Unearned revenues for the OTC are related to leases. The related revenues are recognized in the period earned.

NET POSITION – Net position of the Authority represents the difference between assets and liabilities and deferred inflow/outflows. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Net investment in capital assets excludes unspent bond proceeds of $2,775. Of the long-term debt outstanding and related unamortized discount, $2,639 of long-term debt was issued for noncapital purposes as of June 30, 2012. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Unrestricted net position is the assets less liabilities that do not meet the definition of net investment in capital assets or restricted.

REVENUE AND EXPENSES – Operating revenues consist of commercial office space lease revenue, parking garage rental, sponsorship and naming rights revenues, facilities use fees for the BOK Arena and the Convention Center, and daily use fees for the golf courses. Long-term leases govern the rates charged for the commercial office space leased. Long-term agreements govern the amount of revenue recognized by the BOK Arena as sponsorship and naming rights revenue.

(Dollars in thousands)

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

Operating expenses consist of all costs incurred to administer the One Technology Center building and garage, the BOK Arena, the Tulsa Convention Center, and the City's two 36-hole golf courses, including depreciation and amortization of capital assets. All revenues and expenses not meeting these descriptions are considered nonoperating revenues and expenses.

DEFERRED CHARGES ON REFUNDING – Deferred charges on refunding represents the difference in the reacquisition price and the net carrying amount of the old debt. These charges are presented as a deferred outflow of resources and recognized as a component of interest expense over the life of the old or new debt, whichever is shorter.

INCOME TAXES - The Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code, as amended.

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

2. CASH DEPOSITS AND INVESTMENTS

POOLED CASH AND INVESTMENTS – The Authority maintains a portion of its cash and investments with 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 and are recorded at fair value. At June 30, 2012, the pooled cash and investments, which are reflected on the Authority's Statement of Net Position within cash and cash equivalents, amounted to $4,639. The pooled cash and investments balances at June 30, 2012 are represented by investments that were collateralized by securities that were held by the pledging financial institution, or by its trust department or agent, in the City's name.

NON-POOLED INVESTMENTS - Investments are carried at fair value. In accordance with the bond indentures and state statues, authorized investments consist of obligations of the U.S. Treasury, federal agencies and instrumentalities, and money market mutual funds.

At June 30, 2012, the Authority had the following non-pooled investments. All investments had maturity dates of one year or less.

Type	Fair Value
Money Market Mutual Funds	$ 28,400

2. CASH DEPOSITS AND INVESTMENTS, continued

Interest Rate Risk – The Authority utilizes the City of Tulsa investment policy as a means of limiting its exposure to fair value losses arising from rising interest rates.

Pooled investments - In accordance with the City's investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City's pooled investment portfolio is 1.80.

Non-pooled investments - The Authority's investment policy is established by bond indentures that provide maturity of investments as bonds become due. There is no stated policy for investments not associated with bond indentures. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately, and are not subject to interest rate risk.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

Pooled investments - The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2012, the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ by Moody's and Standard & Poor's, respectively.

Custodial Credit Risk – For deposits with financial institutions, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Pooled deposits and investments – The City's investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City's approval and release of the security. Certificates of deposit are, according to the City's investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2012, none of the deposits in the pooled portfolio was exposed to custodial credit risk. All safekeeping receipts for investment instruments are held in accounts in the City's name and all securities are registered in the City's name. Therefore, none of the Authority's pooled investments as of June 30, 2012 was exposed to custodial credit risk.

(Dollars in thousands)

2. CASH DEPOSITS AND INVESTMENTS, continued

Non-pooled deposits and investments – The Authority's deposit policy for custodial credit risk requires compliance with provisions of state law and demand deposits be collateralized at least 110% of the amount not federally insured. At June 30, 2012 none of the Authority's non- pooled deposits balance of $41,617 was exposed to custodial credit risk. The Authority's investment in money market mutual funds is not categorized as to custodial credit risk because the investment is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one issuer.

Pooled investments – At June 30, 2012, the City's investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 17%, 15%, 22%, and 21%, respectively, of its total pooled investment portfolio.

