

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
ACCOUNTANTS' REPORTS AND FINANCIAL STATEMENTS
June 30, 2009



TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Tulsa Public Facilities Authority
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of the Tulsa Public Facilities Authority (the "Authority"), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2009, as listed in the index. 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*, which statements reflect total assets of \$13,092,428 as of June 30, 2009, and total revenues of \$8,805,791 for the year then ended. Those statements were audited by other accountants 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 accountants.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 accountants provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of the Tulsa Public Facilities Authority as of June 30, 2009, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees
Tulsa Public Facilities Authority

The accompanying management's discussion and analysis as listed in the index is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

The accompanying debt compliance information as listed in the index has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD LLP

December 18, 2009

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

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, 2009. 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 \$221,929.
- The Authority's net assets increased to \$221,929 as of June 30, 2009, from \$200,321 as of June 30, 2008. The Authority had increases in net assets of \$21,608 and \$197,844 for the years ended June 30, 2009 and 2008, respectively.
- The Authority's liabilities decreased by \$12,279 as of June 30, 2009. 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 is 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 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 of its costs through its user fees and other charges, profitability and creditworthiness. 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.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Year Ended June 30, 2009

Net Assets

The Authority's net assets increased to \$221,929 at June 30, 2009, from \$200,321 at June 30, 2008. The following table provides a summary of net assets:

SUMMARY OF NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$ 54,662	\$ 80,058	\$ (25,396)	(31.7%)
Capital assets, net	295,718	262,289	33,429	12.7%
Other assets	24,269	22,973	1,296	5.6%
Total assets	374,649	365,320	9,329	2.6%
Current liabilities	30,183	26,898	3,285	12.2%
Noncurrent liabilities	122,537	138,101	(15,564)	(11.3%)
Total liabilities	152,720	164,999	(12,279)	(7.4%)
Invested in capital assets, net of related debt	212,219	194,914	17,305	8.9%
Restricted	2,005	3,299	(1,294)	(39.2%)
Unrestricted	7,705	2,108	5,597	265.5%
Net assets	\$ 221,929	\$ 200,321	\$ 21,608	10.8%

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 significant increase in capital assets. Current liability increases are primarily related to BOK Arena accounts payable and deferred revenue; and BOK Arena and Convention Fund and Capital Improvements Revenue Bond 2006A fund current portion of bonds payable. Noncurrent liabilities decreased as the result of principal payments on debt, primarily the Capital Improvements Revenue Bond Series 2006A.

SUMMARY OF CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 21,189	\$ 8,729	\$ 12,460	142.7%
Nonoperating revenues	32,977	210,367	(177,390)	(84.3%)
Total revenues	54,166	219,096	(164,930)	(75.3%)
Operating expenses	27,416	17,770	9,646	54.3%
Nonoperating expenses	5,142	3,482	1,660	47.7%
Total expenses	32,558	21,252	11,306	53.2%
Change in net assets	21,608	197,844	(176,236)	(89.1%)
Net assets, beginning of year	200,321	2,477	197,844	7987.2%
Net assets, end of year	\$ 221,929	\$ 200,321	\$ 21,608	10.8%

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Year Ended June 30, 2009

In 2009, the Authority's operating revenues excluding payments from primary government increased \$12,480 and payments from primary government decreased \$20 resulting in a net increase of 142.7%. Operating revenues increased due to BOK Arena facilities and sponsorship revenue, OTC lease revenue and golf revenue. Total expenses increased 53.2% 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.

Capital Assets

The Authority's investment in capital assets as of June 30, 2009, amounts to \$295,718 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, parking garage, leasehold improvements and artwork.

CAPITAL ASSETS

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Land	\$ 16,001	\$ 7,200	\$ 8,801	122.2%
Artwork	132	132	-	0.0%
Leasehold improvements	53,646	4,732	48,914	1033.7%
Buildings	195,746	59,100	136,646	231.2%
Parking garage	6,118	6,118	-	0.0%
Equipment	26,608	3,107	23,501	756.4%
	298,251	80,389	217,862	271.0%
Less accumulated depreciation	(26,473)	(18,908)	(7,565)	40.0%
Construction in progress	23,940	200,808	(176,868)	(88.1%)
Capital assets, net	<u>\$ 295,718</u>	<u>\$ 262,289</u>	<u>\$ 33,429</u>	12.7%

