

TULSA PUBLIC FACILITIES AUTHORITY

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

FINANCIAL REPORT

June 30, 2010

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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Independent Auditor's Report

Board of Trustees
Tulsa Public Facilities Authority
Tulsa, Oklahoma

We have audited the accompanying financial statements of the business-type activities and each major fund of the Tulsa Public Facilities Authority (the "Authority"), a blended component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Operations of the BOK Center as managed by SMG or The Operations of the Tulsa Convention Center, as managed by SMG, an agent operating these facilities as discussed in Note 11 to the financial statements, which are included within the financial statements of the Arena and Convention Center major enterprise fund and represents 4 percent and 40 percent, respectively, of the total assets and total revenues of the Arena and Convention Center major enterprise fund for the year ended June 30, 2010 and 3 percent and 26 percent, respectively, of the total assets and total revenues of the business-type activities for the year ended June 30, 2010. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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, 2010, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 as supplementary information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information as listed as supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Kansas City, Missouri
November 30, 2010

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 8. 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 \$222,872.
- The Authority's net assets increased to \$222,872 as of June 30, 2010 from \$221,929 as of June 30, 2009. The Authority had increases in net assets of \$943 and \$21,608 for the years ended June 30, 2010 and 2009, respectively.
- The Authority's liabilities decreased by \$19,546 as of June 30, 2010. Debt service on revenue bonds was the primary reason for this 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 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 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
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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 Assets 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 Assets. 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, non capital 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 Assets

The Authority's net assets increased to \$222,872 at June 30, 2010, from \$221,929 at June 30, 2009. The following table provides a summary of net assets:

SUMMARY OF NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 42,079	\$ 54,662	\$ (12,583)	(23.0%)
Capital assets, net	298,764	295,718	3,046	1.0%
Other assets	<u>15,203</u>	<u>24,269</u>	<u>(9,066)</u>	<u>(37.4%)</u>
Total assets	<u>356,046</u>	<u>374,649</u>	<u>(18,603)</u>	<u>(5.0%)</u>
Current liabilities	27,116	30,183	(3,067)	(10.2%)
Noncurrent liabilities	<u>106,058</u>	<u>122,537</u>	<u>(16,479)</u>	<u>(13.4%)</u>
Total liabilities	<u>133,174</u>	<u>152,720</u>	<u>(19,546)</u>	<u>(12.8%)</u>
Invested in capital assets, net of related debt	215,116	212,219	2,897	1.4%
Restricted	2,788	2,005	783	39.1%
Unrestricted	<u>4,968</u>	<u>7,705</u>	<u>(2,737)</u>	<u>(35.5%)</u>
Net assets	<u>\$ 222,872</u>	<u>\$ 221,929</u>	<u>\$ 943</u>	<u>0.4%</u>

The decrease in current assets was the result of spending for the BOK Arena and OTC capital improvements and Capital Improvements Revenue Bond Series 2006A debt service. Capital improvements at the BOK Arena, Tulsa Convention Center, and OTC were the primary reasons for the increase in capital assets. Current liability decreases are primarily related to BOK Arena accounts payable and deferred revenue. Noncurrent liabilities decreased as the result of principal payments on debt, primarily the Capital Improvements Revenue Bond Series 2006A.

TULSA PUBLIC FACILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

SUMMARY OF CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	\$ 22,713	\$ 21,189	\$ 1,524	7.2%
Nonoperating revenues	7,028	32,977	(25,949)	(78.7%)
Total revenues	<u>29,741</u>	<u>54,166</u>	<u>(24,425)</u>	<u>(45.1%)</u>
Operating expenses	30,350	27,416	2,934	10.7%
Nonoperating expenses	6,189	5,142	1,047	20.4%
Total expenses	<u>36,539</u>	<u>32,558</u>	<u>3,981</u>	<u>12.2%</u>
Capital contributions, intergovernmental	7,741	-	7,741	0.0%
Change in net assets	(6,798)	21,608	(28,406)	(131.5%)
Net assets, beginning of year	<u>221,929</u>	<u>200,321</u>	<u>21,608</u>	<u>10.8%</u>
Net assets, end of year	<u>\$ 222,872</u>	<u>\$ 221,929</u>	<u>\$ (6,798)</u>	<u>(3.1%)</u>

In 2010, the Authority's operating revenues excluding payments from primary government increased \$1,522 and payments from primary government increased \$2 resulting in a net increase of 7.20%. Operating revenues increased due to BOK Arena facilities and sponsorship revenue, and OTC lease revenue. Total expenses decreased 2.2% primarily related to OTC and BOK Arena operating expenses. Nonoperating revenues consist of intergovernmental revenue for Vision 2025 funds, payments from the City for operations of OTC, contributions from corporate citizens for BOK Arena improvements, and investment income. Nonoperating revenues declined significantly due to decreased funding for the BOK Arena construction. Nonoperating expenses consist of interest and related charges for OTC and the Tulsa Convention Center.