RECONCILIATION TO STATEMENT OF NET POSITION – A reconciliation of the pooled cash and investments and non-pooled cash and investments to the carrying amounts on the statement of net position as of June 30, 2012, is as follows:

Pooled cash and investments	$ 4,639
Non-pooled cash and investments	41,617
	$ 46,256
Current unrestricted cash and cash equivalents	$ 16,689
Current restricted cash and cash equivalents	12,650
Non-current restricted cash and cash equivalents	16,917
	$ 46,256

INVESTMENT INCOME – Investment income for the year ended June 30, 2012, consisted of:

Interest and dividend income	$ 163
Net increase in fair value of investments and cash equivalents	16
	$ 179

3. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE AND NOTE RECEIVABLE

The accounts receivable balance consists of amounts owed at year end for OTC leasing revenues and Tulsa Convention Center event revenues. The accounts payable balance consists of capital expenditures and expenses occurring from the operation of these facilities.

The Authority has entered into a note receivable with a lessee in accordance with the lease agreement. The note calls for monthly payments of principal and interest of $27 through July 2012.

4. ADVANCES TO PRIMARY GOVERNMENT

On May 23, 2005, the Authority issued the $2,500 Series 2005 Promissory Note. The proceeds were used to finance construction of the E911 Public Safety Response Center. The advance to the primary government in the E911 Promissory Note Fund relates to an advance to the E911 Operating Fund of the City of Tulsa for the construction of the E911 Public Safety Response Center. Note proceeds were used for construction, furniture, fixtures, and equipment. The Note has an eight year term and matures in installments between fiscal years 2006 and 2013. Annual principal and interest requirements will be provided by the E911 Operating Fund from related revenues.

In April 2008, the Authority issued its $16,000 Series 2008 Capital Improvements Revenue Bonds Taxable Series 2008. The proceeds were loaned to the City to finance the acquisition, construction, furnishing and equipping of capital improvements and additions to the BOK Arena. The City collects sponsorship and naming rights revenues and repays the Authority for the loan in monthly installments which provide funds to pay the debt service on the bonds.

(Dollars in thousands)

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 16,001	$ -	$ -	$ 16,001
Artwork	132	111	-	243
Construction in progress	415	219	(383)	251
Total capital assets not being depreciated	16,548	330	(383)	16,495
Capital assets, being depreciated:				
Leasehold improvements	55,351	48	-	55,399
Buildings	231,342	12,227	-	243,569
Parking garage	6,118	-	-	6,118
Equipment	30,272	4,133	(32)	34,373
Total capital assets being depreciated	323,083	16,408	(32)	339,459
Less accumulated depreciation:				
Leasehold improvements	(8,514)	(2,174)	-	(10,688)
Buildings	(32,801)	(15,357)	-	(48,158)
Parking garage	(707)	(204)	-	(911)
Equipment	(8,715)	(6,013)	32	(14,696)
Total accumulated depreciation	(50,737)	(23,748)	32	(74,453)
Total capital assets being depreciated, net	272,346	(7,340)	-	265,006
Capital assets, net	$ 288,894	$ (7,010)	$ (383)	$ 281,501

During fiscal year 2012, the primary government transferred to the Authority assets with cost of $15,310 and accumulated depreciation of $10,711.

(Dollars in thousands)

6. REVENUE BONDS PAYABLE

Revenue bonds payable activity for the year ended June 30, 2012 is as follows:

Bond, Series, Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Assembly Center, Series 1985, 2014	$ 23,335	6.60%	$ 5,900	$ -	$ (1,340)	$ 4,560	$ 1,425
Recreational Facilities, Series 2003, 2012	3,460	3.15%-3.35%	875	-	(430)	445	445
Capital Improvements, Series 2006A, 2012	72,965	5.00%	14,125	-	(14,125)	-	-
Lease Revenue, Series 2007A, 2038	34,620	4.625%-5.250%	34,620	-	-	34,620	-
Lease Revenue, Series 2007B, 2030	33,130	5.06%-6.60%	32,530	-	-	32,530	-
Capital Improvements, Series 2008, 2027	16,000	4.484%-6.069%	14,230	-	(725)	13,505	835
Capital Improvements, Series 2012, 2020	10,900	3%-4%	-	10,900	-	10,900	1,295
Total revenue bonds			102,280	10,900	(16,620)	96,560	4,000
Unamortized premiums			130	969	(178)	921	-
Unamortized discounts			(145)	-	7	(138)	-
			$ 102,265	$ 11,869	$ (16,791)	$ 97,343	$ 4,000

