

**TULSA PUBLIC FACILITIES AUTHORITY**

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

**FINANCIAL REPORT**

**June 30, 2013**

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
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**June 30, 2013**

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## Independent Auditor's Report

Board of Trustees  
Tulsa Public Facilities Authority  
Tulsa, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Tulsa Public Facilities Authority (Authority), a blended component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions 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 15 to the financial statements, which are included within the financial statements of the Arena and Convention Center major enterprise fund. This activity represents 7 percent and 58 percent, respectively, of the total assets and total revenues of the Arena and Convention Center major enterprise fund, and 5 percent and 33 percent, respectively, of the total assets and total revenues of the business-type activities. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 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 and other auditors 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.

### *Other Information*

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. The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*McGladrey LLP*

Kansas City, Missouri  
October 28, 2013

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

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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, 2013. 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 \$208,593.
- The Authority's net position decreased to \$208,593 as of June 30, 2013 from \$214,868 as of June 30, 2012. The Authority had decreases in net position of \$6,275 and \$1,606 for the years ended June 30, 2013 and 2012, respectively.
- The Authority's liabilities decreased by \$11,736 as of June 30, 2013. The payment of \$8,207 owed the primary government and debt service on revenue bonds of \$13,012, offset by the issuance of the \$9,480 Capital Improvements Revenue Bonds Taxable Refunding Series 2012, 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.

**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.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

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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 \$208,593 at June 30, 2013, from \$214,868 at June 30, 2012. The following table provides a summary of net position:

**SUMMARY OF NET POSITION**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 23,360	\$ 32,024	\$ (8,664)	(27.1%)
Capital assets, net	270,266	281,501	(11,235)	(4.0%)
Other assets	<u>21,846</u>	<u>19,952</u>	<u>1,894</u>	9.5%
Total assets	<u>315,472</u>	<u>333,477</u>	<u>(18,005)</u>	(5.4%)
Deferred Outflows of Resources				
Deferred charge on refunding	-	6	(6)	(100.0%)
Total deferred outflows of resources	<u>-</u>	<u>6</u>	<u>(6)</u>	(100.0%)
Current liabilities	16,308	23,290	(6,982)	(30.0%)
Noncurrent liabilities	<u>90,571</u>	<u>95,325</u>	<u>(4,754)</u>	(5.0%)
Total liabilities	<u>106,879</u>	<u>118,615</u>	<u>(11,736)</u>	(9.9%)
Net investment in capital assets	191,312	200,670	(9,358)	(4.7%)
Restricted	9,458	5,726	3,732	65.2%
Unrestricted	<u>7,823</u>	<u>8,472</u>	<u>(649)</u>	(7.7%)
Net position	<u>\$ 208,593</u>	<u>\$ 214,868</u>	<u>\$ (6,275)</u>	(2.9%)

Current assets decreased \$8,664 primarily from the cash advance of \$8,324 to a related entity. The annual provision for depreciation was the primary reason for the decrease in capital assets.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

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**Net Position, continued**

Current liabilities decreased \$6,978 primarily due to the payment of \$8,207 owed to the primary government, offset by a \$1,204 increase in the current portion of bonds payable. The \$4,758 decrease in noncurrent liabilities was primarily the result of the \$9,480 increase for the Capital Improvements Revenue Bonds Taxable Refunding Series 2012, offset by \$13,012 in principal payments on existing debt.

**SUMMARY OF CHANGES IN NET POSITION**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	\$ 25,749	\$ 25,054	\$ 695	2.8%
Nonoperating revenues	6,300	5,369	931	17.3%
Total revenues	<u>32,049</u>	<u>30,423</u>	<u>1,626</u>	5.3%
Operating expenses	33,659	31,878	1,781	5.6%
Nonoperating expenses	4,690	4,750	(60)	(1.3%)
Total expenses	<u>38,349</u>	<u>36,628</u>	<u>1,721</u>	4.7%
Capital contributions, intergovernmental	25	4,599	(4,574)	(99.5%)
Change in net position	(6,275)	(1,606)	(4,669)	(290.7%)
Net position, beginning of year	<u>214,868</u>	<u>216,474</u>	<u>(1,606)</u>	(0.7%)
Net position, end of year	<u>\$ 208,593</u>	<u>\$ 214,868</u>	<u>\$ (6,275)</u>	(2.9%)

In 2013, the Authority's operating revenues increased \$695 or 2.8%. Increases in lease revenue, \$848 and facilities revenue \$672 were offset by an \$834 decrease in payments from the primary government for debt services. Operating expenses increased \$1,781 or 5.6%. Increases of \$1,657 in Other Services and \$892 in Personal Services 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 increased \$931 primarily due to a \$1,064 increase 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 \$60 primarily due to a \$137 decrease in interest expense.

**Capital Assets**

The Authority's investment in capital assets as of June 30, 2013, amounts to \$270,266 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, parking garage, leasehold improvements and artwork.

**TULSA PUBLIC FACILITIES AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**Capital Assets, continued**

	<b>CAPITAL ASSETS</b>			
	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 16,001	\$ 16,001	\$ -	0.0%
Artwork	653	243	410	168.7%
Construction-in-progress	54	251	(197)	(78.5%)
Leasehold improvements	55,399	55,399	-	0.0%
Buildings	244,922	243,569	1,353	0.6%
Parking garage	6,118	6,118	-	0.0%
Equipment	34,683	34,373	310	0.9%
	<u>357,830</u>	<u>355,954</u>	<u>1,876</u>	<u>0.5%</u>
Less accumulated depreciation	<u>(87,564)</u>	<u>(74,453)</u>	<u>(13,111)</u>	<u>17.6%</u>
Capital assets, net	<u>\$ 270,266</u>	<u>\$281,501</u>	<u>\$ (11,235)</u>	<u>(4.0%)</u>

**Noncurrent Liabilities**

At year end, the Authority had debt outstanding of \$93,435. The Authority's debt decreased \$3,532 during the year. The decrease is primarily the result of the \$9,480 issuance of the Capital Improvements Revenue Bonds Taxable Refunding Series 2012 offset by payments of \$12,605 on all other debt outstanding.