TULSA PUBLIC FACILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Capital Assets

The Authority's investment in capital assets as of June 30, 2010, amounts to \$298,764 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, parking garage, leasehold improvements and artwork.

	CAPITAL ASSETS			
	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 16,001	\$ 16,001	\$ -	0.0%
Artwork	132	132	-	0.0%
Leasehold improvements	55,351	53,646	1,705	3.2%
Buildings	231,994	195,746	36,248	18.5%
Parking garage	6,118	6,118	-	0.0%
Equipment	<u>27,579</u>	<u>26,608</u>	<u>971</u>	<u>3.6%</u>
	337,175	298,251	38,924	13.1%
Less accumulated depreciation	(38,411)	(26,473)	(11,938)	45.1%
Construction-in-progress	<u>-</u>	<u>23,940</u>	<u>(23,940)</u>	<u>(100.0%)</u>
Capital assets, net	<u>\$ 298,764</u>	<u>\$ 295,718</u>	<u>\$ 3,046</u>	<u>1.0%</u>

Noncurrent Liabilities

At year end, the Authority had debt outstanding of \$119,144. The Authority's debt decreased \$15,283 during the year. Decreases relate to principal payments on outstanding debt.

TULSA PUBLIC FACILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

OUTSTANDING DEBT				
	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assembly Center Lease Payment Revenue Bonds, Series 1985	\$ 7,160	\$ 8,345	\$ (1,185)	(14.2%)
Recreational Facilities Revenue Bonds, Series 1985, net of \$41 and \$58 unamortized deferred loss on refunding	1,244	1,622	(378)	(23.3%)
Capital Improvements Revenue Bonds, Series 2006A	27,515	40,240	(12,725)	(31.6%)
Lease Revenue Bonds, Series 2007A	34,620	34,620	-	0.0%
Lease Revenue Bonds, Series 2007B	32,530	32,530	-	0.0%
Capital Improvement Revenue Bonds, Series 2008	14,910	15,550	(640)	(4.1%)
Total revenue bonds	<u>117,979</u>	<u>132,907</u>	<u>(14,928)</u>	<u>(11.2%)</u>
E911 Promissory Note, Series 2005	1,165	1,520	(355)	(23.4%)
Total debt	<u>\$ 119,144</u>	<u>\$ 134,427</u>	<u>\$ (15,283)</u>	<u>(11.4%)</u>

As an issuer of revenue bonds, the Authority is subject to numerous covenants contained within the revenue bond indentures. The Authority is in full compliance with all of these covenants.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2011 budget and fees charged for business-type activities. At the national level, unemployment remains above 9 percent. Unemployment in the City of Tulsa was 7.7 percent at the end of fiscal-year 2010. The authority has not experienced a decline in collection rates for accounts receivable during this economic downturn.

The BOK Arena is ranked in the top five nationally based upon ticket sales in spite of the difficult economic conditions. The BOK Arena generated better than expected revenues in fiscal-year 2010 in addition to being open a full 12 months the current fiscal year compared to only ten months the prior year. Ticket prices vary by type of event at the arena.

Office vacancies at the end of fiscal-year 2010 rose to their highest levels in Tulsa since 1991. The commercial real estate leasing environment in Tulsa remains stagnant. Vacant office space in Tulsa's central business district was approximately 25 percent at June 30, 2010. The Authority increased the square footage under lease at OTC approximately four percent during fiscal-year 2010.

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 ASSETS
June 30, 2010

(in thousands of dollars)

ASSETS	One Technology Center	Arena and Convention	Financing	Recreational Facilities Revenue Bond	Total
Current assets:					
Cash and cash equivalents	\$ 1,468	\$ 9,226	\$ -	\$ -	\$ 10,694
Cash and cash equivalents, restricted	5,065	2,717	980	280	9,042
Interest receivable	4	-	-	-	4
Interest receivable, restricted	-	17	147	-	164
Accounts receivable	78	1,154	-	-	1,232
Notes receivable, current portion	260	-	-	-	260
Prepaid expenses	154	334	-	-	488
Investments, restricted	-	-	19,551	-	19,551
Inventory	-	192	-	-	192
Advances to primary government, restricted	-	452	-	-	452
	<u>7,029</u>	<u>14,092</u>	<u>20,678</u>	<u>280</u>	<u>42,079</u>
Noncurrent assets:					
Investments, restricted	-	1,666	7,341	-	9,007
Advances to primary government	-	-	2,153	-	2,153
Prepaid expenses	892	1,524	-	-	2,416
Notes receivable	363	-	-	-	363
Nondepreciable capital assets	2,700	8,933	4,500	-	16,133
Depreciable capital assets, net	53,477	228,565	-	589	282,631
Deferred bond issue cost, net	961	243	46	14	1,264
Total Assets	<u>\$ 65,422</u>	<u>\$ 255,023</u>	<u>\$ 34,718</u>	<u>\$ 883</u>	<u>\$ 356,046</u>

(Continued)

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF NET ASSETS, Continued
June 30, 2010

(in thousands of dollars)