Principal and interest payments in subsequent years are as follows:

	Principal	Interest	Total
2013	$ 4,000	$ 5,187	$ 9,187
2014	5,000	4,973	9,973
2015	5,255	4,707	9,962
2016	3,815	4,480	8,295
2017	4,020	4,294	8,314
2018-2022	17,380	18,383	35,763
2023-2027	15,780	13,616	29,396
2028-2032	15,960	8,512	24,472
2033-2037	20,570	3,931	24,501
2038-2039	4,780	114	4,894
	$ 96,560	$ 68,197	$ 164,757

6. REVENUE BONDS PAYABLE, continued

(a) ASSEMBLY CENTER LEASE PAYMENT REVENUE BONDS, REFUNDING SERIES 1985

On October 17, 1985, the Authority issued $23,335 Series 1985 bonds, which are accounted for in the Arena and Convention Fund. The proceeds of these bonds were utilized to refund the Authority's $15,600 Assembly Center Lease Payment Revenue Bonds, Series 1982, as well as provide funds for the construction of certain additions and improvements to the Assembly Center. Remaining funds are held in trust and managed by a bank pursuant to the Bond Indenture.

The bonds are collateralized by a lease agreement between the City and the Authority which provides that a portion of the hotel/motel taxes collected by the City are pledged as lease payments equal to the annual debt service on the bonds.

Total principal and interest remaining on the debt is $5,024 with annual requirements ranging from $1,668 to $1,679. Lease revenue, from which the appropriations will be made, has averaged $1,697 per year over the past five years. For the current year, principal and interest paid by the Authority and the total hotel/motel taxes received by the Authority for debt service were $1,685 and $1,685, respectively.

(b) RECREATIONAL FACILITIES REVENUE BONDS, REFUNDING SERIES 2003

On December 1, 2003, the Authority issued $3,460 Series 2003 Revenue Bonds. The proceeds of the issue were used to refund the Authority’s Series 1985 Revenue Bonds. This refunding resulted in a deferred accounting loss of $156 which is being amortized over the life of the new bonds.

Total principal and interest remaining on the debt is $452 and is due within one year. Golf course revenue, from which the appropriations will be made, has averaged $2,341 per year over the past five years. For the current year, principal and interest paid by the Authority and the total golf course revenue recognized by the Authority were $452 and $2,551, respectively.

(c) CAPITAL IMPROVEMENTS REVENUE BONDS, SERIES 2006A

The proceeds in the amount of $72,965 are accounted for in the Capital Improvements Revenue Bond 2006A Fund, and are utilized to advance fund the extension of the third penny sales tax approved by voters on May 9, 2006. Cash and investments are held in trust and managed by a trustee pursuant to the Bond Indenture.

Sales tax revenue, from which the appropriations will be made, has averaged $11,657 per year over the past five years. For the current year, principal and interest paid by the Authority and the sales tax proceeds received by the Authority for debt service were $14,831 and $7,482, respectively. This debt issue was paid off in the current year.

6. **REVENUE BONDS PAYABLE, continued**

(d) **LEASE REVENUE BONDS, SERIES 2007A and 2007B**

On November 20, 2007, the Authority issued its Lease Payment Revenue Bonds, Series 2007A in the amount of $34,620 and Taxable Series 2007B in the amount of $33,130, for the purposes of retiring the promissory note used to purchase OTC and making certain improvements to the OTC building. The lease revenue bonds will be paid from current and new lease revenues.

Total principal and interest remaining on the debt is $126,576 with annual requirements ranging from $3,734 to $4,962. Lease revenue, from which the appropriations will be made, has averaged $5,719 per year over the past five years. For the current year, interest paid by the Authority and the lease revenue recognized by the Authority were $3,734 and $8,372 respectively.