	<b>OUTSTANDING DEBT</b>			
	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assembly Center Lease Payment				
Revenue Bonds, Series 1985	\$ 3,135	\$ 4,560	\$ (1,425)	(31.3%)
Recreational Facilities Revenue Bonds, Series 1985,	-	445	(445)	(100.0%)
Lease Revenue Bonds, Series 2007A	34,620	34,620	-	0.0%
Lease Revenue Bonds, Series 2007B	23,925	32,530	(8,605)	(26.5%)
Capital Improvements Revenue Bonds Refunding Series 2012	9,480	-	9,480	100.0%
Capital Improvement Revenue Bonds, Series 2008	12,670	13,505	(835)	(6.2%)
Capital Improvement Revenue Bonds, Series 2012	9,605	10,900	(1,295)	(11.9%)
Total revenue bonds	<u>93,435</u>	<u>96,560</u>	<u>(3,125)</u>	<u>(3.2%)</u>
E911 Promissory Note, Series 2005	-	407	(407)	(100.0%)
Total debt	<u>\$ 93,435</u>	<u>\$ 96,967</u>	<u>\$ (3,532)</u>	<u>(3.6%)</u>



**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Authority's appointed officials considered many factors when setting the 2014 budget and fees charged for business-type activities. Lease revenues are governed by rates negotiated in long-term leases. Event revenues fluctuate as ticket prices vary by type of event at the arena. Daily use fees at the two 36-hole golf courses are reviewed periodically and adjusted as the market allows.

At the national level, unemployment declined to 7.8 percent at the end of fiscal-year 2013, a decline of 0.6 percent from last year. Unemployment in the City of Tulsa remained below the national level during fiscal year 2013. The rate was 5.4 percent at the end of fiscal-year, an increase of 0.2 percent from last year. The Authority has not experienced a decline in collection rates for accounts receivable as the economy slowly recovers from the economic downturn.

Consumer spending has remained weak during the current fiscal year. Consumer spending at the national level rose approximately one percent.

Oklahoma, along with 48 states and the District of Columbia, saw growth in real GDP in calendar year 2012 according to the Bureau of Economic Analysis. Oklahoma's real GDP growth rate of 2.1 percent ranked it 23rd among all other states.

The BOK Arena remains ranked in the top ten nationally based upon ticket sales. The BOK Arena generated more revenue in fiscal year 2013 due to more event days in the current fiscal year.

Office vacancies in the City of Tulsa decreased approximately two percent from July 2012 through June 2013. The commercial real estate leasing environment in Tulsa improved slightly from the previous year. The Authority experienced an increase in the square footage under lease at OTC of approximately five percent during fiscal year 2013.

**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, 2013**

(in thousands of dollars)

	<u>One Technology Center</u>	<u>Arena and Convention</u>	<u>Financing</u>	<u>Recreational Facilities Revenue Bond</u>	<u>Business-Type Activities Total</u>
<b><u>ASSETS</u></b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 2,917	\$ 8,149	\$ -	\$ -	\$ 11,066
Cash and cash equivalents, restricted	1,280	6,198	1,032	-	8,510
Interest receivable	8	1	-	-	9
Interest receivable, restricted	-	-	4	-	4
Accounts receivable, net	308	1,356	-	-	1,664
Advance to related entity	-	-	1,309	-	1,309
Prepaid expenses	156	392	-	-	548
Inventory	-	250	-	-	250
	<u>4,669</u>	<u>16,346</u>	<u>2,345</u>	<u>-</u>	<u>23,360</u>
<b>Noncurrent assets:</b>					
Cash and cash equivalents, restricted	6,074	1,981	-	-	8,055
Investments, restricted	734	1,554	1,061	-	3,349
Advance to related entity	-	-	7,015	-	7,015
Advances to primary government, restricted	-	1,533	-	-	1,533
Prepaid expenses	666	1,228	-	-	1,894
Nondepreciable capital assets	2,700	9,508	4,500	-	16,708
Depreciable capital assets, net	49,569	203,916	-	73	253,558
<b>Total Assets</b>	<u>\$ 64,412</u>	<u>\$ 236,066</u>	<u>\$ 14,921</u>	<u>\$ 73</u>	<u>\$ 315,472</u>

(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, 2013**

(in thousands of dollars)

	<u>One Technology Center</u>	<u>Arena and Convention</u>	<u>Financing</u>	<u>Recreational Facilities</u>	<u>Business-Type Activities Total</u>
<b><u>LIABILITIES</u></b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	\$ 611	\$ 1,871	\$ -	\$ -	\$ 2,482
Vested compensated absences	18	-	-	-	18
Unearned revenue	247	7,734	-	-	7,981
Accrued bond interest payable	425	296	86	-	807
Current portion of bonds payable	1,280	2,435	1,305	-	5,020
	<u>2,581</u>	<u>12,336</u>	<u>1,391</u>	<u>-</u>	<u>16,308</u>
<b>Noncurrent liabilities:</b>					
Deposits subject to refunds	8	-	-	-	8
Unearned revenue	-	1,417	-	-	1,417
Revenue bonds payable, net of current portion	66,745	13,370	8,300	-	88,415
Unamortized premium	-	-	730	-	730
Net pension obligation	53	-	-	-	53
Vested compensated absences	11	-	-	-	11
Other post employment benefits	69	-	-	-	69
Unamortized discount	(132)	-	-	-	(132)
	<u>66,754</u>	<u>14,787</u>	<u>9,030</u>	<u>-</u>	<u>90,571</u>
Total liabilities	<u>69,335</u>	<u>27,123</u>	<u>10,421</u>	<u>-</u>	<u>106,879</u>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	(11,227)	197,966	4,500	73	191,312
Restricted for:					
Debt service	3,061	4,425	-	-	7,486
Capital projects	1,541	-	-	-	1,541
Other purposes	431	-	-	-	431
Unrestricted	1,271	6,552	-	-	7,823
Total net position (deficit)	<u>\$ (4,923)</u>	<u>\$ 208,943</u>	<u>\$ 4,500</u>	<u>\$ 73</u>	<u>208,593</u>