	<u>One Technology Center</u>	<u>Arena and Convention</u>	<u>Financing</u>	<u>Recreational Facilities</u>	<u>Total</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 376	\$ 1,991	\$ -	\$ -	\$ 2,367
Retainage payable	-	309	-	-	309
Deferred revenue	236	6,638	-	-	6,874
Accrued bond interest payable	477	456	119	7	1,059
Accrued liabilities from restricted assets		398			398
Current portion of bonds payable	-	1,940	13,390	410	15,740
Current portion of note payable	-	-	369	-	369
	<u>1,089</u>	<u>11,732</u>	<u>13,878</u>	<u>417</u>	<u>27,116</u>
Noncurrent liabilities:					
Arbitrage, restricted	-	-	1,023	-	1,023
Deferred revenue	-	1,755	-	-	1,755
Note payable, net of current portion	-	-	796	-	796
Bonds payable, net of deferred loss and current portion	67,150	20,130	14,125	834	102,239
Unamortized premium	-	-	396	-	396
Unamortized discount	(151)	-	-	-	(151)
	<u>66,999</u>	<u>21,885</u>	<u>16,340</u>	<u>834</u>	<u>106,058</u>
Total liabilities	<u>68,088</u>	<u>33,617</u>	<u>30,218</u>	<u>1,251</u>	<u>133,174</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	(6,180)	217,451	4,500	(655)	215,116
Restricted for:					
Debt service	147	1,102	-	273	1,522
Capital projects	713	421	-	-	1,134
Other purposes	132	-	-	-	132
Unrestricted	<u>2,522</u>	<u>2,432</u>	<u>-</u>	<u>14</u>	<u>4,968</u>
Total net assets (deficit)	<u>\$ (2,666)</u>	<u>\$ 221,406</u>	<u>\$ 4,500</u>	<u>\$ (368)</u>	<u>\$ 222,872</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 REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Total
Operating revenues:					
Lease revenue	\$ 5,588	\$ -	\$ -	\$ -	\$ 5,588
Golf fees	-	-	-	2,733	2,733
Facilities revenue	-	9,850	-	-	9,850
Sponsorship and naming rights revenue	-	2,276	-	-	2,276
Parking facilities revenue	959	-	-	-	959
Investment income	-	-	297	-	297
Advance/loan interest income	-	-	404	-	404
Payments from primary government	-	-	62	450	512
Other	90	4	-	-	94
	<u>6,637</u>	<u>12,130</u>	<u>763</u>	<u>3,183</u>	<u>22,713</u>
Operating expenses:					
Personal services	540	-	-	-	540
Materials and supplies	50	-	-	-	50
Other service charges	3,594	10,662	-	-	14,256
Amortization of bond issue cost	-	-	24	24	48
Payments to related parties	-	-	-	2,733	2,733
Interest expense	-	-	739	46	785
Depreciation	1,659	10,111	-	168	11,938
	<u>5,843</u>	<u>20,773</u>	<u>763</u>	<u>2,971</u>	<u>30,350</u>
Operating income (loss)	<u>794</u>	<u>(8,643)</u>	<u>-</u>	<u>212</u>	<u>(7,637)</u>
Nonoperating revenues (expenses):					
Investment income	66	194	-	-	260
Interest expense	(3,546)	(1,382)	-	-	(4,928)
Amortization of bond issue costs	(42)	(27)	-	-	(69)
Payments from primary government	1,975	4,793	-	-	6,768
Payments to primary government	-	(1,192)	-	-	(1,192)
	<u>(1,547)</u>	<u>2,386</u>	<u>-</u>	<u>-</u>	<u>839</u>
Capital contributions, intergovernmental	-	7,741	-	-	7,741
Change in net assets	(753)	1,484	-	212	943
Net assets (deficit), beginning of year	(1,913)	219,922	4,500	(580)	221,929
Net assets (deficit), end of year	<u>\$ (2,666)</u>	<u>\$ 221,406</u>	<u>\$ 4,500</u>	<u>\$ (368)</u>	<u>\$ 222,872</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, Continued
Year Ended June 30, 2010

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Total
Cash flows from operating activities:					
Principal paid on revenue bonds	\$ -	\$ -	\$ (12,725)	\$ -	\$ (12,725)
Interest paid on revenue bonds	-	-	(2,014)	-	(2,014)
Receipts from customers	6,661	9,651	-	-	16,312
Receipts from golf fees	-	-	-	2,733	2,733
Investment income	-	-	386	-	386
Investment sales	-	-	25,483	-	25,483
Loan repayments received	-	-	13,278	-	13,278
Payments to suppliers for goods and services	(3,443)	(10,432)	-	-	(13,875)
Payments for employment services	(540)	-	-	-	(540)
Investment purchases	-	-	(23,641)	-	(23,641)
Advances	-	-	(5,075)	-	(5,075)
Payments from related parties	-	-	62	450	512
Interest expense, operating	-	-	(62)	-	(62)
Payments to related parties	-	-	-	(2,733)	(2,733)
Net cash provided by (used in) operating activities	<u>2,678</u>	<u>(781)</u>	<u>(4,308)</u>	<u>450</u>	<u>(1,961)</u>
Cash flows from noncapital financing activities:					
Payments from primary government	-	1,621	-	-	1,621
Payments to primary government	-	(1,192)	-	-	(1,192)
Net cash provided by noncapital financing activities	<u>-</u>	<u>429</u>	<u>-</u>	<u>-</u>	<u>429</u>
Cash flows from capital financing activities:					
Acquisition of capital assets	(661)	(6,679)	-	-	(7,340)
Intergovernmental revenue	-	8	-	-	8
Payments from primary government	1,975	3,172	-	-	5,147
Principal paid on revenue bonds	-	(1,825)	-	(395)	(2,220)
Interest paid on revenue bonds	(3,740)	(1,419)	-	(47)	(5,205)
Net cash used in capital financing activities	<u>(2,426)</u>	<u>(6,743)</u>	<u>-</u>	<u>(442)</u>	<u>(9,611)</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
Year Ended June 30, 2010