(e) **CAPITAL IMPROVEMENTS SERIES 2008**

In April 2008, the Authority issued $16,000 Series 2008 Capital Improvements Revenue Bonds. The proceeds of the bonds were used to fund the acquisition, construction, furnishing and equipping of capital improvements and additions to the City's BOK Arena, to fund the Bond Reserve Fund in the amount of ten percent of the par amount of the bonds (the "Reserve Requirement") and to pay the costs of issuing the Bonds. The Authority and the City entered into a year to year Projects Agreement, dated as of April 1, 2008 (the "Projects Agreement"), pursuant to which the Authority will issue the bonds and the City has agreed to make payments pursuant to the Projects Agreement sufficient to pay (a) the principal of and interest on the bonds; and (b) all costs and expenses of the Authority in connection with the issuance, sale and delivery of the bonds. The Authority has assigned the funds payable under the Projects Agreement to the Trustee pursuant to the terms of the Indenture.

Total principal and interest remaining on the debt is $19,947 with annual requirements ranging from $674 to $1,776. Sponsorship and naming rights revenue, from which the appropriations will be made, has averaged $1,669 per year over the past five years. For the current year, principal and interest paid by the Authority and the sponsorship and naming rights revenue recognized by the Authority were $1,577 and $2,090, respectively.

(f) **CAPITAL IMPROVEMENTS SERIES 2012**

In April 2012, the Authority issued $10,900 Series 2012 Capital Improvements Revenue Bonds. The proceeds of the bonds were used to fund the acquisition of trash carts by the Tulsa Authority for Recovery of Energy (TARE), to fund the Bond Reserve Fund in the amount of ten percent of the par amount of the bonds (the "Reserve Requirement") and to pay the costs of issuing the Bonds.

The Authority entered into a projects agreement with the City and TARE, a component unit of the City. The projects agreement provides financing for the acquisition, furnishing, equipping, maintaining, storing, and delivering of trash

(Dollars in thousands)

6. REVENUE BONDS PAYABLE, continued

carts and other capital improvements, equipment and facilities for use in the operations of TARE's system for solid waste management providing collection and disposal of collectible residential solid waste of the City. The bonds will be repaid by revenues received by TARE for the collection of residential solid waste. In the event TARE fails to make the required payments to the Authority, the City will be required to make the debt service payments, subject to certain conditions.

Total principal and interest remaining on the debt is $12,758 with annual debt service requirements ranging from $1,518 to $1,667. In subsequent fiscal years, the Authority will report a receivable from TARE for the amount of the outstanding debt.

7. PROMISSORY NOTES PAYABLE

The changes in promissory notes payable during 2012 can be summarized as follows:

Promissory Notes, Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
E911 Series 2005, 2013	$ 2,500	4.3%	$ 796	-	$ (389)	$ 407	$ 407

On May 23, 2005, the Authority issued the $2,500 Series 2005 Promissory Note. The proceeds were used to finance construction of the E911 Public Safety Response Center. The advances to primary government with E911 Promissory Note Fund relate to an advance for the construction of the E911 Public Safety Response Center. The note has an eight year term and matures in installments between fiscal years 2006 and 2013.

Total principal and interest remaining on the debt is $420 and is due within one year. E911 fees, from which the appropriations will be made, have averaged $4,504 per year over the past five years. For the current year, principal and interest paid by the Authority and the E911 fees recognized by the Authority were $420 and $29, respectively.

8. LEASE REVENUE

ASSEMBLY CENTER LEASES - In October 1980, the City of Tulsa voters approved an increase in the City's hotel/motel tax from three percent to five percent. Additionally, City Ordinances were changed to allocate 59.6% of such tax received by the City for an expansion and partial renovation of the City's Assembly Center (the "Project"). The tax increase and the reallocation of the tax received were for the purpose of financing the 145,000 square foot addition to the Assembly Center via certain lease arrangements with the Authority. The substance of these leases is as follows:

Assembly Center Site Lease - The City holds title to the property at the west end of the Assembly Center upon which the Project was constructed. The City leased this site to the Authority for 32 years, ending March 1, 2014, for a nominal rental payment.

(Dollars in thousands)

8. LEASE REVENUE, continued

Assembly Center Complex Lease - This 32-year lease agreement, ending March 1, 2014, provides for the City to lease the project back from the Authority using, as a primary source of rental payments, 59.6% of the hotel/motel tax. These rentals paid by the City to the Authority amounted to $2,139 for the year ended June 30, 2012. The rental payments are shown as payments from primary government on the Statement of Revenues, Expenses and Changes in Net Position.