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, 2013**

(in thousands of dollars)

	<b>One Technology Center</b>	<b>Arena and Convention</b>	<b>Financing</b>	<b>Recreational Facilities</b>	<b>Business-Type Activities Total</b>
<b>Operating revenues:</b>					
Lease revenue	\$ 9,220	\$ -	\$ -	\$ -	\$ 9,220
Golf fees	-	-	-	2,511	2,511
Facilities revenue	-	10,544	-	-	10,544
Sponsorship and naming rights revenue	-	2,090	-	-	2,090
Parking facilities revenue	996	-	-	-	996
Investment loss	-	-	(24)	-	(24)
Advance/loan interest income	-	-	209	-	209
Payments from primary government	-	-	13	153	166
Other	37	-	-	-	37
	<u>10,253</u>	<u>12,634</u>	<u>198</u>	<u>2,664</u>	<u>25,749</u>
<b>Operating expenses:</b>					
Personal services	776	-	-	-	776
Materials and supplies	991	-	-	-	991
Other service charges	4,123	11,946	-	-	16,069
Payments to related parties	-	-	-	2,511	2,511
Interest and amortization expense	-	-	198	12	210
Depreciation	1,922	11,033	-	147	13,102
	<u>7,812</u>	<u>22,979</u>	<u>198</u>	<u>2,670</u>	<u>33,659</u>
<b>Operating income (loss)</b>	<u>2,441</u>	<u>(10,345)</u>	<u>-</u>	<u>(6)</u>	<u>(7,910)</u>
<b>Nonoperating revenues (expenses):</b>					
Investment loss	(11)	(32)	-	-	(43)
Interest and amortization expense	(3,599)	(1,014)	-	-	(4,613)
Bond issue costs	(77)	-	-	-	(77)
Payments from primary government	677	5,666	-	-	6,343
	<u>(3,010)</u>	<u>4,620</u>	<u>-</u>	<u>-</u>	<u>1,610</u>
Capital contributions	-	25	-	-	25
Change in net position	(569)	(5,700)	-	(6)	(6,275)
Net position (deficit), beginning of year	(4,354)	214,643	4,500	79	214,868
Net position (deficit), end of year	<u>\$ (4,923)</u>	<u>\$ 208,943</u>	<u>\$ 4,500</u>	<u>\$ 73</u>	<u>\$ 208,593</u>

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, 2013**

(in thousands of dollars)

	<u>One Technology Center</u>	<u>Arena and Convention</u>	<u>Financing</u>	<u>Recreational Facilities</u>	<u>Business-Type Activities Total</u>
<b>Cash flows from operating activities:</b>					
Interest paid on revenue bonds	\$ -	\$ -	\$ (372)	\$ -	\$ (372)
Receipts from customers	10,057	12,640	-	-	22,697
Receipts from golf fees	-	-	-	2,511	2,511
Payments to suppliers for goods and services	(5,041)	(11,717)	-	-	(16,758)
Payments for employment services	(638)	-	-	-	(638)
Investment purchases	-	-	(1,089)	-	(1,089)
Payments to related entity	-	-	(10,229)	-	(10,229)
Payments to primary government	-	-	(7,882)	(2,511)	(10,393)
Payments from primary government	-	-	420	153	573
Payments from related entity	-	-	1,666	-	1,666
Principal paid on long-term debt	-	-	(1,702)	-	(1,702)
Interest paid on long-term debt	-	-	(13)	-	(13)
Net cash provided by (used for) operating activities	<u>4,378</u>	<u>923</u>	<u>(19,201)</u>	<u>153</u>	<u>(13,747)</u>
<b>Cash flows from noncapital financing activities:</b>					
Payments from primary government	-	2,098	-	-	2,098
Net cash provided by noncapital financing activities	<u>-</u>	<u>2,098</u>	<u>-</u>	<u>-</u>	<u>2,098</u>
<b>Cash flows from capital financing activities:</b>					
Acquisition of capital assets	(245)	(1,965)	-	-	(2,210)
Intergovernmental revenue	-	348	-	-	348
Payments from primary government	677	3,139	-	-	3,816
Proceeds from issuance of revenue bonds	9,480	-	-	-	9,480
Principal paid on revenue bonds	(8,605)	(2,260)	-	(445)	(11,310)
Interest paid on revenue bonds	(3,645)	(1,074)	-	(7)	(4,726)
Bond issuance costs	(77)	-	-	-	(77)
Net cash used in capital financing activities	<u>\$ (2,415)</u>	<u>\$ (1,812)</u>	<u>\$ -</u>	<u>\$ (452)</u>	<u>\$ (4,679)</u>

(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, 2013**

(in thousands of dollars)