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Total
Cash flows from investing activities:					
Investment income	\$ 70	\$ 192	\$ -	\$ -	\$ 262
Cash used for notes receivable	(621)	-	-	-	(621)
Net cash provided by investing activities	(551)	192	-	-	(359)
Net change in cash and cash equivalents	(299)	(6,903)	(4,308)	8	(11,502)
Cash and cash equivalents, beginning of year	6,832	18,846	5,288	272	31,238
Cash and cash equivalents, end of year	\$ 6,533	\$ 11,943	\$ 980	\$ 280	\$ 19,736
Reconciliation of cash and cash equivalents to the Statement of Net Assets					
Current unrestricted cash and cash equivalents	\$ 1,468	\$ 9,226	\$ -	\$ -	\$ 10,694
Current restricted cash and cash equivalents	5,065	2,717	980	280	9,042
Total cash and cash equivalents	\$ 6,533	\$ 11,943	\$ 980	\$ 280	\$ 19,736
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 794	\$ (8,643)	\$ -	\$ 212	\$ (7,637)
Adjustments:					
Depreciation and amortization	1,659	10,111	24	168	11,962
Change in accounts receivable	47	(179)	-	-	(132)
Change in inventories	-	(29)	-	-	(29)
Change in prepaid expense and other assets	154	582	-	-	736
Change in accounts payable and accrued expenses	47	220	-	-	267
Change in deferred revenue	(23)	(2,843)	-	-	(2,866)
Interest expenses	-	-	-	70	70
Change in operational investing activities	-	-	1,931	-	1,931
Change in operational financing activities	-	-	(14,417)	-	(14,417)
Change in advances	-	-	8,154	-	8,154
Net cash provided by (used in) operating activities	\$ 2,678	\$ (781)	\$ (4,308)	\$ 450	\$ (1,961)
Noncash investing and capital financing activities:					
Capital acquisitions through accounts payable and retainage	\$ 317	\$ (220)	\$ -	\$ -	\$ 97
Capital acquisitions through intergovernmental capital contributions	\$ -	\$ 7,741	\$ -	\$ -	\$ 7,741

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 BASIC FINANCIAL STATEMENTS
June 30, 2010

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 (the "City"). The Authority serves as a financing authority for the City of Tulsa and other authorities as well as an enterprise authority for the operation of the One Technology Center ("OTC"), and BOK Arena and Tulsa Convention Center facilities (the "ACCF"). 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 includes a 19,199 seat state-of-the-art sports and entertainment venue.

The Authority is included in the City's comprehensive annual financial report as a blended component unit. As such the activities of the Authority are reported in various proprietary funds within the City's comprehensive annual financial report.

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. Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989, are not applied in the preparation of the financial statements of the Authority's funds in accordance with an election made by the Authority under GASB Statement No. 20. 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 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 Centers Fund accounts for the operation of the BOK Arena and the Convention Center; both are sports and entertainment facilities in downtown Tulsa.

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

The Financing Funds – 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.

The Recreational Facilities fund accounts for the operations of the City’s two 36-hole golf course facilities.

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.

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

The Authority follows the provisions of GASB Statement No. 31, "Certain Investments and External Investment Pools," which requires governmental entities to report investments at fair value in the statement of net assets. A net increase in fair value of investments of \$13 is recognized and reported in investment income in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2010.

CAPITAL ASSETS - Capital assets purchased or acquired are carried at historical cost. The excess of interest cost, including amortization of bond discounts and bond issue costs, over interest earned on the proceeds of borrowings is capitalized during the construction period. Interest of \$198 was capitalized during the year ended June 30, 2010.

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	

DEFERRED BOND ISSUE COSTS - Deferred bond issue costs are capitalized and amortized over the life of the bonds using a method which approximates the effective interest method.

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

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

DEFERRED REVENUE – Deferred revenues for the BOK Arena are comprised of arena naming rights, sponsorships, club sales and event deposits and are recognized over the life of the

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

agreement, generally three to ten years or at the completion of the event. Deferred revenues for the OTC are related to leases and are recognized in the period earned.