ONE TECHNOLOGY CENTER LEASES - Commercial property lease revenues arise from the leasing of the Authority's commercial lease space at the OTC facility. Lease terms range from approximately five to ten years. Approximately 62% of the net rentable space is available to external tenants. At year end, the building was approximately 86% occupied. Depreciation expense for leased property is provided primarily on the straight-line method over the estimated useful life of the leased property. Depreciation expense related to the OTC facility was $1,879 for the current year.

The gross amounts of capital assets subject to lease as of June 30, 2012 are as follows:

Building	$	47,102
Parking garage		6,118
Land		2,700
Equipment		6,147
Accumulated depreciation		(8,187)
Net investment in commercial property leases	$	53,880

The Authority paid $1,462 of commissions and purchase-related expenses associated with the acquisition and leasing of OTC. These amounts are included in prepaid expenses and are being amortized over the remaining life of the respective leases. The Authority has recognized life-to-date amortization expense of $724.

Minimum future rentals on noncancellable operating leases as of June 30, 2012 are as follows:

Years		
2013	$	3,778
2014		3,593
2015		3,593
2016		3,802
2017		3,802
2018		952
	$	19,520

(Dollars in thousands)

8. LEASE REVENUE, continued

BOK ARENA USE LICENSE AGREEMENTS

On October 22, 2007, SMG entered into an Extended Use License Agreement with Professional Football of Tulsa, LLC (“the Talons”). Under the agreement, the Talons had access to BOK Arena for games and practice sessions for the 2009 season through the 2011 season. The Talons paid a license fee for each home game plus a bonus license fee equal to 50% of ticket sales in the upper level. This agreement was not renewed, and expired at the end of the 2011 season in July 2011.

On October 26, 2007, SMG entered into an Extended Use License Agreement with Tulsa Oilers Hockey, Inc. (“the Oilers”). Under the agreement, the Oilers will have access to BOK Arena for games and practice sessions for the 2008-2009 season through the 2017-2018 season. The Oilers will pay a license fee for each home game plus a rental bonus if gross ticket revenue equals $2.25 million for the season. If gross ticket revenues equal $2.50 million for the season, BOK Arena will receive a bonus license fee equal to 30% of ticket sales in the upper level.

On March 17, 2010, SMG entered in to an Extended Use License Agreement with Tulsa Pro Hoops, Inc. (“TPH”). Under the agreement, TPH, as a member of the Women’s National Basketball Association (“WNBA”), will have access to the BOK Arena for purposes of conducting professional basketball operations for the 2010 through the 2014 WNBA seasons with the option to extend, at TPH’s wish, through the 2017 WNBA season. TPH will pay a license fee for each home game and for each practice session or related event. TPH will also pay SMG a credit card fee in the amount of 3% of gross credit card ticket sales made by SMG. TPH and SMG shall share rights associated with marketing and licensing for suites and loge boxes and SMG will receive a portion of related revenues as per the agreement. SMG will also have the right to impose a convenience charge as well as a $2.00 facility fee per ticket sold for each home game excluding season tickets and multiple-game packages.

See *Note 12* for a discussion of the operating agreement between the Authority and SMG.

9. UNEARNED REVENUE

The Authority had the following unearned revenues at June 30, 2012:

	Total	Current	Noncurrent
One Technology Center - advance lease and parking fees	$ 235	$ 235	$ -
BOK Arena - advance ticket sales, membership fees, naming rights, sponsorships and box income	8,866	7,344	1,522
	$ 9,101	$ 7,579	$ 1,522

(Dollars in thousands)

10. BOK ARENA NAMING RIGHTS, SPONSORSHIPS AND LUXURY BOX AGREEMENTS

The Authority had $23,726 in naming rights, sponsorships and luxury box agreements at June 30, 2012. During the year, the Authority recognized $2,090 in naming rights and sponsorship revenue. In 2012, the Authority recognized $1,238 of revenue related to the luxury box agreements which is included in Facilities Revenue. Any amounts received but not earned are reflected as unearned revenue on the statement of net assets. The future earnings to be recognized on these agreements are as follows:

2013	$ 3,491
2014	2,960
2015	2,854
2016	2,632
2017	2,587
2018-2022	8,330
2023-2027	4,386
2028-2029	476
	$ 27,716

11. FACILITIES REVENUE

SMG entered into an advertising agreement with Busch Media Group, Inc. ("BMG"), authorized agent for Anheuser-Busch, Incorporated in July 2008 whereby SMG will display and illuminate certain advertisements for BMG at all events at the BOK Arena. This agreement was extended to June 30, 2014. BMG will pay SMG $147 over the new three-year term and BOK Arena recognized $44 as advertising revenue for the BMG contract in the fiscal year ended June 30, 2012.