Noncurrent Liabilities

At year-end, the Authority had debt outstanding of \$134,427. The Authority's debt decreased \$14,594 during the year. Decreases relate to principal payments on outstanding debt.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Year Ended June 30, 2009

OUTSTANDING DEBT

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assembly Center Lease Payment Revenue Bonds, Series 1985	\$ 8,345	\$ 9,460	\$ (1,115)	(11.8%)
Recreational Facilities Revenue Bonds, Series 1985, net of \$58 and \$76 unamortized deferred loss on refunding	1,622	1,984	(362)	(18.2%)
Capital Improvements Revenue Bonds, Series 2006A	40,240	51,965	(11,725)	(22.6%)
Lease Revenue Bonds, Series 2007A	34,620	34,620	-	0.0%
Lease Revenue Bonds, Series 2007B	32,530	33,130	(600)	(1.8%)
Capital Improvements Revenue Bonds, Series 2008	15,550	16,000	(450)	(2.8%)
Total revenue bonds	<u>132,907</u>	<u>147,159</u>	<u>(14,252)</u>	<u>(9.7%)</u>
E911 Promissory Note, Series 2005	<u>1,520</u>	<u>1,862</u>	<u>(342)</u>	<u>(18.4%)</u>
Total debt	<u>\$ 134,427</u>	<u>\$ 149,021</u>	<u>\$ (14,594)</u>	<u>(9.8%)</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.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Authority's finances. 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, 2009

	Enterprise		Financing				Total
	One Technology Center	Arena and Convention	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Recreational Facilities Revenue Bond	
<u>ASSETS</u>							
Current assets:							
Cash and cash equivalents	\$ 1,467	\$ 2,476	\$ -	\$ -	\$ -	\$ -	\$ 3,943
Cash and cash equivalents, restricted	5,365	16,370	5,288	-	-	272	27,295
Due from other government	-	8	-	-	-	-	8
Interest receivable	8	-	-	-	-	-	8
Interest receivable, restricted	-	18	236	-	-	-	254
Accounts receivable	125	975	-	-	-	-	1,100
Prepaid expenses	154	260	-	-	-	-	414
Investments, restricted	-	-	21,477	-	-	-	21,477
Inventory	-	163	-	-	-	-	163
Other assets	-	-	-	-	-	-	-
	7,119	20,270	27,001	-	-	272	54,662
Noncurrent assets:							
Investments, restricted	-	1,663	7,257	-	-	-	8,920
Advances to component units	-	-	-	-	-	-	-
Advances to primary government	-	996	8,781	1,526	-	-	11,303
Prepaid expenses	1,046	1,636	-	-	-	-	2,682
Capital assets, net	57,492	232,969	-	-	4,500	757	295,718
Deferred bond issue cost, net	1,003	270	70	-	-	21	1,364
Total assets	\$ 66,660	\$ 257,804	\$ 43,109	\$ 1,526	\$ 4,500	\$ 1,050	\$ 374,649

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 ASSETS, continued
June 30, 2009

	<u>Enterprise</u>		<u>Financing</u>				<u>Total</u>
	<u>One Technology Center</u>	<u>Arena and Convention</u>	<u>Capital Improvements Revenue Bond 2006A</u>	<u>E911 Promissory Note</u>	<u>Capital Improvements Revenue Bond</u>	<u>Recreational Facilities Revenue Bond</u>	
<u>LIABILITIES</u>							
Current liabilities:							
Accounts payable	\$ 775	\$ 2,186	\$ -	\$ -	\$ -	\$ -	\$ 2,961
Retainage payable	70	71	-	-	-	-	141
Deferred revenue	259	10,361	-	-	-	-	10,620
Accrued bond interest payable	477	502	168	6	-	8	1,161
Due to component units	-	-	-	-	-	-	-
Due to other government	-	-	-	-	-	-	-
Current portion of bonds payable	-	1,825	12,725	-	-	395	14,945
Current portion of note payable	-	-	-	355	-	-	355
	<u>1,581</u>	<u>14,945</u>	<u>12,893</u>	<u>361</u>	<u>-</u>	<u>403</u>	<u>30,183</u>
Noncurrent liabilities:							
Arbitrage	-	-	1,910	-	-	-	1,910
Deferred revenue	-	876	-	-	-	-	876
Note payable, net	-	-	-	1,165	-	-	1,165
Revenue bonds payable, net of unamortized deferred loss and current portion	67,150	22,070	27,515	-	-	1,227	117,962
Unamortized premium	-	-	791	-	-	-	791
Unamortized discount	(158)	(9)	-	-	-	-	(167)
	<u>66,992</u>	<u>22,937</u>	<u>30,216</u>	<u>1,165</u>	<u>-</u>	<u>1,227</u>	<u>122,537</u>
Total liabilities	<u>68,573</u>	<u>37,882</u>	<u>43,109</u>	<u>1,526</u>	<u>-</u>	<u>1,630</u>	<u>152,720</u>
<u>NET ASSETS</u>							
Invested in capital assets, net of related debt	(3,126)	211,688	-	-	4,500	(843)	212,219
Restricted for:							
Debt service	270	978	-	-	-	263	1,511
Capital projects	437	8	-	-	-	-	445
Other purposes	49	-	-	-	-	-	49
Unrestricted	457	7,248	-	-	-	-	7,705
Total net assets	<u>\$ (1,913)</u>	<u>\$ 219,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ (580)</u>	<u>\$ 221,929</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, 2009

