

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Accountants' Reports and Financial Statements
June 30, 2009



Tulsa Stadium Trust
(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 Stadium Trust
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of Tulsa Stadium Trust (the Trust), a component unit of the City of Tulsa, Oklahoma, as of June 30, 2009, and for the period from inception, September 25, 2008 through June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2009, and the changes in its financial position and its cash flows for the period from inception, September 25, 2008 through June 30, 2009, 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 Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Government 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.

BKD LLP

December 18, 2009

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
For the Period From Inception, September 25, 2008 Through June 30, 2009

Introduction

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

Financial Statements

Condensed Statement of Net Assets

Current assets	\$ 1,425,755
Noncurrent assets	<u>16,955,075</u>
 Total assets	 18,380,830
 Total liabilities	 <u>3,993,196</u>
 Net assets	
Invested in capital assets, net of related liabilities	12,804,004
Unrestricted	<u>1,583,630</u>
 Total net assets	 <u>\$ 14,387,634</u>

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

As of June 30, 2009, the Trust had total assets of \$18,380,830. Current assets consisted of cash of \$757,225 and pledges receivable of \$668,530. Noncurrent assets consist of construction costs incurred of \$16,797,200 and deferred loan costs, net of amortization of \$157,875. At June 30, 2009, total liabilities consist entirely of accounts and retainage payable related to the stadium construction project.

Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenues	\$ _____
Operating expenses	
Professional fees	102,800
Administrative expenses and other	<u>18,015</u>
Total operating expenses	<u>120,815</u>
Operating loss	<u>(120,815)</u>
Nonoperating revenues (expenses)	
Noncapital gifts	10,999,166
Interest income	10,209
Amortization	<u>(2,676)</u>
Total nonoperating revenues, net	<u>11,006,699</u>
Income before capital gifts	10,885,884
Capital gifts	<u>3,501,750</u>
Increase in net assets	<u>\$ 14,387,634</u>

The Trust is currently in the construction phase of the stadium with the operating phase expected to begin during the spring of 2010 and; therefore, the Trust has no operating revenues for the period ended June 30, 2009. The Trust is being partially funded by approximately \$32,001,500 of gifts and sponsorships of which \$10,999,166 of cash and pledges receivable and \$3,501,750 of noncash capital gifts have been received as of June 30, 2009. Expenses incurred for the period ended June 30, 2009, are primarily related to the organization of the Trust and management of the construction phase of the stadium.

Requests for Information

This financial report is designed to provide a general overview of the Trust'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 Trustees of the Trust, 175 East Second Street, Tulsa, Oklahoma 74103.

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statement of Net Assets
June 30, 2009

Assets

Current		
Cash		\$ 757,225
Pledges receivable		<u>668,530</u>
Total current assets		<u>1,425,755</u>
Capital assets		
Land		2,841,018
Stadium facilities – in progress		<u>13,956,182</u>
Total capital assets		<u>16,797,200</u>
Deferred loan costs, net of amortization		<u>157,875</u>
Total assets		<u>18,380,830</u>

Liabilities

Current liabilities		
Accounts payable		3,236,580
Retainage payable		<u>756,616</u>
Total current liabilities		<u>3,993,196</u>

Net Assets

Invested in capital assets, net of related liabilities		12,804,004
Unrestricted		<u>1,583,630</u>
Total net assets		<u>\$ 14,387,634</u>

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statement of Revenues, Expenses and Changes in Net Assets
For the Period From Inception, September 25, 2008 to June 30, 2009

Operating Revenues	\$ <u> —</u>
Operating Expenses	
Professional fees	102,800
Administrative expenses and other	<u>18,015</u>
Total operating expenses	<u>120,815</u>
Operating Loss	<u>(120,815)</u>
Nonoperating Revenues (Expenses)	
Noncapital gifts	10,999,166
Interest income	10,209
Amortization	<u>(2,676)</u>
Total nonoperating revenues, net	<u>11,006,699</u>
Income Before Capital Gifts	10,885,884
Capital Gifts	<u>3,501,750</u>
Increase in Net Assets	14,387,634
Net Assets, Beginning of Period	<u> —</u>
Net Assets, End of Period	<u>\$ 14,387,634</u>

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statement of Cash Flows
For the Period From Inception, September 25, 2008 to June 30, 2009

Cash Flows From Operating Activities	
Payments to suppliers	\$ <u>(120,815)</u>
Cash Flows From Noncapital Financing Activities	
Noncapital gifts received	<u>10,330,636</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(9,302,254)
Debt issuance costs paid	<u>(160,551)</u>
Net cash used in financing activities	<u>(9,462,805)</u>
Cash Flows From Investing Activities	
Interest income	<u>10,209</u>
Increase in Cash	757,225
Cash, Beginning of Period	<u>—</u>
Cash, End of Period	<u>\$ 757,225</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ <u>(120,815)</u>
Noncash Investing and Financing Activities	
Noncash capital gifts	\$ 3,501,750
Capital asset acquisitions in accounts and retainage payable	\$ 3,993,196

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2009

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

Description of Organization

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

Basis of Accounting and Presentation

The financial statements of the Trust have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions (such as noncapital and capital gifts) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Voluntary nonexchange transactions that are not capital related (such as noncapital gifts) and interest income are included in nonoperating revenues and expenses. The Trust first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Trust's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement No. 20, the Trust has elected to apply the provisions of all relevant Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those FASB pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates

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

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2009

Cash Equivalents

The Trust considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2009, the Trust did not have any cash equivalents.