NET ASSETS – Net assets of the Authority represent the difference between assets and liabilities. Net assets invested in capital, net of related debt, consist 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 assets invested in capital assets, net of related debt excludes unspent bond proceeds of \$5,619, and of the bonds payable outstanding, and related unamortized premium, \$30,122 were for noncapital purposes as of June 30, 2010. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority first applies restricted resources. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested capital assets, net of related debt 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 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) 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, 2010, the pooled cash and investments, which are reflected on the Authority's Statement of Net Assets within cash and cash equivalents, amounted to \$2,220. The pooled cash and investments balances at June 30, 2010 are

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

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 DEPOSITS – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. 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, 2010 none of the Authority's non-pooled deposits balance of \$9,292 was exposed to custodial credit risk.

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, 2010, the Authority had the following non pooled investments and maturities:

NON-POOLED INVESTMENTS AND MATURITIES:

Type	Fair Value	Maturities in Years	
		Less than 1	1-5
U.S. Agency Obligations and Instrumentalities	\$ 28,558	\$ 19,551	\$ 9,007
Money Market Mutual Funds	6,842	6,842	-
Equity Index Funds	1,382	1,382	-
	<u>\$ 36,782</u>	<u>\$ 27,775</u>	<u>\$ 9,007</u>

Interest Rate Risk – 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.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no policy regarding credit risk other than what is required by bond indentures or state statute. At June 30, 2010, the Authority's investments in U. S. agencies obligations not directly guaranteed by the U. S. government and the money market funds were rated AAA by Standard & Poor's.

Custodial Credit Risk – 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. The Authority's investment in U.S. agency obligations and instrumentalities is uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Authority's name. 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. At June 30, 2010, the Authority's investments as a percent of total investments were as follows:

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

CONCENTRATION OF CREDIT RISK:

Federal National Mortgage Association	35%
Federal Home Loan Bank	10%
Federal Home Loan Mortgage Corporation	25%

RECONCILIATION TO STATEMENT OF NET ASSETS – A reconciliation of the pooled cash and investments and non-pooled cash and investments to the carrying amounts on the statement of net assets as of June 30, 2010, is as follows:

RECONCILIATION TO STATEMENT OF NET ASSETS:

Pooled cash and investments	\$ 2,220
Non-pooled cash and investments	46,074
	<u>\$ 48,294</u>
Current unrestricted cash and cash equivalents	\$ 10,694
Current restricted cash and cash equivalents	9,042
Current restricted investments	19,551
Non-current restricted investments	9,007
	<u>\$ 48,294</u>

INVESTMENT INCOME – Investment income for the year ended June 30, 2010, consisted of:

INVESTMENT INCOME:

Interest and dividend income	\$ 544
Net increase in fair value of investments and cash equivalents	13
	<u>\$ 557</u>

3. **ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE AND NOTE RECEIVABLE**

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

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

4. **ADVANCES TO PRIMARY GOVERNMENT**

On May 23, 2005, the Authority issued the \$2,500 Series 2005 Promissory Note. The proceeds were used to finance construction of the E911 Public Safety Response Center. The advances to the primary government in the E911 Promissory Note Fund relates to an advance to the E911 Operating Fund of the City of Tulsa for the construction of the E911 Public Safety Response Center. Note proceeds were used for construction, furniture, fixtures, and equipment. The Note

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4. **ADVANCES TO PRIMARY GOVERNMENT, continued**

has an eight year term and matures in installments between fiscal years 2006 and 2013. Annual principal and interest requirements will be provided by the E911 Operating Fund from related revenues.

5. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 16,001	\$ -	\$ -	\$ 16,001
Artwork	132	-	-	132
Construction in progress	23,940	14,785	(38,725)	-
Totals, capital assets not being depreciated	<u>40,073</u>	<u>14,785</u>	<u>(38,725)</u>	<u>16,133</u>
Capital assets, being depreciated:				
Leasehold improvements	53,646	1,705	-	55,351
Buildings	195,746	36,248	-	231,994
Parking garage	6,118	-	-	6,118
Equipment	26,608	971	-	27,579
Total, capital assets being depreciated	<u>282,118</u>	<u>38,924</u>	<u>-</u>	<u>321,042</u>
Less accumulated depreciation:				
Leasehold improvements	(5,654)	(663)	-	(6,317)
Buildings	(18,157)	(7,933)	-	(26,090)
Parking garage	(303)	(204)	-	(507)
Equipment	(2,359)	(3,138)	-	(5,497)
Total accumulated depreciation	<u>(26,473)</u>	<u>(11,938)</u>	<u>-</u>	<u>(38,411)</u>
Total capital assets being depreciated, net	<u>255,645</u>	<u>26,986</u>	<u>-</u>	<u>282,631</u>
Capital assets, net	<u>\$ 295,718</u>	<u>\$ 41,771</u>	<u>\$ (38,725)</u>	<u>\$ 298,764</u>

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6. REVENUE BONDS PAYABLE

Revenue bonds payable activity for the year ended June 30, 2010 is as follows:

Bond, Series, Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Assembly Center, Series 1985, 2014	\$ 23,335	6.60%	\$ 8,345	\$ -	\$ (1,185)	\$ 7,160	\$ 1,260
Recreational Facilities, Series 2003, 2012	3,460	2.65%-3.35%	1,680	-	(395)	1,285	410
Capital Improvements, Series 2006A, 2012	72,965	5.00%	40,240	-	(12,725)	27,515	13,390
Lease Revenue, Series 2007A, 2038	34,620	4.625%-5.250%	34,620	-	-	34,620	-
Lease Revenue, Series 2007B, 2030	33,130	4.30%-6.60%	32,530	-	-	32,530	-
Capital Improvements, Series 2008, 2027	16,000	3.80%-6.069%	15,550	-	(640)	14,910	680
Total revenue bonds			132,965	-	(14,945)	118,020	15,740
Unamortized deferred loss on refunding			(58)	-	17	(41)	-
Amounts reported on statement of net assets			132,907	-	(14,928)	117,979	15,740
Unamortized premiums			791	-	(395)	396	-
Unamortized discounts			(167)	-	16	(151)	-
			<u>\$ 133,531</u>	<u>\$ -</u>	<u>\$ (15,307)</u>	<u>\$ 118,224</u>	<u>\$ 15,740</u>

Principal and interest payments in subsequent years are as follows:

	Principal	Interest	Total
2011	\$ 15,740	\$ 6,456	\$ 22,196
2012	16,620	5,659	22,279
2013	2,705	4,815	7,520
2014	3,695	4,628	8,323
2015	3,935	4,402	8,337
2016-2020	12,550	19,583	32,133
2021-2025	14,190	15,472	29,662
2026-2030	16,280	10,502	26,782
2031-2035	18,670	5,899	24,569
2036-2038	13,635	1,038	14,673
	<u>\$ 118,020</u>	<u>\$ 78,454</u>	<u>\$ 196,474</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 Assembly Center Fund. The proceeds of these bonds were utilized to refund the Authority's \$15,600 Assembly Center Lease Payment Revenue Bonds, Series

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6. REVENUE BONDS PAYABLE, continued

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 \$8,400 with annual requirements ranging from \$1,691 to \$1,722. Lease revenue, from which the appropriations will be made, has averaged \$1,739 per year over the past five years. For the current year, principal and interest paid by the Authority and the total lease revenue recognized by the Authority were \$1,697 and \$1,434, respectively.

(b) RECREATIONAL FACILITIES REVENUE BONDS, REFUNDING SERIES 2003

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

Total principal and interest remaining on the debt is \$1,349 with annual requirements ranging from \$444 to \$452. Golf course revenue, from which the appropriations will be made, has averaged \$1,620 per year over the past five years. For the current year, principal and interest paid by the Authority and the total golf course revenue recognized by the Authority were \$441 and \$2,733 respectively.

(c) CAPITAL IMPROVEMENTS REVENUE BONDS, SERIES 2006A

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

Total principal and interest remaining on the debt is \$29,597 with annual requirements ranging from \$14,078 to \$14,478. Sales tax revenue, from which the appropriations will be made, has averaged \$12,297 per year over the past five years. For the current year, principal and interest paid by the Authority and the sales tax revenue recognized by the Authority were \$13,731 and \$13,278 respectively.

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

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

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6. REVENUE BONDS PAYABLE, continued

Total principal and interest remaining on the debt is \$134,044 with annual requirements ranging from \$3,734 to \$5,007. Lease revenue, from which the appropriations will be made, has averaged \$4,233 per year over the past three years. For the current year, interest paid by the Authority and the lease revenue recognized by the Authority were \$3,734 and \$5,588 respectively.

As of June 30, 2010, the Authority was in violation of its covenant to provide annual audited financial statements within 120 days after fiscal year-end.

(e) CAPITAL IMPROVEMENTS SERIES 2008

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

Total principal and interest remaining on the debt is \$23,084 with annual requirements ranging from \$674 to \$1,776. Sponsorship and naming rights revenue, from which the appropriations will be made, has averaged \$1,920 per year over the past two years. For the current year, principal and interest paid by the Authority and the sponsorship and naming rights revenue recognized by the Authority were \$1,555 and \$2,276 respectively.

7. PROMISSORY NOTES PAYABLE

The changes in promissory notes payable during 2010 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%	\$ 1,520	-	\$ (355)	\$ 1,165	\$ 369

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

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7. PROMISSORY NOTES PAYABLE, continued

Total principal and interest remaining on the debt is \$1,256 with annual requirements ranging from \$416 to \$420. E911 fees, from which the appropriations will be made, has averaged \$85 per year over the past five years. For the current year, principal and interest paid by the Authority and the E911 fees recognized by the Authority were \$417 and \$62 respectively.

As of June 30, 2010, the Authority was in violation of its covenant to provide quarterly unaudited financial statements to the lender. The Authority received a letter from the lender which waived the aforementioned covenant.