	Enterprise		Financing				Total
	One Technology Center	Arena and Convention	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Recreational Facilities Revenue Bond	
Operating revenues:							
Lease revenue	\$ 4,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,972
Golf fees	-	-	-	-	-	2,713	2,713
Facilities revenue	-	8,718	-	-	-	-	8,718
Sponsorship and naming rights revenue	-	1,563	-	-	-	-	1,563
Parking facilities revenue	765	-	-	-	-	-	765
Investment income	-	-	1,310	-	-	1	1,311
Advance/loan interest income	-	-	581	5	-	-	586
Payments from primary government	-	-	-	78	-	433	511
Other	50	-	-	-	-	-	50
	<u>5,787</u>	<u>10,281</u>	<u>1,891</u>	<u>83</u>	<u>-</u>	<u>3,147</u>	<u>21,189</u>
Operating expenses:							
Personal services	562	-	-	-	-	-	562
Materials and supplies	419	-	-	-	-	-	419
Other service charges	4,124	9,986	-	-	-	-	14,110
Amortization of bond issue cost	-	-	-	-	-	-	-
Payments to related parties	-	-	-	-	-	2,713	2,713
Interest expense	-	-	1,891	76	-	81	2,048
Depreciation	1,469	5,927	-	-	-	168	7,564
	<u>6,574</u>	<u>15,913</u>	<u>1,891</u>	<u>76</u>	<u>-</u>	<u>2,962</u>	<u>27,416</u>
Operating income (loss)	<u>(787)</u>	<u>(5,632)</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>185</u>	<u>(6,227)</u>
Nonoperating revenues (expenses):							
Investment income	93	509	-	-	-	-	602
Interest expense	(3,377)	(1,494)	-	-	-	-	(4,871)
Amortization of bond issue costs	(42)	(27)	-	-	-	-	(69)
Payments from primary government	1,125	6,199	-	-	-	-	7,324
Payments to primary government	-	(202)	-	-	-	-	(202)
Contributions	-	3,000	-	-	-	-	3,000
Intergovernmental revenue	-	22,051	-	-	-	-	22,051
	<u>(2,201)</u>	<u>30,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,835</u>
Change in net assets	(2,988)	24,404	-	7	-	185	21,608
Net assets (deficit), beginning of year	<u>1,075</u>	<u>195,518</u>	<u>-</u>	<u>(7)</u>	<u>4,500</u>	<u>(765)</u>	<u>200,321</u>
Net assets (deficit), end of year	<u>\$ (1,913)</u>	<u>\$ 219,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ (580)</u>	<u>\$ 221,929</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
Year Ended June 30, 2009

