TULSA STADIUM TRUST
(A COMPONENT UNIT OF THE CITY OF TULSA, OKLAHOMA)

FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

WITH

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Tulsa Stadium Trust

We have audited the accompanying basic financial statements of Tulsa Stadium Trust (the Trust), a component unit of the City of Tulsa, as of June 30, 2012 and 2011. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

As discussed in Note 1 to the financial statements, the Trust has implemented GASB Statement 65, which requires bond issue costs be expensed. The standard requires retroactive restatement of beginning of year net position for 2011. Additionally, the Trust determined that the accrued interest related to the bond debt incurred to build the stadium should not be included in the computation of the net investment in capital assets component of net position, and, as a result, has retroactively restated the beginning of year net position for 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of the Trust's internal control over financial reporting and 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. The 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 audits.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 and 4 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 evidence sufficient to express an opinion or provide any assurance.

Tulsa, Oklahoma
November 15, 2012

Stanfield & O'Dell P.C.

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

Management's Discussion and Analysis

For the Years Ended June 30, 2012 and 2011

Introduction

This Management's Discussion and Analysis (MD&A) is intended to aid the reader in recognizing any significant issues and changes in the financial position of the Trust. The MD&A should be used in conjunction with the financial statements and notes as a whole.

Financial Statements

Condensed Statements of Net Position

	2012	2011	2010
Current assets	$ 442,589	$ 116,510	$ 5,058,681
Noncurrent assets	47,922,713	48,774,662	47,950,485
Total assets	48,365,302	48,891,172	53,009,166
Total liabilities	19,558,213	19,144,392	22,540,700
Net position:			
Net investment in capital assets	29,118,901	30,368,484	25,662,929
Restricted for maintenance	705,973	622,823	516,668
Unrestricted	(1,017,785)	(1,244,527)	4,288,869
Total net position	$ 28,807,089	$ 29,746,780	$ 30,468,466

The Tulsa Stadium Trust, a component unit of the City of Tulsa, Oklahoma, was organized as a public trust on September 25, 2008, for the use and benefit of the City of Tulsa, Oklahoma, under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes, 2001, Section 176 to 180.4. The purpose of the Trust is to acquire, construct, own and operate a baseball stadium in downtown Tulsa and amenities and facilities necessary or convenient thereto.

As of June 30, 2012 and 2011, the Trust had total assets of $48,365,302 and $48,891,172, respectively. Current assets consisted of cash of $287,657 and $58,842, pledges receivable of $0 and $29,976 and other receivables of $154,932 and $27,692, respectively. Noncurrent assets consisted of capital assets of $47,921,494 and $48,773,443 net of depreciation, and deposits of $1,219 and $1,219, respectively. At June 30, 2012 and 2011, total liabilities consisted of accounts payable of $29,685 and $50,708, accrued interest of $725,935 and $702,061 and bonds payable of $18,802,593 and $18,391,623, respectively.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2012	2011	2010
Operating revenues	$ 245,778	$ 269,874	$ 77,313
Operating expenses	2,361,973	2,605,738	1,212,404
Operating loss	(2,116,195)	(2,335,864)	(1,135,091)
Nonoperating revenues, net	1,176,504	1,614,178	17,373,799
Increase (decrease) in net position	$ (939,691)	$ (721,686)	$ 16,238,708

The Trust completed the construction phase of the stadium and began operations during the spring of 2010. The Trust is being partially funded by approximately $31,920,750 of gifts and sponsorships of which $308,120 and $754,917 of cash and pledged receivables were recorded at June 30, 2012 and 2011, respectively. During 2012 and 2011, operating revenues consisted of rental income of $162,628 and $163,719 and maintenance reserve revenue of $83,150 and $106,155, respectively. During 2012 and 2011, operating expenses consisted primarily of professional fees of $235,534 and $70,219, administrative expenses of $44,220 and $189,799, insurance expenses of $61,019 and $62,282, improvement district assessment of $43,118 and $28,735, litigation costs of $43,289 and $326,862 and depreciation of $1,934,793 and $1,927,841, respectively. Expenses incurred for the years ended June 30, 2012 and 2011 are primarily related to operating the stadium activities, litigation costs and management of the investment properties.

