

TULSA PERFORMING ARTS CENTER TRUST

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

FINANCIAL REPORT

June 30, 2015 and 2014

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
INDEX
June 30, 2015 and 2014

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information:	
Note to Other Supplementary Information	18
Combining Schedule of Net Position	19
Combining Schedule of Revenues, Expenses and Changes in Net Position	20
Combining Schedule of Cash Flows	21

Independent Auditor's Report

Board of Trustees
Tulsa Performing Arts Center Trust
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise TPACT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TPACT, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TPACT's basic financial statements. The combining schedules and related note, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Kansas City, Missouri
November 2, 2015

**TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2015 and 2014**

As management of the Tulsa Performing Arts Center Trust ("TPACT"), a component unit of the City of Tulsa, Oklahoma (the "City"), we offer readers of TPACT's financial statements this narrative overview and analysis of the financial activities of TPACT for the years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with TPACT's financial statements, which begin on page 7.

Financial Highlights

- Assets exceeded liabilities at the close of the most recent year by \$4,084,432. Of this amount, \$2,513,477 is unrestricted and may be used to meet TPACT's ongoing obligations.
- Net position increased from \$4,058,419 at June 30, 2014 to \$4,084,432 at June 30, 2015. During 2015, TPACT generated an increase in net position of \$26,013 compared to an increase of \$256,665 in 2014.
- Cash and cash equivalents at June 30, 2015 were \$662,878, a \$486,081 decrease from June 30, 2014.

Overview of the Financial Statements

TPACT, a public trust, is reported by the City as a discretely presented component unit in the City's Comprehensive Annual Financial Report. TPACT was established to assist the City in operating and maintaining the Tulsa Performing Arts Center and to provide financial assistance, direction and other assistance in connection with events occurring or proposed to occur in the Tulsa Performing Arts Center.

This discussion and analysis is intended to serve as an introduction to TPACT's audit report. This audit report consists of two parts: 1) management's discussion and analysis and 2) financial statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2015 and 2014

Required Financial Statements

The financial statements of TPACT report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net position includes all of TPACT'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 TPACT. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the financial success of TPACT's operations over the past year and can be used to determine whether TPACT 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 TPACT'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, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the period.

Net Position

Net position increased to \$4,084,432 at June 30, 2015 from \$4,058,419 and \$3,801,754 at June 30, 2014 and 2013, respectively. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets and other assets	\$ 2,535,769	\$ 2,485,857	\$ 2,265,001
Capital assets, net	<u>1,570,955</u>	<u>1,580,494</u>	<u>1,556,753</u>
Total assets	<u>4,106,724</u>	<u>4,066,351</u>	<u>3,821,754</u>
Total liabilities	<u>22,292</u>	<u>7,932</u>	<u>20,000</u>
Investment in capital assets	1,570,955	1,580,494	1,556,753
Unrestricted	<u>2,513,477</u>	<u>2,477,925</u>	<u>2,245,001</u>
Total net position	<u>\$ 4,084,432</u>	<u>\$ 4,058,419</u>	<u>\$ 3,801,754</u>

In 2015 total assets increased \$40,373. The increase in current assets and other assets of \$49,912 is related to increases in investments of \$547,688 primarily due to purchases, decreases in prepaid expenses of \$7,000, decreases in unrestricted cash of \$486,081 related to purchases of investments and decreased event revenue, and decreases in receivables of \$4,695. The net decrease in capital assets, net of \$9,539 is attributable to depreciation. Total liabilities increased \$14,360 attributable to an increase in accounts payable and accrued liabilities.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2015 and 2014

In 2014 total assets increased \$244,597. The increase in current assets and other assets of \$220,856 is related to increases in investments of \$264,897 due to fair market value increases, increases in prepaid expenses of \$12,000, decreases in unrestricted cash of \$33,121 and decreases in receivables of \$22,920. The net increase in capital assets, net of \$23,741 is attributable to equipment and artwork additions. Total liabilities decreased \$12,068 attributable to a decline in unearned revenue.