PRINCIPAL & INTEREST PAYMENTS IN SUBSEQUENT YEARS:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 369	\$ 47	\$ 416
2012	389	31	420
2013	407	13	420
	<u>\$ 1,165</u>	<u>\$ 91</u>	<u>\$ 1,256</u>

8. LEASE REVENUE

ASSEMBLY CENTER LEASES - In October 1980, the City of Tulsa voters approved an increase in the City's hotel/motel tax from 3% to 5%. Additionally, City Ordinances were changed to allocate 59.6% of such tax received by the City to 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 \$1,434 for the year ended June 30, 2010. The rental payments are shown as payments from primary government on the Statement of Revenues, Expenditures and Changes in Net Assets.

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 89% 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 \$1,659 for the current year. The gross amounts of capital assets subject to lease as of June 30, 2010 are as follows:

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8. **LEASE REVENUE, continued**

Building	\$ 47,808
Parking garage	6,118
Land	2,700
Equipment	3,904
Accumulated depreciation	<u>(4,353)</u>
Net investment in commercial property leases	<u>\$ 56,177</u>

The Authority paid \$1,462 of commissions and purchase-related expenses associated with the acquisition and leasing of OTC. These amounts are included in prepaid expenses and are being amortized over the remaining life of the respective leases. The Authority has recognized life-to-date amortization expense of \$416.

Minimum future rentals on noncancellable operating leases as of June 30, 2010 are as follows:

<u>Years</u>	
2011	\$ 3,462
2012	3,659
2013	3,778
2014	2,891
2015	2,751
2016-2018	<u>6,450</u>
	<u>\$ 22,991</u>

BOK ARENA USE LICENSE AGREEMENTS – On October 22, 2007, SMG entered into an Extended Use License Agreement with Professional Football of Tulsa, LLC (“The Talons”). Under the agreement, the Talons will have access to the Arena for games and practice sessions for the 2010 through 2013 seasons. The Talons will pay a license fee for each home game plus a bonus license fee equal to 50% of ticket sales in the upper level.

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 pay a license fee for each home game plus a rental bonus if gross ticket revenue equals \$2.25 million for the season. If gross ticket revenues equal \$2.5 million for the season, the Arena will receive a bonus license fee equal to 30% of ticket sales in the upper level.

See *Note 11* for a discussion of the operating agreement between the Authority and SMG.

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9. **DEFERRED REVENUE**

The Authority had the following deferred revenues at June 30, 2010:

	<u>Total</u>	<u>Current</u>	<u>Noncurrent</u>
One Technology Center - advance lease and parking fees	\$ 236	\$ 236	\$ -
BOK Arena - advance ticket sales, membership fees, naming rights, sponsorships and box income	<u>8,393</u>	<u>6,638</u>	<u>1,755</u>
	<u>\$ 8,629</u>	<u>\$ 6,874</u>	<u>\$ 1,755</u>

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

The Authority had \$31,442 in naming rights, sponsorships and luxury box agreements at June 30, 2010. During the year, the Authority recognized \$2,276 in naming rights and sponsorship revenue. In 2010, the Authority recognized \$1,244 of revenue related to the luxury box agreements which is included in Facilities Revenue. Any amounts received but not earned are reflected as deferred 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>
2011	\$ 3,171
2012	3,095
2013	3,079
2014	2,548
2015	2,442
2016-2020	9,474
2021-2025	5,712
2026-2029	<u>1,921</u>
	<u>\$ 31,442</u>

11. **OPERATING AGREEMENTS**

In the 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

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June 30, 2010

11. **OPERATING AGREEMENTS, continued**

Convention Center and July 1, 2007 through June 30, 2010 for the BOK Arena. The Authority may extend the term for the operation of the Tulsa Convention Center for five additional one year terms and the BOK Arena for four additional one year terms. The Authority exercised their option to extend for the year ended June 30, 2011. Under the agreement, for the year ended June 30,

2010, SMG earned an annual base management fee of \$98 for the Tulsa Convention Center and \$642 for the BOK Arena. Upon renewal SMG's base management fee for the BOK Arena increases to \$150 annually. 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 \$154 of incentive fee for the year ended June 30, 2010.

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 \$349 to BOK and \$87 to the escrow.

In September 2007, the Authority, as part of the purchase of the OTC facility, assumed an operating agreement with Central Parking, wherein Central Parking provides for the operation and maintenance of the OTC parking facility. The agreement provides for receipt of revenues and the payment of expenses. Under the agreement, the Authority received revenues of \$490 and incurred expense of \$71 for the year ended June 30, 2010.

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

In February 2008, the Authority entered into an agreement with CBRE, wherein CBRE provides building and construction management services for the OTC facility. The initial agreement expired June 30, 2009 and there are three annual renewal options. Under this agreement, the Authority incurred building management expense of \$102 for the year ended June 30, 2010.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

12. **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.

13. **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.