	<b>One Technology Center</b>	<b>Arena and Convention</b>	<b>Financing</b>	<b>Recreational Facilities</b>	<b>Business-Type Activities Total</b>
<b>Cash flows from investing activities:</b>					
Investment income	\$ 3	\$ 11	\$ -	\$ -	\$ 14
Purchase of investments	(742)	(1,596)	-	-	(2,338)
Receipts from notes receivable	27	-	-	-	27
Net cash used for investing activities	(712)	(1,585)	-	-	(2,297)
Net change in cash and cash equivalents	1,251	(376)	(19,201)	(299)	(18,625)
Cash and cash equivalents, beginning of year	9,020	16,704	20,233	299	46,256
Cash and cash equivalents, end of year	\$ 10,271	\$ 16,328	\$ 1,032	\$ -	\$ 27,631
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position</b>					
Unrestricted cash and cash equivalents	\$ 2,917	\$ 8,149	\$ -	\$ -	\$ 11,066
Restricted cash and cash equivalents	7,354	8,179	1,032	-	16,565
Total cash and cash equivalents	\$ 10,271	\$ 16,328	\$ 1,032	\$ -	\$ 27,631
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 2,441	\$ (10,345)	\$ -	\$ (6)	\$ (7,910)
Adjustments:					
Depreciation	1,922	11,033	-	147	13,102
Change in accounts receivable	(217)	(279)	-	-	(496)
Change in inventories	-	(25)	-	-	(25)
Change in prepaid expenses	(84)	64	-	-	(20)
Change in accounts payable and accrued expenses	304	191	-	-	495
Change in unearned revenue	12	284	-	-	296
Interest expense	-	-	13	12	25
Principal paid on debt	-	-	407	-	407
Payments to primary government	-	-	(7,882)	-	(7,882)
Change in financing assets	-	-	(1,485)	-	(1,485)
Change in financing liabilities	-	-	(1,482)	-	(1,482)
Change in advances	-	-	(8,772)	-	(8,772)
Net cash provided by (used for) operating activities	\$ 4,378	\$ 923	\$ (19,201)	\$ 153	\$ (13,747)
Noncash investing and capital financing activities:					
Donated capital assets	\$ -	\$ 25	\$ -	\$ -	\$ 25
Capital contributions, intergovernmental	\$ -	\$ 4	\$ -	\$ -	\$ 4

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

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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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 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 operations 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. This fund is reported as nonmajor in the City's CAFR.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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

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 position. A net decrease in fair value of investments of \$100 is recognized and reported in investment income in the statement of revenues, expenses and changes in net position for the year ended June 30, 2013.

**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. There was no interest capitalized during the year ended June 30, 2013.

**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	

**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.

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



**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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

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

**VESTED COMPENSATED ABSENCES** – Vacation and sick leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 14 to 24 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount which may be earned in one calendar year. Accumulated vacation leave vests and the Authority is obligated to make payment even if the employee terminates. Accumulated sick leave is not paid out to employees upon separation from the Authority. The liability for compensated absences attributable to the Authority is charged to expense during the period earned and a corresponding liability is established.

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

**NET POSITION** – Net position of the Authority represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation 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 \$2,977. Of the long-term debt outstanding and related unamortized discount, \$1,768 of long-term debt was issued for noncapital purposes as of June 30, 2013. Net position is reported as restricted when there are limitations imposed on its 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.

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.

**INCOME TAXES** - The Authority is nontaxable as a political subdivision under Section 115(1)

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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

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, 2013, the pooled cash and investments, which are reflected on the Authority's Statement of Net Position within cash and cash equivalents, amounted to \$3,705. The pooled cash and investments balances at June 30, 2013 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 statutes, authorized investments consist of obligations of the U.S. Treasury, federal agencies and instrumentalities, and money market mutual funds.

At June 30, 2013, the Authority had the following non-pooled investments:

Type	Fair Value	Maturities in Years	
		Less than 1	1-5
U.S. Agency Obligations and Instrumentalities	\$ 3,349	\$ -	\$ 3,349
Money Market Mutual Funds	8,698	8,698	-
	<u>\$ 12,047</u>	<u>\$ 8,698</u>	<u>\$ 3,349</u>

**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 2.53 years.

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.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**2. CASH DEPOSITS AND INVESTMENTS, continued**

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

Pooled investments - The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2013, 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, 2013, 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, 2013 was exposed to custodial credit risk.

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, 2013 none of the Authority's non-pooled deposits and investments balance of \$27,186 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, 2013, 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 18%, 22%, 19%, and 22%, respectively, of its total pooled investment portfolio.

Nonpooled investments – At June 30, 2013, the Authority's investments in Federal Home Loan Bank constituted approximately 22% of its total nonpooled investment portfolio.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**2. CASH DEPOSITS AND INVESTMENTS, continued**

**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, 2013, is as follows:

**RECONCILIATION TO STATEMENT OF NET ASSETS:**

Pooled cash and investments	\$ 3,705
Non-pooled cash and investments	<u>27,275</u>
	<u>\$ 30,980</u>
Current unrestricted cash and cash equivalents	\$ 11,066
Current restricted cash and cash equivalents	8,510
Non-current restricted cash and cash equivalents	8,055
Non-current restricted investments	<u>3,349</u>
	<u>\$ 30,980</u>

**INVESTMENT INCOME** – Investment income for the year ended June 30, 2013, consisted of:

Interest and dividend income	\$ 33
Advance/loan interest income	209
Net decrease in fair value of investments and cash equivalents	<u>(100)</u>
	<u>\$ 142</u>

**3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE**

The accounts receivable balance consists of amounts owed at year end for OTC leasing revenues and BOK Arena and Tulsa Convention Center event revenues.

	<u>OTC</u>	<u>Arena</u>	<u>Total</u>
A/R - Lease revenue	\$ 242	\$ -	\$ 242
A/R - Event revenue	-	924	924
A/R - Parking facility revenue	57	-	57
A/R - Sponsorship revenue	-	430	430
A/R - Miscellaneous revenue	9	51	60
Total	<u>308</u>	<u>1,405</u>	<u>1,713</u>
Less: Allowance for doubtful accounts	<u>-</u>	<u>(49)</u>	<u>(49)</u>
Accounts Receivable, net	<u>\$ 308</u>	<u>\$ 1,356</u>	<u>\$ 1,664</u>

The accounts payable balance consists of capital expenditures and expenses occurring from the operation of these facilities.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**4. ADVANCES TO PRIMARY GOVERNMENT AND RELATED ENTITY**

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 note was paid off in the current year.