	Enterprise		Financing				Total
	One Technology Center	Arena and Convention	Capital Improvements Revenue Bond 2006A	E911 Promissory Note	Capital Improvements Revenue Bond	Recreational Facilities Revenue Bond	
Cash flows from operating activities:							
Receipts from customers	\$ 5,707	\$ 10,101	\$ -	\$ -	\$ -	\$ -	\$ 15,808
Receipts from golf fees	-	-	-	-	-	2,713	2,713
Payments to suppliers for goods and services	(5,302)	(8,681)	-	-	-	-	(13,983)
Payments from related parties	-	-	-	78	-	433	511
Payments to related parties	-	-	-	-	-	(2,713)	(2,713)
Net cash provided by operating activities	405	1,420	-	78	-	433	2,336
Cash flows from noncapital financing activities:							
Payments from primary government	-	1,621	-	-	-	-	1,621
Payments to primary government	-	(202)	-	-	-	-	(202)
Net cash provided by noncapital financing activities	-	1,419	-	-	-	-	1,419
Cash flows from capital financing activities:							
Acquisition of capital assets	(4,669)	(35,611)	-	-	-	-	(40,280)
Intergovernmental revenue	-	22,051	-	-	-	-	22,051
Payments from primary government	1,125	4,578	-	-	-	-	5,703
Principal paid on revenue bonds	(600)	(1,565)	(11,725)	-	-	(380)	(14,270)
Interest paid on revenue bonds	(3,752)	(1,462)	(2,601)	(78)	-	(55)	(7,948)
Contributions	-	3,000	-	-	-	-	3,000
Other	-	-	-	-	-	(2)	(2)
Net cash used in capital financing activities	(7,896)	(9,009)	(14,326)	(78)	-	(437)	(31,746)

(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
Year Ended June 30, 2009

	<u>Enterprise</u>		<u>Financing</u>				<u>Total</u>
	<u>One Technology Center</u>	<u>Arena and Convention</u>	<u>Capital Improvements Revenue Bond 2006A</u>	<u>E911 Promissory Note</u>	<u>Capital Improvements Revenue Bond</u>	<u>Recreational Facilities Revenue Bond</u>	
Cash flows from investing activities:							
Investment income	\$ 134	\$ 440	\$ 1,665	\$ -	\$ -	\$ 1	\$ 2,240
Purchase of investments	-	-	(23,879)	-	-	-	(23,879)
Proceeds from sales or maturities of investments	7,499	-	38,105	-	-	-	45,604
Advances	-	-	(15,878)	-	-	-	(15,878)
Loan repayments received	-	-	12,488	-	-	-	12,488
Net cash provided by investing activities	<u>7,633</u>	<u>440</u>	<u>12,501</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>20,575</u>
Net change in cash and cash equivalents	142	(5,730)	(1,825)	-	-	(3)	(7,416)
Cash and cash equivalents, beginning of year	<u>6,690</u>	<u>24,576</u>	<u>7,113</u>	<u>-</u>	<u>-</u>	<u>275</u>	<u>38,654</u>
Cash and cash equivalents, end of year	<u>\$ 6,832</u>	<u>\$ 18,846</u>	<u>\$ 5,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272</u>	<u>\$ 31,238</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets							
Current unrestricted cash and cash equivalents	\$ 1,467	\$ 2,476	\$ -	\$ -	\$ -	\$ -	\$ 3,943
Current restricted cash and cash equivalents	<u>5,365</u>	<u>16,370</u>	<u>5,288</u>	<u>-</u>	<u>-</u>	<u>272</u>	<u>27,295</u>
Total cash and cash equivalents	<u>\$ 6,832</u>	<u>\$ 18,846</u>	<u>\$ 5,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272</u>	<u>\$ 31,238</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (787)	\$ (5,632)	\$ -	\$ 7	\$ -	\$ 185	\$ (6,227)
Adjustments:							
Depreciation and amortization	1,469	5,927	-	-	-	168	7,564
Change in accounts receivable	(89)	(739)	-	-	-	-	(828)
Change in inventories	-	(125)	-	-	-	-	(125)
Change in prepaid expense and other assets	77	(951)	-	-	-	-	(874)
Change in accounts payable	(274)	1,384	-	-	-	-	1,110
Change in deferred revenue	9	1,556	-	-	-	-	1,565
Interest expenses	-	-	-	76	-	81	157
Investment income	-	-	-	(5)	-	(1)	(6)
Net cash provided by operating activities	<u>\$ 405</u>	<u>\$ 1,420</u>	<u>\$ -</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 433</u>	<u>\$ 2,336</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)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE – 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 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 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. 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 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 Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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’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.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 decrease in fair value of investments of \$137 is recognized and reported in investment income in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2009.

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 \$379 was capitalized during the year ended June 30, 2009.