Requests for information

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

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

STATEMENTS OF NET POSITION

June 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash	$ 287,657	$ 58,842
Pledges receivable	-	29,976
Other receivable	154,932	27,692
Total current assets	442,589	116,510
Capital assets, net	47,921,494	48,773,443
Other assets	1,219	1,219
Total assets	48,365,302	48,891,172
Liabilities		
Current liabilities:		
Accounts payable	29,685	50,708
Accrued interest	725,935	702,061
Current maturities of bonds payable	360,386	339,030
Total current liabilities	1,116,006	1,091,799
Bonds payable, less current maturities	18,442,207	18,052,593
Total liabilities	19,558,213	19,144,392
Net position:		
Net investment in capital assets	29,118,901	30,368,484
Restricted for maintenance	705,973	622,823
Unrestricted	(1,017,785)	(1,244,527)
Total net position	$ 28,807,089	$ 29,746,780

See notes to financial statements.

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Rent	$ 162,628	$ 163,719
Maintenance reserve revenue	83,150	106,155
	245,778	269,874
Operating expenses:		
Professional fees	235,534	70,219
Administrative expenses and other	44,220	189,799
Insurance	61,019	62,282
Depreciation	1,934,793	1,927,841
Improvement district assessment	43,118	28,735
Litigation costs	43,289	326,862
Total operating expenses	2,361,973	2,605,738
Operating loss	(2,116,195)	(2,335,864)
Nonoperating revenues (expenses):		
Noncapital gifts	308,120	754,917
Transfer from primary government	2,108,436	2,015,446
Interest income	1,192	1,563
Interest expense	(1,241,244)	(1,157,748)
Total nonoperating revenues, net	1,176,504	1,614,178
Decrease in net position	(939,691)	(721,686)
Net position, beginning of year	29,746,780	30,468,466
Net position, end of year	$ 28,807,089	$ 29,746,780

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Receipts from customers	$ 245,778	$ 269,874
Payments to suppliers	(448,203)	(698,441)
Net cash used in operating activities	(202,425)	(428,567)
Cash Flows from Noncapital Financing Activities		
Noncapital gifts received	338,096	3,914,361
Cash Flows from Capital and Related Financing Activities		
Proceeds from borrowings	750,000	3,900,000
Transfer from primary government	2,108,436	2,015,446
Payments from financing activity	(127,240)	136,031
Acquisition and construction of capital assets	(1,082,844)	(5,208,778)
Interest paid on bonds	(1,217,370)	(1,174,479)
Principal paid on bonds	(339,030)	(5,318,941)
Net cash provided by (used in) financing activities	91,952	(5,650,721)
Cash Flows From Investing Activities		
Interest income	1,192	1,563
Increase (decrease) in cash	228,815	(2,163,364)
Cash, beginning of year	58,842	2,222,206
Cash, end of year	$ 287,657	$ 58,842
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (2,116,195)	$ (2,335,864)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,934,793	1,927,841
Change in assets and liabilities:		
Accounts payable	(21,023)	(20,544)
Net cash used in operating activities	$ (202,425)	$ (428,567)
Noncash Investing and Financing Activities		
Capital asset acquisitions in accounts payable	$ -	$ 13,336

See notes to financial statements.

Note 1 – Description of Organization and Summary of Significant Accounting Policies

<u>Description of organization</u>

The Tulsa Stadium Trust (the Trust), a component unit of the City of Tulsa (the City), was organized as a public trust on September 25, 2008, for the use and benefit of the City under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes, 2001, Section 176 to 180.4. The purpose of the Trust is to acquire, construct, own and operate a baseball stadium in downtown Tulsa and amenities and facilities necessary or convenient thereto. In addition, the Trust may engage in other projects if approved by a vote of two-thirds of the trustees. The Trust shall terminate when the purpose of the Trust has been fully executed as determined by a majority vote of the full membership of both the trustees and the governing body of the city or in a manner provided by Title 60, Oklahoma Statutes, Section 180. The stadium construction phase was completed during the year ended June 30, 2010.

<u>Basis of accounting and presentation</u>

The financial statements of the Trust 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 (such as noncapital and capital gifts) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Voluntary nonexchange transactions that are not capital related (such as noncapital gifts) and interest income and expense are included in nonoperating revenues and expenses. The Trust first applies the restricted component of net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted components of net position are available.

The Trust's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

<u>Cash equivalents</u>

The Trust considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, the Trust did not have any cash equivalents.