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.

In April 2012, the Authority issued its \$10,900 Series 2012 Capital Improvements Revenue Bonds. The proceeds of the bonds were loaned to the Tulsa Authority for Recovery of Energy (TARE), a related entity, to fund the acquisition of trash carts and fund the Bond Reserve Fund. TARE receives revenues for the collection of residential solid waste which will provide funds to pay the debt service on the bonds.

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 16,001	\$ -	\$ -	\$ 16,001
Artwork	243	410	-	653
Construction in progress	251	1,953	(2,150)	54
Total capital assets not being depreciated	<u>16,495</u>	<u>2,363</u>	<u>(2,150)</u>	<u>16,708</u>
Capital assets, being depreciated:				
Leasehold improvements	55,399	-	-	55,399
Buildings	243,569	1,353	-	244,922
Parking garage	6,118	-	-	6,118
Equipment	34,373	310	-	34,683
Total capital assets being depreciated	<u>339,459</u>	<u>1,663</u>	<u>-</u>	<u>341,122</u>
Less accumulated depreciation:				
Leasehold improvements	(10,688)	(2,173)	-	(12,861)
Buildings	(48,158)	(7,360)	-	(55,518)
Parking garage	(911)	(204)	-	(1,115)
Equipment	(14,696)	(3,374)	-	(18,070)
Total accumulated depreciation	<u>(74,453)</u>	<u>(13,111)</u>	<u>-</u>	<u>(87,564)</u>
Total capital assets being depreciated, net	<u>265,006</u>	<u>(11,448)</u>	<u>-</u>	<u>253,558</u>
Capital assets, net	<u>\$ 281,501</u>	<u>\$ (9,085)</u>	<u>\$ (2,150)</u>	<u>\$ 270,266</u>

During fiscal year 2013, the primary government transferred to the Authority assets with cost of \$13 and accumulated depreciation of \$9.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

**6. REVENUE BONDS PAYABLE**

Revenue bonds payable activity for the year ended June 30, 2013 is as follows:

**REVENUE BONDS PAYABLE**

<b>Bond, Series, Maturity Dates</b>	<b>Issue Amount</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Assembly Center, Series 1985, 2014	\$ 23,335	6.60%	\$ 4,560	\$ -	\$ (1,425)	\$ 3,135	\$ 1,520
Recreational Facilities, Series 2003, 2012	3,460	3.15%-3.35%	445	-	(445)	-	-
Lease Revenue Series 2007A, 2037	34,620	4.625%-5.25%	34,620	-	-	34,620	-
Lease Revenue, Series 2007B, 2029	33,130	6.30%-6.60%	32,530	-	(8,605)	23,925	-
Capital Improvements Revenue Refunding Series 2012, 2019	9,480	1.25%	-	9,480	-	9,480	1,280
Capital Improvements, Series 2008, 2027	16,000	6.07%	13,505	-	(835)	12,670	915
Capital Improvements, Series 2012, 2020	10,900	3.00%-4.00%	10,900	-	(1,295)	9,605	1,305
Total revenue bonds			96,560	9,480	(12,605)	93,435	5,020
Unamortized premiums			921	-	(191)	730	-
Unamortized discounts			(138)	-	6	(132)	-
			<u>\$ 97,343</u>	<u>\$ 9,480</u>	<u>\$(12,790)</u>	<u>\$ 94,033</u>	<u>\$ 5,020</u>

**ECONOMIC GAIN ON REFUNDING – TPFA Capital Improvements Revenue Bonds Taxable Refunding Series 2012** – On December 20, 2012, the Tulsa Public Facilities Authority issued its Series 2012 Refunding Bonds in the amount of \$9,480 in order to currently refund a portion of its Lease Revenue Bonds Taxable Series 2007B.

This transaction will reduce debt service payments by \$1,168 over the next six years and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,125. There was no deferred accounting gain or loss on this transaction.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**6. REVENUE BONDS PAYABLE, continued**

Principal and interest payments in subsequent years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,020	\$ 4,643	\$ 9,663
2015	5,275	4,428	9,703
2016	3,835	4,257	8,092
2017	4,040	4,133	8,173
2018	3,865	3,987	7,852
2019-2023	17,245	17,364	34,609
2024-2028	15,660	12,581	28,241
2029-2033	16,865	7,649	24,514
2034-2038	21,630	2,847	24,477
	<u>\$ 93,435</u>	<u>\$ 61,889</u>	<u>\$ 155,324</u>

(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 \$3,345 with annual requirements ranging from \$1,668 to \$1,676. Lease revenue, from which the appropriations will be made, has averaged \$1,681 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 \$1,679 and \$1,679, 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 was amortized over the life of the new bonds.

This debt was paid in full during the fiscal year ending June 30, 2013.

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**6. REVENUE BONDS PAYABLE, continued**

**(c) 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 \$112,721 with annual requirements ranging from \$2,487 to \$4,927. Lease revenue, from which the appropriations will be made, has averaged \$7,135 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 \$3,498 and \$9,220 respectively.

**(d) 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 \$18,292 with annual requirements ranging from \$674 to \$1,776. Sponsorship and naming rights revenue, from which the appropriations will be made, has averaged \$2,032 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 \$1,655 and \$2,090, respectively.

**(e) 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 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



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**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 \$11,090 with annual debt service requirements ranging from \$1,518 to \$1,649.

**(f) CAPITAL IMPROVEMENTS REVENUE TAXABLE REFUNDING SERIES 2012**

On December 20, 2012, the Authority issued \$9,480 Series 2012 Taxable Refunding bonds, which are accounted for in the OTC fund. The proceeds of these bonds were used to refund a portion of the Lease Revenue Series 2007B bonds and to fund the bond reserve fund. The taxable refunding bonds will be paid from current and new lease revenues.