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 (not in thousands):

Buildings	30-50 years	\$5,000
Parking garage	30 years	\$5,000
Leasehold improvements	24 years	\$5,000
Equipment	5 years	\$5,000
Land and artwork	Not depreciated	

DEFERRED BOND ISSUE COSTS – Deferred bond issue costs are capitalized and amortized over the life of the bonds using the straight-line 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 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.

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.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 U.S. government or its agencies and are recorded at fair value. At June 30, 2009, the pooled cash and investments, which are reflected on the Authority’s Statement of Net Assets within cash and cash equivalents, amounted to \$7,965. The pooled cash and investment balances at June 30, 2009, 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.

NONPOOLED DEPOSITS – Custodial credit risk is the risk that in the event of a bank failure a government’s deposits may not be returned to it. 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, 2009, none of the Authority’s nonpooled deposits balance of \$10,143 was exposed to custodial credit risk.

NONPOOLED 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, 2009, the Authority had the following nonpooled investments and maturities:

Type	Fair Value	Maturities in Years	
		Less Than 1	1-5
U.S. agency obligations and instrumentalities	\$ 30,397	\$ 21,477	\$ 8,920
Money market mutual funds	13,130	13,130	-
	<u>\$ 43,527</u>	<u>\$ 34,607</u>	<u>\$ 8,920</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, 2009, the Authority’s investments in U.S. agency obligations not directly guaranteed by the U.S. government 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.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

2. CASH DEPOSITS AND INVESTMENTS, continued

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one issuer. At June 30, 2009, the Authority’s investments were:

Federal National Mortgage Association	20%
Federal Home Loan Bank	40%
Federal Home Loan Mortgage Corporation	40%

RECONCILIATION TO STATEMENT OF NET ASSETS – A reconciliation of the pooled cash and investments and nonpooled cash and investments to the carrying amounts on the Statement of Net Assets as of June 30, 2009, is as follows:

Pooled cash and investments	\$ 7,965
Nonpooled cash and investments	<u>53,670</u>
	<u>\$ 61,635</u>
Current unrestricted cash and cash equivalents	\$ 3,943
Current restricted cash and cash equivalents	27,295
Current restricted investments	21,477
Noncurrent restricted investments	<u>8,920</u>
	<u>\$ 61,635</u>

INVESTMENT INCOME – Investment income for the year ended June 30, 2009, consisted of:

Interest and dividend income	\$ 2,050
Net decrease in fair value of investments	<u>(137)</u>
	<u>\$ 1,913</u>

3. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE

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.

4. ADVANCES TO OTHER FUNDS

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 other funds in the E911 Promissory Note Fund relates to an advance to the E911 Operating Fund for the construction of the E911 Public Safety Response Center. Note proceeds were used for construction, furniture, fixtures and equipment. The Note has an eight-year term and matures in installments between fiscal years 2006 and 2013. Annual principal and interest requirements will be provided by the E911 Operating Fund from related revenues.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,200	8,801	\$ -	\$ 16,001
Artwork	132	-	-	132
Construction in progress	200,808	40,185	(217,053)	23,940
Total capital assets not being depreciated	208,140	48,986	(217,053)	40,073
Capital assets being depreciated:				
Leasehold improvements	4,732	48,914	-	53,646
Buildings	59,100	136,646	-	195,746
Parking garage	6,118	-	-	6,118
Equipment	3,107	23,501	-	26,608
Total capital assets being depreciated	73,057	209,061	-	282,118
Less accumulated depreciation:				
Leasehold improvements	(3,855)	(1,799)	-	(5,654)
Buildings	(14,516)	(3,641)	-	(18,157)
Parking garage	(170)	(133)	-	(303)
Equipment	(367)	(1,992)	-	(2,359)
Total accumulated depreciation	(18,908)	(7,565)	-	(26,473)
Total capital assets being depreciated, net	54,149	201,496	-	255,645
Capital assets, net	\$ 262,289	\$ 250,482	\$ (217,053)	\$ 295,718