<u>Capital assets</u>

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value as of the date donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets between 10-25 years. Expenditures for maintenance and repairs are charged to expense as incurred whereas major improvements are capitalized. Gains and losses from the sale of property and equipment are reflected in the year of disposal.

Net position

The net position of the Trust is classified in to four components. The net investment in capital assets component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any related liabilities used to finance the purchase or construction of those assets. The restricted expendable component of net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Trust. The restricted nonexpendable component of net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Trust. The unrestricted component of net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or the restricted components of net position. The Trust did not have any restricted nonexpendable components of net position at June 30, 2012 or 2011.

Restatement of beginning net position

The Trust adopted GASB 65, *Items Previously Reported as Assets and Liabilities*, due to the City of Tulsa electing early adoption of the GASB. The effect of this adoption was to eliminate the asset deferred loan costs of $152,524 at June 30, 2010 and eliminate amortization expense in 2011 of $5,352. In addition, the Trust determined that the accrued interest related to the bond debt incurred to build the stadium should not be included in the computation of net investment in capital assets component of net position, and, as a result, restated the beginning of year net position as follows:

	Net Investment in Capital Assets	Restricted For Capital Maintenance	Unrestricted	Total
June 30, 2010 net position, as previously reported	$ 24,951,033	$ 516,668	$5,153,289	$ 30,620,990
Prior period adjustment	711,896	-	(864,420)	(152,524)
June 30, 2010 net position, as restated	$ 25,662,929	$ 516,668	$4,288,869	$ 30,468,466

Gifts and sponsorship

The Trust is being partially funded by approximately $31,920,750 of gifts and sponsorships. All cash gifts are made to the Tulsa Community Foundation (the Foundation) on behalf of the Trust. The Trust records revenue from cash contributions when cash has been received by the Foundation and the Trust has eligible expenditures.

Income taxes

The Trust qualifies as an organization exempt from income taxes under Section 115(a) of the Internal Revenue Code. As such, no provision has been made for federal or state income taxes. However, the trust is subject to federal income tax on any unrelated business taxable income.

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 balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Trust has evaluated subsequent events through November 15, 2012, the date which the financial statements were available to be issued.

Note 2 – Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposit may not be returned to it. The Trust's deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured.

As of June 30, 2012 and 2011, none of the Trust's bank balances of $287,657 and $58,842, respectively, were exposed to custodial credit risks.

Note 3 – Capital Assets

A summary of the Trust's capital assets activity for the years ended June 30, 2012 and 2011, is as follows:

	Balance June 30, 2011	Additions	Sales/Other Dispositions	Transfers	Balance June 30, 2012
Capital assets not being depreciated:					
Land	$ 2,841,018	$ -	$ -	$ -	$ 2,841,018
Investment real estate	2,850,020	1,071,709	-	-	3,921,729
Capital assets being depreciated:					
Stadium facilities	43,577,938	11,135	-	-	43,589,073
Stadium equipment	1,912,301	-	-	-	1,912,301
	51,181,277	1,082,844	-	-	52,264,121
Less: accumulated depreciation	(2,407,834)	(1,934,793)	-	-	(4,342,627)
	$ 48,773,443	$ (851,949)	$ -	$ -	$ 47,921,494

	Balance June 30, 2010	Additions	Sales/Other Dispositions	Transfers	Balance June 30, 2011
Capital assets not being depreciated:					
Land	$ 2,841,018	$ -	$ -	$ -	$ 2,841,018
Investment real estate	-	2,850,020	-	-	2,850,020
Capital assets being depreciated:					
Stadium facilities	43,121,747	456,191	-	-	43,577,938
Stadium equipment	1,951,046	31,045	(69,790)	-	1,912,301
	47,913,811	3,337,256	(69,790)	-	51,181,277
Less: accumulated depreciation	(479,994)	(1,927,840)	-	-	(2,407,834)
	$ 47,433,817	$ 1,409,416	$ (69,790)	$ -	$ 48,773,443

Note 4 – Long-Term Debt

On December 12, 2008, the Trust entered into a $25,000,000 revenue bond agreement with the Foundation, the proceeds of which were to be used to fund stadium construction costs.