Capital Assets

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

Deferred Loan Costs

The Trust has capitalized certain loan origination fees and other costs associated with its long-term obligation. These deferred loan costs are amortized over the term of the related obligation and are included as a nonoperating expense in the accompanying statement of revenues, expenses and changes in net assets.

Net Assets

Net assets of the Trust are classified in four components. Net assets invested in capital assets, net of related liabilities, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of any related liabilities used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Trust. Restricted nonexpendable net assets are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Trust. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related liabilities or restricted expendable or nonexpendable. The Trust did not have any restricted expendable or nonexpendable net assets at June 30, 2009.

Gifts and Sponsorships

The Trust is being partially funded by approximately \$32,001,500 of gifts and sponsorships. All cash gifts are made to the Tulsa Community Foundation (the Foundation) on behalf of the Trust. The Trust records revenue from cash contributions when cash has been received by the Foundation and the Trust has eligible expenditures.

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2009

Income Taxes

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

Note 2: 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 Trust's deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured.

As of June 30, 2009, none of the Trust's bank balances of \$2,755,222 were exposed to custodial credit risks.

Note 3: Long-Term Debt

On December 12, 2008, the Trust entered into a \$25,000,000 revenue bond agreement with the Foundation, the proceeds of which are to be used to fund stadium construction costs. The Trust can request advances until May 28, 2010. The revenue bond accrues interest at 6.5% annually, requires annual principal and interest payments and matures November 2039. The revenue bond is collateralized by an undivided percent of property tax assessment of Tulsa Stadium Improvement District No. 1 as defined in the bond documents and a mortgage on the assets of the Trust, including all rentals and other revenues from the lease agreement described in *Note 4*. Principal and interest payments are scheduled to commence November 2009 with an initial principal payment of \$289,436 escalating annually at 6.5%. As of June 30, 2009, the Trust had not requested any advances under the revenue bond; however, subsequent to year-end, advances of approximately \$16,400,000 had been requested and received by the Trust.

Note 4: Operating Lease Agreement

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

Tulsa Stadium Trust
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Notes to Financial Statements
June 30, 2009

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

The lease agreement requires the Trust to be responsible for capital expenditures related to the baseball stadium and to establish a trust fund for the long-term maintenance and capital needs of the stadium. The Trust will initially fund the trust fund with at least \$500,000 and maintain a minimum balance of \$500,000 over the 30-year initial term of the lease. The lessee is required to make annual contributions to the trust fund of \$50,000 to be adjusted annually by the CPI Index, which is capped at 5%. In addition, additional lessee contributions to the trust fund are required should paid attendance to Tulsa Drillers games exceed 300,000 during any baseball season.

Note 5: Commitments

The Trust entered into a \$39,200,000 construction contract December 6, 2008, for the construction of the baseball stadium and related facilities. The Trust has incurred approximately \$11,774,000 in construction costs as of June 30, 2009, under this contract.

Note 6: Litigation

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

**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 Stadium Trust
Tulsa, Oklahoma

We have audited the financial statements of the Tulsa Stadium Trust (the Trust), a component unit of the City of Tulsa, Oklahoma, as of June 30, 2009, and for the period from inception, September 25, 2008 through June 30, 2009, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Trust'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 Trust's financial statements that is more than inconsequential will not be prevented or detected by the Trust's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 09-01 to be a significant deficiency in internal control over financial reporting.

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 Trust's internal control.

Board of Trustees
Tulsa Stadium Trust

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, the significant deficiency described above as 09-01 is considered to be a material weakness.

Compliance and Other Matters

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

The Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Trust's response and, accordingly, we express no opinion on it.

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

BKD LLP

December 18, 2009

Tulsa Stadium Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Findings and Responses
June 30, 2009

Reference Number	Finding
09-01	<p>Criteria or Specific Requirement – Trustees are responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The books and records of the Trust are maintained by external accountants on a modified cash basis. Over the course of the audit, we encountered the need to record two material audit adjustments to the books and records in order to convert the financial statements to a generally accepted accounting principle basis, which represents a weakness in internal control.</p> <p>Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Potentially material misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Monitoring procedures have not been established to assist in the financial reporting process or failed to work as designed.</p> <p>Recommendation – We recommend the Trustees work with the external accountants and evaluate the current procedures in place as it relates to the financial reporting and add additional levels of review by individuals who have an understanding of the complex accounting rules of governmental entities.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The Treasurer and Chairman will work with the external accountants retained by the Trust to ensure financial statements are prepared in accordance with Government Accounting Standards Board pronouncements.</p>