On September 5, 2008, SMG granted KOKI during the five-year term of the agreement exclusive local television station, sports newscast and weather service advertisements to the BOK Arena. KOKI agreed to pay SMG a total of $159 for the rights and privileges pursuant to the agreement over the five year term. The agreement terminates on July 31, 2013. BOK Arena recognized $30 as advertising revenue for the KOKI contract in the fiscal year ended June 30, 2012.

Commencing in fiscal 2008, SMG entered into a ten-year contract with Pepsi Bottling Group whereby the BOK Arena and TCC is to exclusively sell Pepsi non-alcoholic beverages. BOK Arena recognized $97 as advertising revenue for the Pepsi contract in the fiscal year ended June 30, 2012.

11. FACILITIES REVENUE, continued

In October 2009, SMG entered into an agreement with St. John Health System, Inc. ("St John") which provides for St. John to display advertisement material at all public events held at the BOK Arena during the term of the agreement. The agreement was extended to October 2016. During the term of the agreement, St. John will be the Title Sponsor of the First Aid Center at the BOK Arena. BOK Arena recognized $42 as advertising revenue for the St. John contract in the fiscal year ended June 30, 2102.

In December 2009, SMG entered into an agreement with Doubletree Hotel Tulsa – Downtown ("Doubletree") to provide advertising at all public events held at the BOK Arena over the term of the agreement. The term of the agreement commenced January 1, 2010, and will terminate on December 31, 2013. BOK Arena recognized $31 as advertising revenue for the Doubletree contract in the fiscal year ended June 30, 2012.

SMG entered into an agreement with Republic National Distributing Company ("Republic") to be the exclusive advertisement at a specified number of bars at the BOK Arena as well as other advertisements at all public events held at the BOK Arena over the term of the agreement. The term of the agreement is from February 1, 2012 to January 31, 2014. BOK Arena recognized $17 as advertising revenue for the Republic contract in the fiscal year ended June 30, 2012.

SMG entered into an agreement with Community-Care Managed Health Plans of Oklahoma ("Community-Care") to be the official health insurance sponsor of the BOK Arena as well as other advertisements at all public events held at the BOK Arena over the term of the agreement. The agreement commenced on May 1, 2012 and expires on April 30, 2014. BOK Arena recognized $5 as advertising revenue for the Community-Care contract in the fiscal year ended June 30, 2012.

12. OPERATING AGREEMENTS

In March, 2006, the Authority entered into an operating agreement with SMG. The agreement as subsequently amended provides for the development, pre-operation and management services of both the Tulsa Convention Center and BOK Arena facilities. The amended term of the operating section of the agreement is July 1, 2007 through June 30, 2010 for the Tulsa Convention Center and July 1, 2007 through June 30, 2010 for the BOK Arena. The Authority may extend the term for the operation of the Tulsa Convention Center for five additional one year terms and the BOK Arena for four additional one year terms. The Authority expects to exercise their option to extend for the year ended June 30, 2013.

Under the agreement, for the year ended June 30, 2012, SMG earned an annual base management fee of $44 for the Tulsa Convention Center and $162 for the BOK Arena. SMG can also earn an annual incentive fee based on the operating results of both facilities compared to certain operating thresholds, as defined in the agreements. The operating thresholds, as defined in the agreements are gross revenue, attendance and net operating profits. If the benchmark is met for a threshold, SMG may receive an incentive fee equal to 33 1/3% of the management fee. The incentive fee may not exceed the management fee for the year. SMG earned $129 of incentive fee for the BOK Arena and $44 for the Tulsa Convention Center for the year ended June 30, 2012.

12. **OPERATING AGREEMENTS, continued**

During 2009, SMG assumed responsibilities for food services for the BOK Arena and the Tulsa Convention Center. For the year ended June 30, 2012, SMG earned a management fee for food services of $186 for the BOK Arena and $31 for the Tulsa Convention Center.