SUMMARY OF CHANGES IN NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 383,139	\$ 455,272	\$ 442,443
Nonoperating revenues	115,655	149,481	141,585
Investment income	<u>73,404</u>	<u>281,598</u>	<u>187,607</u>
Total revenues	<u>572,198</u>	<u>886,351</u>	<u>771,635</u>
Depreciation expense	9,539	8,089	7,958
Other operating expense	<u>536,646</u>	<u>628,597</u>	<u>614,999</u>
Total expenses	<u>546,185</u>	<u>636,686</u>	<u>622,957</u>
Income before capital contributions	26,013	249,665	148,678
Capital contributions from City of Tulsa	<u>-</u>	<u>7,000</u>	<u>-</u>
Change in net position	26,013	256,665	148,678
Net position, beginning of year	<u>4,058,419</u>	<u>3,801,754</u>	<u>3,653,076</u>
Net position, end of year	<u>\$ 4,084,432</u>	<u>\$ 4,058,419</u>	<u>\$ 3,801,754</u>

In 2015, TPACT's total revenue decreased \$314,153 or 35.4%. Operating revenues decreased \$72,133, primarily due to a decrease in performing arts event revenue resulting from a scaled back year for performances. Investment income decreased \$208,194 or 73.9% primarily as a result of a decrease in the fair value adjustment of the equity mutual portfolio.

In 2014, TPACT's total revenue increased \$114,716 or 14.9%. Operating revenues increased \$12,829, a result of increases in parking lot revenue offset by decreases in performing arts event revenue. Investment income increased \$93,991 or 50.1% as a result of an increase in the fair value adjustment of the equity mutual fund portfolio.

In 2015, total expenses decreased \$90,501, primarily due to a decrease in services charges paid to performing artists corresponding to the decrease in performances. Expenses exceeded revenues with an accompanying \$26,013 or .6% increase in net position.

In 2014, total expenses increased \$13,729, primarily due to an increase in grant sponsorships offset by a decrease in contracting services. Revenues exceeded expenses with an accompanying \$256,665 or 6.8% increase in net position.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2015 and 2014

Capital Assets

TPACT's investment in capital assets as of June 30, 2015 amounts to \$1,570,955 (net of accumulated depreciation). At June 30, 2014 TPACT's investment in capital assets was \$1,580,494 (net of accumulated depreciation).

CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,394,996	\$ 1,394,996	\$ 1,394,996
Artwork	90,767	90,767	74,767
Equipment	15,830	15,830	-
Land improvements	<u>228,920</u>	<u>228,920</u>	<u>228,920</u>
	1,730,513	1,730,513	1,698,683
Less accumulated depreciation	<u>(159,558)</u>	<u>(150,019)</u>	<u>(141,930)</u>
Capital assets, net	<u>\$ 1,570,955</u>	<u>\$ 1,580,494</u>	<u>\$ 1,556,753</u>

Requests for Information

This financial report is designed to provide a general overview of TPACT'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 E. Second Street, Tulsa, Oklahoma 74103.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 662,878	\$ 1,148,959
Investments	1,247,899	1,300,353
Interest receivable	4,159	2,608
Accounts receivable	10,691	16,437
Grants receivable	5,000	5,500
Prepaid expenses	<u>5,000</u>	<u>12,000</u>
Total current assets	1,935,627	2,485,857
Noncurrent assets:		
Investments	600,142	-
Nondepreciable capital assets	1,485,763	1,485,763
Depreciable capital assets, net	<u>85,192</u>	<u>94,731</u>
Total assets	<u>4,106,724</u>	<u>4,066,351</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	<u>22,292</u>	<u>7,932</u>
Total current liabilities	<u>22,292</u>	<u>7,932</u>
 <u>NET POSITION</u>		
Investment in capital assets	1,570,955	1,580,494
Unrestricted	<u>2,513,477</u>	<u>2,477,925</u>
Total net position	<u>\$ 4,084,432</u>	<u>\$ 4,058,419</u>