Total principal and interest remaining on the debt is \$9,875 with annual requirements ranging from \$1,391 to \$2,415. Lease revenue, from which the debt service will be paid, has averaged \$7,135 per year over the past five years. For the current year, interest paid by the Authority and lease revenue recognized by the Authority were \$53 and \$9,220, respectively.

**7. PROMISSORY NOTES PAYABLE**

The changes in promissory notes payable during 2013 can be summarized as follows:

<u>Promissory Notes, Maturity Dates</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
E911 Series 2005, 2013	\$ 2,500	4.3%	\$ 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. This debt was paid in full during the current fiscal year.

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8. **LONG-TERM LIABILITIES** - The changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

<b>2013:</b>	<b>Beginning</b>			<b>Ending</b>	<b>Due within</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>	<b>One Year</b>
Other long-term liabilities:					
Vested compensated absences	\$ -	\$ 40	\$ 11	\$ 29	\$ 18
Net pension obligation	3	52	2	53	-
Other postemployment benefits	9	60	-	69	-
	<u>12</u>	<u>152</u>	<u>13</u>	<u>151</u>	<u>18</u>
Total other long-term liabilities	\$ 12	\$ 152	\$ 13	\$ 151	\$ 18

9. **MUNICIPAL EMPLOYEES' PENSION PLAN**

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

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

The ability to establish and amend requirements of plan members and the Authority is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute a percentage of their annual covered salary; the percentage was 6.0%, 5.0%, and 4.0% for the years ended 2013, 2012, and 2011, respectively. The Authority is required to contribute at an actuarially determined rate. The Authority was required to contribute \$52, \$0, and \$0 for the years ended 2013, 2012, and 2011, respectively. The Authority's actual contribution to the Plan were \$2, \$0, and \$0, respectively, which equaled 4%, 0%, and 0% of the annual required contributions for each year.

The Plan is reported as a Pension Trust Fund in the City's 2013 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.

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**10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City provides postemployment health care benefits for retired employees and their dependents through the City of Tulsa Postretirement Medical Plan (the "Plan"), a single-employer defined benefit health care plan. The benefits, coverage levels, employee contributions, and employer contributions are governed by the City through its personnel and union contracts.

All health care benefits are provided through the City's fully insured health plan. The benefit levels are the same as those offered to active employees. Benefits include general inpatient and outpatient medical services and prescriptions. General employees are eligible for membership in the plan if they retire from the City on or after age 55 with 5 years of service or with age and service totaling 80 points. Coverage ceases upon eligibility of the member (retiree or dependent) for Medicare. Coverage for dependents can continue upon the death of the retiree. Spouses of employees eligible for benefits and who die in active service can receive coverage.

The actuarial valuation of liabilities under the plan is calculated using the entry age normal cost method as of the July 1, 2012, 2011 and 2010 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately \$28,539, \$27,437 and \$34,166 for the City as of June 30, 2013, 2012, and 2011, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable.

The City's actuarially determined annual required contributions (ARC) for fiscal years ending June 30, 2013, 2012 and 2011 were \$2,880, \$2,769 and \$3,219, respectively, of which \$1,685, \$1,208 and \$537 were paid on a pay-as-you-go basis in 2013, 2012 and 2011, respectively. The Authority was allocated \$69, \$0 and \$0 of the net OPEB obligation for the fiscal years ending June 30, 2013, 2012 and 2011, which has been reflected in the financial statements. The amount allocated to the Authority is based on the number of active eligible employees of the Authority compared to the total number of active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

**11. 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.

**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 \$1,713 for the year ended June 30, 2013. The rental payments are shown as

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**11. LEASE REVENUE, continued**

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 94% 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 \$1,922 for the current year.

The gross amounts of capital assets subject to lease as of June 30, 2013 are as follows:

Building	\$	47,335
Parking garage		6,118
Land		2,700
Equipment		6,225
Accumulated depreciation		<u>(10,109)</u>
Net investment in commercial property leases	\$	<u>52,269</u>

The Authority paid \$1,707 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 \$885.

Minimum future rentals on noncancellable operating leases as of June 30, 2013 are as follows:

<u>Years</u>		
2014	\$	2,810
2015		2,797
2016		2,362
2017		2,259
2018		<u>1,724</u>
	\$	<u>11,952</u>

**BOK ARENA USE LICENSE AGREEMENTS**

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 game. If gross ticket revenues equal \$2.5 million for the season, BOK Arena will receive a bonus license fee equal to 30% of ticket sales in the upper level.

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**11. LEASE REVENUE, continued**

On March 17, 2010, SMG entered into 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 two dollar facility fee per ticket sold for each home game excluding season tickets and multiple-game packages.

See *Note 15* for a discussion of the operating agreement between the Authority and SMG.

**12. UNEARNED REVENUE**

The Authority had the following unearned revenues at June 30, 2013:

	<u>Total</u>	<u>Current</u>	<u>Noncurrent</u>
BOK Arena - advance ticket sales, membership fees, naming rights, sponsorships and box income	\$ 9,151	\$ 7,734	\$ 1,417
OTC - lease revenues	247	247	-
	<u>\$ 9,398</u>	<u>\$ 7,981</u>	<u>\$ 1,417</u>

**13. BOK ARENA NAMING RIGHTS, SPONSORSHIPS AND LUXURY BOX AGREEMENTS**

The Authority had \$23,370 in naming rights, sponsorships and luxury box agreements at June 30, 2013. During the year, the Authority recognized \$2,090 in naming rights and sponsorship revenue. In 2013, the Authority recognized \$1,182 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:

<u>Years</u>	<u>Future Earnings</u>
2014	\$ 2,960
2015	2,854
2016	2,632
2017	2,587
2018	2,587
2019-2023	7,128
2024-2028	3,448
2029	29
	<u>\$ 24,225</u>

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**14. FACILITIES REVENUE**

SMG entered into an advertising agreement with Busch Media Group, Inc. (“BMG”), an 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 extended three-year term and the BOK Arena recognized \$49 as advertising revenue for the BMG contract in the fiscal year ended June 30, 2013.