In September, 2007, the Authority entered into a master lease agreement with Bank of Oklahoma ("BOK") wherein BOK guaranteed the payment of certain OTC lease revenues by third parties to the Authority. In exchange, the Authority agrees to pay to BOK 80% of OTC net cash flows, up to a maximum of $4,500, from the first 66,589 square feet of OTC space leased. The remaining 20% of OTC net cash flows from this space are to be deposited into the Authority's escrow account to be distributed subject to the terms of the agreement. During the year, no guarantee payments were due the Authority under this agreement. OTC net cash flow payments were $409 to BOK and $102 to the escrow.

In December of 2007, the Authority entered into an agreement with CB Richard Ellis/Oklahoma AMO ("CBRE"), wherein CBRE provides leasing services for the unleased portions of the OTC facility. The initial agreement was for a six month term with an automatic renewal provision for an additional six months. In January 2009, the Authority entered into an agreement to extend the exclusive Listing Agreement for an initial term beginning on November 30, 2009 and expiring on November 29, 2010. Under this agreement, the Authority incurred costs of $0 for 2012.

In February 2008, the Authority entered into an agreement with CBRE, wherein CBRE provides building and construction management services for the OTC facility. The initial agreement expired June 30, 2009 and there are three annual renewal options. Under this agreement, the Authority incurred building management expense of $120 for the year ended June 30, 2012. Contract was renewed.

13. **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters other than natural disasters. There have been no significant reductions in insurance coverage for insured programs. Settled claims have not exceeded coverage in any of the three preceding years.

14. **GENERAL LITIGATION**

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

(Dollars in thousands)

15. RELATED PARTY TRANSACTIONS

During the year ended, the Authority conducted the following transactions with related entities:

Payments from the City of Tulsa for the Assembly Center lease	$ 2,139
Payments from the City of Tulsa for the Tulsa Convention Center operations	1,280
Payments from the City of Tulsa for the Assembly Center debt service	4,318
Payments from the City of Tulsa for OTC lease	4,660
Payments from the City of Tulsa's Sales Tax fund for debt service	7,482
Payments from the City of Tulsa's E911 fees for debt service	420
Payments from the City of Tulsa's Golf Fund - golf revenues pledged for debt service	2,551
Payments from the City of Tulsa for Recreational Facilities debt service	461

16. RESTATEMENT

The Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* in the current year. As a result, the effect on fiscal year 2011 is as follows:

OTC Fund:	**2011 Previously Presented**	**Restatement**	**2011 Restated**
Deferred bond issue cost, net	$ 919	$ (919)	$ -
Net position, unrestricted	3,633	(919)	2,714
Nonoperating revenue (expenses), amortization of bond issue costs	42	(42)	-
Change in net position	(64)	42	(22)

Arena Fund:	**2011 Previously Presented**	**Restatement**	**2011 Restated**
Deferred bond issue costs	$ 216	$ (216)	$ -
Net position, unrestricted	3,943	(216)	3,727
Nonoperating revenue (expenses), amortization of bond issue costs	27	(27)	-
Change in net position	(5,376)	27	(5,349)

16. **RESTATEMENT, continued**

Recreational Facility Fund:	**2011 Previously Presented**	**Restatement**	**2011 Restated**
Deferred bond issue cost, net	$ 6	$ (6)	$ -
Net position, unrestricted	6	(6)	-
Nonoperating revenue (expenses), amortization of bond issue costs	8	(8)	-
Change in net position (deficit)	(183)	(8)	(191)

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET POSITION – FINANCING FUND
Year Ended June 30, 2012

(in thousands of dollars)