14. **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	\$ 1,434
Payments from the City of Tulsa for the Tulsa Convention Center operations	1,621
Payments from the City of Tulsa for the Assembly Center debt service	1,738
Payments from City of Tulsa for OTC lease	1,509
Payments from City of Tulsa for OTC debt service	1,975
Payments from sales tax fund for debt service	13,278
Payments to sales tax fund for capital expenditures	-
Payments from E911 for debt service	62
Payments from the Golf Fund - golf revenues pledged for debt service	2,733
Payments from the City of Tulsa for Recreational Facilities debt service	450
Payments to the City of Tulsa for operations	1,192

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET ASSETS – FINANCING FUND
June 30, 2010

(in thousands of dollars)

	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents, restricted	980	-	-	980
Interest receivable, restricted	147	-	-	147
Investments, restricted	19,551	-	-	19,551
	<u>20,678</u>	<u>-</u>	<u>-</u>	<u>20,678</u>
Noncurrent assets:				
Investments, restricted	7,341	-	-	7,341
Advances to primary government, restricted	984	1,169	-	2,153
Nondepreciable capital assets	-	-	4,500	4,500
Deferred bond issue cost, net	46	-	-	46
	<u>8,371</u>	<u>1,169</u>	<u>4,500</u>	<u>14,040</u>
Total Assets	<u>\$ 29,049</u>	<u>\$ 1,169</u>	<u>\$ 4,500</u>	<u>\$ 34,718</u>

(Continued)

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET ASSETS – FINANCING FUND, continued
June 30, 2010

(in thousands of dollars)

	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Total
<u>LIABILITIES</u>				
Current liabilities:				
Accrued bond interest payable	115	4	-	119
Current portion of bonds payable	13,390	-	-	13,390
Current portion of note payable	-	369	-	369
	<u>13,505</u>	<u>373</u>	<u>-</u>	<u>13,878</u>
Noncurrent liabilities:				
Arbitrage	1,023	-	-	1,023
Note payable, net of current portion	-	796	-	796
Bonds payable, net of current portion	14,125	-	-	14,125
Unamortized premium	396	-	-	396
	<u>15,544</u>	<u>796</u>	<u>-</u>	<u>16,340</u>
Total liabilities	<u>29,049</u>	<u>1,169</u>	<u>-</u>	<u>30,218</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	4,500	4,500
Total net assets	<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 ASSETS – FINANCING FUND

Year Ended June 30, 2010

(in thousands of dollars)

	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Total
Operating revenues:				
Investment income	297	-	-	297
Advance/loan interest income	404	-	-	404
Payments from primary government	-	62	-	62
	<u>701</u>	<u>62</u>	<u>-</u>	<u>763</u>
Operating expenses:				
Amortization of bond issue cost	24	-	-	24
Interest expense	677	62	-	739
	<u>701</u>	<u>62</u>	<u>-</u>	<u>763</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	-	-	-	-
Net assets (deficit), beginning of year,	-	-	4,500	4,500
Net assets (deficit), end of year	<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 CASH FLOWS – FINANCING FUND
Year Ended June 30, 2010

(in thousands of dollars)

	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Total
Cash flows from operating activities:				
Receipts from customers	\$ -	\$ -	\$ -	\$ -
Receipts from golf fees	-	-	-	-
Investment income	386	-	-	386
Investment sales	25,483	-	-	25,483
Loan repayments received	13,278	-	-	13,278
Payments to suppliers for goods and services	-	-	-	-
Payments for employment services	-	-	-	-
Investment purchases	(23,641)	-	-	(23,641)
Advances	(5,075)	357	-	(4,718)
Payments from related parties	-	62	-	62
Interest expense, operating	-	(62)	-	(62)
Principal paid on long-term debt	(12,725)	(355)	-	(13,080)
Interest paid on long-term debt	(2,014)	(2)	-	(2,016)
Payments to related parties	-	-	-	-
Net cash provided by operating activities	<u>(4,308)</u>	<u>-</u>	<u>-</u>	<u>(4,308)</u>

(Continued)

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS – FINANCING FUND, continued
Year Ended June 30, 2010

(in thousands of dollars)

	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Total
Net change in cash and cash equivalents	(4,308)	-	-	(4,308)
Cash and cash equivalents, beginning of year	5,288	-	-	5,288
Cash and cash equivalents, end of year	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ -	\$ -	\$ -	\$ -
Adjustments:				
Amortization	24	-	-	24
Change in investing assets and liabilities	1,931	-	-	1,931
Change in financing assets and liabilities	(14,060)	(357)	-	(14,417)
Change in advances	7,797	357	-	8,154
Net cash provided by operating activities	<u>\$ (4,308)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,308)</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
DEBT COMPLIANCE INFORMATION (unaudited)
June 30, 2010

ONE TECHNOLOGY CENTER

Percentage of Occupied Units

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

Percentage of Occupied Square Feet

Total Occupied Sq. Feet	558,223
Total Vacant Sq. Feet	72,215
Total Square Footage	630,438
Percentage Occupied	89%

Major Tenants and Square Feet

Level 3 Communications, LLC	143,242
City of Tulsa	239,456
Deloitte, LLP	48,156