The bond agreement was amended effective May 25, 2010, allowing the Trust to request advances not to exceed $25,000,000 less the sum of principal payments required to be paid in accordance with the principal payment schedule. The bond agreement was subsequently amended June 10, 2010, whereby the originally issued bond was surrendered and two bonds were issued. The new bonds are designated as the Tulsa Stadium Trust $19,710,564 Improvement District No. 1 Revenue Bond No. 2010-1 (the Exempt Bond) and the Tulsa Stadium Trust $5,000,000 Improvement District No. 1 Bond 2010-2 (the Taxable Bond) with outstanding balances at June 30, 2012 of $14,013,359 and $4,789,234, respectively. The Exempt and Taxable bonds accrue interest at 6.15% and 7.90% annually, respectively, require annual principal and interest payments and mature November 30, 2038. The bonds are collateralized by an undivided percent of property tax assessment of the Tulsa Stadium Improvement District No. 1 as defined in the bond documents and a mortgage on the assets of the Trust, including rentals and other revenues from the lease agreement described in Note 5. Principal and interest payments commenced November 30, 2010. Unused and available bond balances at June 30, 2012 were $5,250,000.

The following is a summary of changes in bonds payable for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within A Year
Bonds payable	$ 18,391,623	$ 750,000	$ 339,030	$ 18,802,593	$ 360,386

The annual debt service requirements as of June 30, 2012, are as follows:

	Bonds Payable	
Year ending June 30	Principal	Interest
2013	$ 360,386	$ 527,073
2014	383,086	1,233,669
2015	407,218	1,208,445
2016	432,870	1,181,630
2017	460,138	1,156,289
2018-2022	2,773,779	5,273,707
2023-2027	3,764,755	4,236,664
2028-2032	5,109,886	2,828,431
2033-2037	4,487,183	997,041
2038-2039	623,292	73,896
	$ 18,802,593	$ 18,716,845

Note 5 – Operating Lease Agreement

The Trust entered into an operating lease agreement effective October 29, 2008, to lease the baseball stadium to Tulsa Baseball, Inc. for a 30-year term with two five-year renewal periods. Tulsa Baseball, Inc. owns an AA professional baseball franchise known as the Tulsa Drillers. The lease commenced during the first quarter of 2010 and calls for an annual base rental of $150,000 during the initial term plus additional rents if paid attendance to Tulsa Drillers games exceeds 400,000 during any baseball season. The agreement contains an annual CPI index rental escalation clause not to exceed 5%. The lease agreement also contains various revenue sharing provisions between the Trust and the lessee for "revenue streams" as defined in the lease agreement.

The lessee is responsible for annual base utility charges up to $200,000 with such sum increased annually by the CPI Index. The Trust and lessee are equally responsible for annual utility charges in excess of the base utility charge. The lessee is also responsible for insurance and routine maintenance as defined in the lease agreement.

The lease agreement requires the Trust to be responsible for capital expenditures related to the baseball stadium and to establish a trust fund for the long-term maintenance and capital needs of the stadium. The Trust funded the trust fund with $500,000 during 2010 and is required to maintain a minimum balance of $500,000 over the 30-year initial term of the lease. The lessee is required to make annual contributions to the trust fund of $50,000 to be adjusted annually by the CPI Index, which is capped at 5%. In addition, additional lessee contributions to the trust fund are required should paid attendance to Tulsa Drillers games exceed 300,000 during any baseball season. The lessee contributed $83,150 to the fund during 2012. During 2011, excess trust funds were used to pay down on the outstanding balances of both bonds in order to decrease the interest expense incurred. Management determined that this was a prudent temporary use of the trust funds. The unused bond balances of $5,250,000 were available for potential maintenance needs.

Note 6 – Litigation

Various lawsuits against the City of Tulsa and others have been filed by property owners within the Tulsa Stadium Improvement District No. 1 (the Improvement District). The property owners are challenging the validity of the Improvement District principal on the basis that the construction of the new baseball stadium will not be of benefit to the Improvement District. Trust management believes the ultimate outcome of this litigation will not have a material adverse effect on the financial position, operations or cash flows of the Trust.

OTHER REPORT

Stanfield & O'Dell PC
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CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Tulsa Stadium Trust

We have audited the financial statements of the Tulsa Stadium Trust (the Trust), a component unit of the City of Tulsa, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 15, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than those specified parties.

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
November 15, 2012