	Capital Improvements Revenue Bond 2012	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Financing Fund Total
ASSETS					
Current assets:					
Cash and cash equivalents, restricted	$ 12,351	$ -	$ -	$ -	$ 12,351
Advances to primary government, restricted	-	-	407	-	407
	12,351	-	407	-	12,758
Noncurrent assets:					
Cash and cash equivalents, restricted	-	7,882	-	-	7,882
Nondepreciable capital assets	-	-	-	4,500	4,500
	-	7,882	-	4,500	12,382
Total Assets	$ 12,351	$ 7,882	$ 407	$ 4,500	$ 25,140
LIABILITIES					
Current liabilities:					
Accrued bond interest payable	82	-	-	-	82
Due to primary government	-	7,882	-	-	7,882
Current portion of bonds payable	1,295	-	-	-	1,295
Current portion of note payable	-	-	407	-	407
	1,377	7,882	407	-	9,666
Noncurrent liabilities:					
Revenue bonds payable, net of current portion	9,605	-	-	-	9,605
Due to Tulsa Authority for Recovery of Energy	448	-	-	-	448
Unamortized premium	921	-	-	-	921
	10,974	-	-	-	10,974
Total liabilities	12,351	7,882	407	-	20,640
NET POSITION					
Net investment in capital assets	-	-	-	4,500	4,500
Total net position	$ -	$ -	$ -	$ 4,500	$ 4,500

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CHANGES IN REVENUES, EXPENSES AND CHANGE IN NET POSITION – FINANCING FUND
Year Ended June 30, 2012

(in thousands of dollars)

	Capital Improvements Revenue Bond 2012	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Financing Fund Total
Operating revenues:					
Investment income	$ 1	$ -	$ -	$ -	$ 1
Advance/loan interest income	86	4	-	-	90
Payments from primary government	-	510	29	-	539
	87	514	29	-	630
Operating expenses:					
Bond issue costs	53	-	-	-	53
Interest and amortization expense	34	514	29	-	577
	87	514	29	-	630
Change in net position	-	-	-	-	-
Net position, beginning of year	-	-	-	4,500	4,500
Net position, end of year	$ -	$ -	$ -	$ 4,500	$ 4,500

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS – FINANCING FUND
Year Ended June 30, 2012

(in thousands of dollars)

	Capital Improvements Revenue Bond 2012	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Financing Fund Total
Cash flows from operating activities:					
Principal paid on revenue bonds	$ -	$ (14,125)	$ -	$ -	$ (14,125)
Interest paid on revenue bonds	-	(746)	-	-	(746)
Investment income	1	-	-	-	1
Investment expense	-	(8)	-	-	(8)
Investment sales	-	18,610	-	-	18,610
Loan repayments received	-	7,482	-	-	7,482
Proceeds from issuance of revenue bonds	11,869	-	-	-	11,869
Payments for bond issuance costs	(53)	-	-	-	(53)
Advances paid to primary government	-	(5,963)	-	-	(5,963)
Payments from primary government	-	-	420	-	420
Payments from related entity	534	33	-	-	567
Principal paid on long-term debt	-	-	(389)	-	(389)
Interest paid on long-term debt	-	-	(31)	-	(31)
Net cash provided by operating activities	12,351	5,283	-	-	17,634
Net change in cash and cash equivalents	12,351	5,283	-	-	17,634
Cash and cash equivalents, beginning of year	-	2,599	-	-	2,599
Cash and cash equivalents, end of year	$ 12,351	$ 7,882	$ -	$ -	$ 20,233
Reconcilation of cash and cash equivalents to the Statement of Net Position					
Restricted cash and cash equivalents	12,351	7,882	-	-	20,233
Total cash and cash equivalents	$ 12,351	$ 7,882	$ -	$ -	$ 20,233
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	$ -	$ -	$ -	$ -	$ -
Adjustments:					
Interest expenses	-	-	31	-	31
Principal paid on debt	-	-	389	-	389
Change in investing assets and liabilities	-	26,084	-	-	26,084
Change in financing assets and liabilities	11,903	-	(420)	-	11,483
Change in operational financing activities	-	(14,871)	-	-	(14,871)
Change in advances	448	(5,930)	-	-	(5,482)
Net cash provided by operating activities	$ 12,351	$ 5,283	$ -	$ -	$ 17,634

ONE TECHNOLOGY CENTER

Percentage of Occupied Units

Total occupied	15
Total vacant units	2
Total units	17
Percentage Occupied	88%

Percentage of Occupied Square Feet

Total Occupied Square Feet	543,047	
Total Vacant Square Feet		87,423
Total Square Footage	630,470	
Percentage Occupied	86%	

Major Tenants and Square Feet

Level 3 Communications, LLC	143,242
City of Tulsa	239,361
Deloitte, LLP	48,156