6. REVENUE BONDS PAYABLE

Revenue bonds payable activity for the year ended June 30, 2009, 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%	\$ 9,460	\$ -	\$ (1,115)	\$ 8,345	\$ 1,185
Recreational Facilities, Series 2003, 2012	3,460	2.45%-3.35%	2,060	-	(380)	1,680	395
Capital Improvements, Series 2006A, 2012	72,965	4.375%-5.00%	51,965	-	(11,725)	40,240	12,725
Lease Revenue, Series Series 2007A, 2038	34,620	4.625%-5.250%	34,620	-	-	34,620	-
Lease Revenue, 2007B, 2030	33,130	4.30%-6.60%	33,130	-	(600)	32,530	-
Capital Improvements, Series 2008, 2027	16,000	3.60%-6.069%	16,000	-	(450)	15,550	640
Total revenue bonds			147,235	-	(14,270)	132,965	14,945
Unamortized deferred loss on refunding			(76)	-	18	(58)	-
Amounts reported on statement of net assets			147,159	-	(14,252)	132,907	14,945
Unamortized premiums			1,305	-	(514)	791	-
Unamortized discounts			(189)	-	22	(167)	-
			\$ 148,275	\$ -	\$ (14,744)	\$ 133,531	\$ 14,945

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

6. REVENUE BONDS PAYABLE, continued

Principal and interest payments in subsequent years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 14,945	\$ 7,208	\$ 22,153
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
2015-2019	13,915	20,365	34,280
2020-2024	13,925	16,362	30,287
2025-2029	15,905	11,543	27,448
2030-2034	17,780	6,788	24,568
2035-2038	17,735	1,838	19,573
	<u>\$ 132,965</u>	<u>\$ 85,662</u>	<u>\$ 218,627</u>

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

On October 17, 1985, the Authority issued \$23,335 of 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 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.

(b) **RECREATIONAL FACILITIES REVENUE BONDS, REFUNDING SERIES 2003**

On December 1, 2003, the Authority issued \$3,460 of Series 2003 Revenue Bonds. The proceeds of the issuance 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.

(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.

(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.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

6. REVENUE BONDS PAYABLE, continued

(e) CAPITAL IMPROVEMENTS, SERIES 2008

In April 2008, the Authority issued \$16,000 of 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 10% 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.

7. PROMISSORY NOTES PAYABLE

The changes in promissory notes payable during 2009 can be summarized as follows:

<u>Promissory Notes, Maturity Dates</u>	<u>Issuance 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%	\$ 1,862	\$ -	\$ (342)	\$ 1,520	\$ 355

On May 23, 2005, the Authority issued the \$2,500 Series 2005 Promissory Note. The proceeds are being used to finance construction of the E911 Public Safety Response Center. The advances to other funds in the 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.

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.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

8. LEASE REVENUE, continued

Assembly Center Complex Lease – This 32-year lease agreement, ending March 1, 2014, provides for the City to lease the project back from the Authority using, as a primary source of rental payments, 59.6% of the hotel/motel tax. These rentals paid by the City to the Authority amounted to \$1,763 for the year ended June 30, 2009. The rental payments are shown as payments from primary government on the Statement of Revenues, Expenses 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 85% 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 \$1,469 for the current year. The gross amounts of capital assets subject to lease as of June 30, 2009, are as follows:

Building	\$ 44,514
Parking garage	6,118
Land	2,700
Construction in progress	3,148
Equipment	3,706
Accumulated depreciation	<u>(2,694)</u>
Net investment in commercial property leases	<u>\$ 57,492</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 \$262.

Minimum future rentals on noncancellable operating leases as of June 30, 2009, are as follows:

2010	\$ 3,453
2011	3,565
2012	3,762
2013	3,881
2014	2,994
2015-2018	<u>9,741</u>
	<u>\$ 27,396</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 BOK 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.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

8. LEASE REVENUE, continued

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 BOK 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.

9. DEFERRED REVENUE

The Authority had the following deferred revenues at June 30, 2009:

	<u>Total</u>	<u>Current</u>	<u>Noncurrent</u>
One Technology Center – advance lease and parking fees	\$ 259	\$ 259	\$ -
BOK Arena – advance ticket sales, membership fees, naming rights, sponsorships and box income	<u>11,237</u>	<u>10,361</u>	<u>876</u>
	<u>\$ 11,496</u>	<u>\$ 10,620</u>	<u>\$ 876</u>

10. ARENA NAMING RIGHTS, SPONSORSHIPS AND LUXURY BOX AGREEMENTS

The Authority had \$37,380 in naming rights, sponsorships and luxury box agreements at June 30, 2009. During the year, the Authority recognized \$1,563 in naming rights and sponsorship revenue. In 2009, the Authority recognized \$1,246 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.