On September 5, 2008, SMG executed an agreement with Newport Television, LLC on behalf of station KOKI (“KOKI”). 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. The BOK Arena recognized \$28 as advertising revenue for the KOKI contract in the fiscal year ended June 30, 2013.

Commencing in fiscal 2008, SMG entered into a ten-year contract with Pepsi Bottling Group whereby the BOK Arena and the Tulsa Convention Center is to exclusively sell Pepsi non-alcoholic beverages. The BOK Arena recognized \$81, and the Tulsa Convention Center recognized \$20 as advertising revenue for the Pepsi contract in the fiscal year ended June 30, 2013.

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. The BOK Arena recognized \$29 as advertising revenue for the St. John contract in the fiscal year ended June 30, 2013.

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. The BOK Arena recognized \$16 as advertising revenue for the Doubletree contract in the fiscal year ended June 30, 2013.

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. The BOK Arena recognized \$18 as advertising revenue for the Republic contract in the fiscal year ended June 30, 2013.

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. The BOK Arena recognized \$7 as advertising revenue for the Community-Care contract in the fiscal year ended June 30, 2013.

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**June 30, 2013**

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**15. 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 extended the term for the operation of the Tulsa Convention Center and the BOK Arena through June 30, 2013. In June 2013, the Authority and the City entered into a new operating agreement with SMG. The agreement provides for the development, pre-operation and management services of both the Tulsa Convention Center and the BOK Arena facilities. The term of the operating section of the agreement is July 1, 2013 through June 30, 2018. The Authority may extend the agreement for an additional five years at its sole discretion. The contract is subject to annual appropriations and may be terminated by any party.

Under the agreement, for the year ended June 30, 2013, SMG earned an annual base management fee of \$44 for the Tulsa Convention Center and \$165 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 \$155 of incentive fee for the BOK Arena and \$44 for the Tulsa Convention Center for the year ended June 30, 2013.

During 2009, SMG assumed responsibilities for food services for the BOK Arena and the Tulsa Convention Center. For the year ended June 30, 2013, SMG earned a management fee for food services of \$113 for the BOK Arena and \$92 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 \$380 to BOK and \$93 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. The Authority entered into an agreement to extend the exclusive Listing Agreement beginning on December 1, 2012 and expiring on August 31, 2013. Under this agreement, the Authority incurred costs of \$245 for 2013.

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 four annual renewal options. Under this agreement, the Authority incurred building management expense of \$120 for the year ended June 30, 2013. The Authority expects to renew this contract on substantially similar terms.

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**NOTES TO FINANCIAL STATEMENTS, Continued**  
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**16. 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.

**17. 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.

**18. 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	\$ 1,713
Payments from the City of Tulsa for the Tulsa Convention Center operations	2,098
Payments from the City of Tulsa for the Assembly Center debt service	4,318
Payments from the City of Tulsa for OTC lease	4,954
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	2,511
Payments from the City of Tulsa for Recreational Facilities debt service	153
Payments from the Tulsa Authority for Recovery of Energy for loan financing	1,666
Payments to the Tulsa Authority for Recovery of Energy for loan financing	10,229
Payments to the City of Tulsa for repayment of advance	7,882
Payments from the City of Tulsa for proceeds from sale of vacated building	501
Payments from the City of Tulsa for noncapital transactions	176

**19. COMMITMENTS**

SMG entered into an agreement with a ticketing agency for the sale of tickets from July 2011 through June 2013. The ticketing agency has the exclusive right to sell tickets for all events that take place at the BOK Arena. Under the agreement, the BOK Arena receives a portion of service charges collected by the ticketing agency. Such receipts will be reported as ticket incentive rebates. Under this contract, SMG received a one-time signing bonus for \$300,000 paid in two equal installments and an annual marketing commitment of \$130,000 per year over the term of the contract. The marketing commitments are included in general and administrative expenses. SMG has recognized \$150,000 of the signing bonus during fiscal year 2013 as ticket incentive rebate revenues. Amounts are being recognized on a straight-line basis over the term of the Agreement.

SMG is party to a long-term contract with a ticketing agency for the sale of tickets at the Tulsa Convention Center. The ticketing agency has the exclusive right to sell tickets for all events that take place at the Tulsa Convention Center. Under the Agreement, the Tulsa Convention



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**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**19. COMMITMENTS, continued**

Center receives a portion of service charges collected by the ticketing agency. Such receipts are reported as ticket incentive rebates.

**20. SUBSEQUENT EVENTS**

On May 1, 2013 (with a term later amended to start July 1, 2013), The City of Tulsa, Tulsa Public Facilities Authority, CoxCom, LLC, and SMG entered into a Sponsorship, Promotion and Branding Agreement (“naming rights agreement”). The term of the agreement is ten years. Under the terms of the agreement the Tulsa Convention Center was renamed the Cox Business Center. Furthermore, CoxCom LLC is granted certain sponsorship, promotional and branding rights. CoxCom, LLC, shall pay a naming rights fee, and provide, among other things, certain internet service upgrades, video equipment, cabling and cabling installation, cable services, and advertising services to the facility.

On August 28, 2013, the Authority entered into an amended lease agreement (agreement) with a tenant of OTC effective July 1, 2013 for 143,242 square feet of commercial office space at OTC. The agreement extends the term of the lease to June 30, 2029. Annual lease payments will be \$2,207 except for fiscal year 2015 which will be reduced by \$80. The tenant will assign the lease to an affiliated company. \$1,200 of the annual lease payment will be remain unchanged throughout the term of the lease. The remainder of the annual lease payments will be apportioned to operating expense reimbursement. The affiliated company will have the option to purchase the occupied space for one dollar at June 30, 2029. The Authority will account for the lease agreement as a capital lease.

**21. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Authority beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.

This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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**COMBINING SCHEDULE OF NET POSITION – FINANCING FUND**  
**Year Ended June 30, 2013**

(in thousands of dollars)

	<b>Capital Improvements Revenue Bond 2012</b>	<b>Capital Improvements Revenue Bond 2006A</b>	<b>E911 Promissory Note</b>	<b>Capital Improvements Revenue Bond</b>	<b>Financing Fund Total</b>
<b><u>ASSETS</u></b>					
<b>Current assets:</b>					
Cash and cash equivalents, restricted	\$ 1,032	\$ -	\$ -	\$ -	\$ 1,032
Interest receivable, restricted	4	-	-	-	4
Advance to related entity	1,309	-	-	-	1,309
	<u>2,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,345</u>
<b>Noncurrent assets:</b>					
Investments, restricted	1,061	-	-	-	1,061
Advance to related entity	7,015	-	-	-	7,015
Nondepreciable capital assets	-	-	-	4,500	4,500
	<u>8,076</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>12,576</u>
Total Assets	<u>10,421</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>14,921</u>
<b><u>LIABILITIES</u></b>					
<b>Current liabilities:</b>					
Accrued bond interest payable	86	-	-	-	86
Current portion of bonds payable	1,305	-	-	-	1,305
	<u>1,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,391</u>
<b>Noncurrent liabilities:</b>					
Revenue bonds payable, net of current portion	8,300	-	-	-	8,300
Unamortized premium	730	-	-	-	730
	<u>9,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,030</u>
Total liabilities	<u>10,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,421</u>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	-	-	-	4,500	4,500
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>

**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, 2013**

(in thousands of dollars)

	<b>Capital Improvements Revenue Bond 2012</b>	<b>Capital Improvements Revenue Bond 2006A</b>	<b>E911 Promissory Note</b>	<b>Capital Improvements Revenue Bond</b>	<b>Financing Fund Total</b>
<b>Operating revenues:</b>					
Investment loss	\$ (24)	\$ -	\$ -	\$ -	\$ (24)
Advance/loan interest income	209	-	-	-	209
Payments from primary government	-	-	13	-	13
	<u>185</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>198</u>
<b>Operating expenses:</b>					
Interest and amortization expense	185	-	13	-	198
	<u>185</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>198</u>
Change in net position	-	-	-	-	-
Net position, beginning of year	-	-	-	4,500	4,500
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>

**TULSA PUBLIC FACILITIES AUTHORITY**  
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**COMBINING SCHEDULE OF CASH FLOWS – FINANCING FUND**  
**Year Ended June 30, 2013**

(in thousands of dollars)

	<b>Capital Improvements Revenue Bond 2012</b>	<b>Capital Improvements Revenue Bond 2006A</b>	<b>E911 Promissory Note</b>	<b>Capital Improvements Revenue Bond</b>	<b>Financing Fund Total</b>
<b>Cash flows from operating activities:</b>					
Interest paid on revenue bonds	\$ (372)	\$ -	\$ -	\$ -	\$ (372)
Investment purchases	(1,089)	-	-	-	(1,089)
Payments to related entity	(10,229)	-	-	-	(10,229)
Payments to primary government	-	(7,882)	-	-	(7,882)
Payments from primary government	-	-	420	-	420
Payments from related entity	1,666	-	-	-	1,666
Principal paid on long-term debt	(1,295)	-	(407)	-	(1,702)
Interest paid on long-term debt	-	-	(13)	-	(13)
	<u>(11,319)</u>	<u>(7,882)</u>	<u>-</u>	<u>-</u>	<u>(19,201)</u>
<b>Net cash used in operating activities</b>					
<b>Cash flows from noncapital financing activities:</b>					
Net change in cash and cash equivalents	(11,319)	(7,882)	-	-	(19,201)
Cash and cash equivalents, beginning of year	12,351	7,882	-	-	20,233
	<u>12,351</u>	<u>7,882</u>	<u>-</u>	<u>-</u>	<u>20,233</u>
Cash and cash equivalents, end of year	<u>\$ 1,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,032</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position</b>					
Restricted cash and cash equivalents	<u>\$ 1,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,032</u>
Total cash and cash equivalents	<u>\$ 1,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,032</u>
<b>Reconciliation of operating income to net cash used in operating activities:</b>					
Operating income	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments:					
Interest expenses	-	-	13	-	13
Principal paid on debt	-	-	407	-	407
Payments to primary government	-	(7,882)	-	-	(7,882)
Change in financing assets	(1,065)	-	(420)	-	(1,485)
Change in financing liabilities	(1,482)	-	-	-	(1,482)
Change in advances	(8,772)	-	-	-	(8,772)
	<u>(11,319)</u>	<u>(7,882)</u>	<u>-</u>	<u>-</u>	<u>(19,201)</u>
Net cash used by operating activities	<u>\$ (11,319)</u>	<u>\$ (7,882)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,201)</u>

**TULSA PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**DEBT COMPLIANCE INFORMATION (unaudited)**  
**June 30, 2013**

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**ONE TECHNOLOGY CENTER**

**Percentage of Occupied Units**

Total occupied	16
Total vacant units	1
Total units	17
Percentage Occupied	94%

**Percentage of Occupied Square Feet**

Total Occupied Square Feet	575,914
Total Vacant Square Feet	54,556
Total Square Footage	630,470
Percentage Occupied	91%

**Major Tenants and Square Feet**

City of Tulsa	239,361
Level 3 Communications, LLC	143,242
Magellan Midstream Partners, LP	48,156
Deloitte, LLP	35,282