2010	\$ 3,171
2011	3,171
2012	3,095
2013	3,079
2014	2,548
2015-2019	10,531
2020-2024	6,375
2025-2029	<u>2,601</u>
	<u>\$ 34,571</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

11. OPERATING AGREEMENTS

In March 2006, the Authority entered into an operating agreement with SMG. The agreement, as subsequently amended, provides for the development, preoperation 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, 2009, for the Tulsa Convention Center and July 1, 2007 through June 30, 2009, 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, 2010. Under the agreement, for the year ended June 30, 2009, SMG earned an annual base management fee of \$69 for the Tulsa Convention Center and \$318 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 \$177 of incentive fee for the year ended June 30, 2009.

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 \$185 to BOK and \$46 to escrow.

In September 2007, the Authority, as part of the purchase of the OTC facility, assumed an operating agreement with Central Parking Systems, Inc. ("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, 2009.

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. Under this agreement, the Authority incurred costs of \$76 for the year ended June 30, 2009.

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, 2009.

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.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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	<u>\$ 1,763</u>
Payments from the City of Tulsa for the Convention Center operations	<u>\$ 1,621</u>
Payments from the City of Tulsa for the Assembly Center debt service	<u>\$ 1,741</u>
Payments from the City of Tulsa for BOK Arena debt service	<u>\$ 1,075</u>
Payments from City of Tulsa for OTC lease	<u>\$ 1,154</u>
Payments from City of Tulsa for OTC debt service	<u>\$ 1,125</u>
Payments from sales tax fund for debt service	<u>\$ 12,488</u>
Payments to sales tax fund for capital expenditures	<u>\$ 15,877</u>
Payments from E911 for debt service	<u>\$ 78</u>
Payments from the Golf Fund – golf revenues pledged for debt service	<u>\$ 2,713</u>
Payments from the City of Tulsa for Recreational Facilities debt service	<u>\$ 433</u>
Payments to the City of Tulsa for operations	<u>\$ 202</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
DEBT COMPLIANCE INFORMATION
June 30, 2009

ONE TECHNOLOGY CENTER

Percentage of Occupied Units

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

Percentage of Occupied Square Feet

Total occupied square feet	534,208
Total vacant square feet	96,230
Total square footage	630,438
Percentage occupied	85%

Major Tenants and Square Feet

Level 3 Communications, LLC	143,115
City of Tulsa	239,456
Deloitte, LLP	48,156

**Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Trustees
Tulsa Public Facilities Authority
Tulsa, Oklahoma

We have audited the financial statements of the Tulsa Public Facilities Authority (the "Authority") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009, which contained a reference to the report of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other accountants audited the financial statements of The Operations of The BOK Center, as Managed by SMG and The Operations of the Tulsa Convention Center as Managed by SMG, as described in our report on Tulsa Public Facilities Authority's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 09-01 and 09-02 to be significant deficiencies in internal control over financial reporting.

Board of Trustees
Tulsa Public Facilities Authority

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-02 to be a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to the Authority's management in a separate letter dated December 18, 2009.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

BKD LLP

December 18, 2009

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
09-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Authority has improper cutoff of payables and related expenditures or capital assets. In addition, accruals included amounts not supported by underlying data.</p> <p>Context – Payables were not being reported in the appropriate period.</p> <p>Effect – Potential misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Monitoring procedures as established to assist in the internal control over financial reporting process failed to work as designed.</p> <p>Recommendation – We recommend management perform a secondary review of expenditures after year-end to ensure that items are being reported in the proper period.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the recommendation and will evaluate staffing levels necessary to provide adequate internal controls over financial reporting.</p>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2009

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
09-02	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Not all capital assets are maintained in the Barscan system (the City’s system for accounting for all capital assets). Certain items are reconciled outside the system. In addition, capital assets are not reconciled in a timely or accurate manner, lives assigned are not evaluated for accuracy and details are not reviewed for accuracy and completeness.</p> <p>Context – Capital assets are not being entered into the system in a timely manner; reconciliations are not being completed accurately or in a timely manner; and secondary reviews are not being performed.</p> <p>Effect – Potential misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Staffing positions continue to open or availability of staff is limited to perform the monthly updating and proper reviews of the information.</p> <p>Recommendation – We recommend management evaluate staffing needs and develop secondary review procedures to evaluate the integrity of the information.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the recommendation and will evaluate staffing levels necessary to provide adequate internal controls over financial reporting.</p>