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

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Event revenues	\$ 22,862	\$ 69,540
Parking lot revenues	360,277	385,732
 Total operating revenues	 383,139	 455,272
 Operating expenses:		
Contracting services	75,000	75,000
Materials and supplies	1,170	146
Advertising	25,084	43,859
Auditing	14,300	14,000
Printing	761	7,086
Mailing	270	200
Rental fees	8,743	11,099
Grants	76,850	67,315
Parking lot expenses	216,765	186,407
Depreciation	9,539	8,089
Services and charges	117,703	223,485
 Total operating expenses	 546,185	 636,686
 Operating loss	 (163,046)	 (181,414)
 Nonoperating revenues:		
Investment income	73,404	281,598
Contributions	75,123	107,481
State and other grants	40,532	42,000
 Total nonoperating revenues	 189,059	 431,079
 Income before capital contributions	 26,013	 249,665
 Capital contributions from City of Tulsa	 -	 7,000
 Change in net position	 26,013	 256,665
 Net position, beginning of year	 4,058,419	 3,801,754
 Net position, end of year	 \$ 4,084,432	 \$ 4,058,419

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

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers	\$ 389,435	\$ 484,601
Cash payments to suppliers	<u>(515,836)</u>	<u>(632,665)</u>
Net cash used by operating activities	<u>(126,401)</u>	<u>(148,064)</u>
Cash flows from noncapital financing activities:		
Operating grants	41,032	36,500
Contributions received	<u>75,123</u>	<u>87,481</u>
Net cash provided by noncapital financing activities	<u>116,155</u>	<u>123,981</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	-	(31,830)
Payments from City of Tulsa	<u>-</u>	<u>7,000</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(24,830)</u>
Cash flows from investing activities:		
Investment income received	26,338	38,383
Investments purchased	(695,497)	(22,591)
Sale and maturity of investments	<u>193,324</u>	<u>-</u>
Net cash (used) provided by investing activities	<u>(475,835)</u>	<u>15,792</u>
Net decrease in cash and cash equivalents	(486,081)	(33,121)
Cash and cash equivalents, beginning of year	<u>1,148,959</u>	<u>1,182,080</u>
Cash and cash equivalents, end of year	<u>\$ 662,878</u>	<u>\$ 1,148,959</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (163,046)	\$ (181,414)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	9,539	8,089
Decrease in accounts receivable	5,746	29,329
Decrease (increase) in prepaid expenses	7,000	(12,000)
Increase in accounts payable	<u>14,360</u>	<u>7,932</u>
Net cash used by operating activities	<u>\$ (126,401)</u>	<u>\$ (148,064)</u>
Noncash investing activities:		
Appreciation of fair value of investments	<u>\$ 45,515</u>	<u>\$ 242,306</u>

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

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2015 and 2014

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

NATURE OF BUSINESS AND REPORTING ENTITY – The Tulsa Performing Arts Center Trust (“TPACT”) is a public trust created under the provisions of the Oklahoma Trust Act. TPACT’s mission is to assist the City of Tulsa (the “City”) in operating and maintaining the Tulsa Performing Arts Center and to provide financial assistance, direction, and other assistance in connection with events occurring or proposed to occur in the Tulsa Performing Arts Center. The City owns the Tulsa Performing Arts Center and the furniture and equipment within the facility. Therefore, these assets are not reflected in the financial statements of TPACT.

TPACT’s trustees are appointed by the Mayor and approved by the City Council. The Trustees govern TPACT independently from the City Council. TPACT’s sole beneficiary is the City. TPACT is included in the City’s comprehensive annual financial report as a discretely presented component unit.

BASIS OF ACCOUNTING AND PRESENTATION – The financial statements of TPACT are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to enterprise activities of governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The financial statements of TPACT are 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 are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents balances reported on the statement of net position include both pooled and non-pooled cash and investments. Cash and cash equivalents balances, other than petty cash and non-pooled investments, are pooled with the City’s cash and investments and invested by the City’s Treasurer. Interest income on pooled cash and investments is allocated monthly based on the percentage of TPACT’s average daily equity in the pooled portfolio to the total average daily pooled portfolio balance.

For purposes of reporting cash flows, TPACT considers all highly liquid debt instruments with an original maturity of three months or less when purchased, and amounts held by the City’s internal pool, to be cash equivalents.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2015 and 2014

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

INVESTMENTS – TPACT’S pooled cash and investments are recorded at the net asset value of their position in the City’s pool. The City’s investment pool is stated at fair value based on quoted market prices. Non-pooled investments are recorded at fair value based on quoted market prices.

TPACT experienced a net increase in fair value of investments of \$47,089 and \$247,735 for the years ended June 30, 2015 and 2014, respectively. Realized gains and losses as well as changes in fair market value of investments are recognized when earned and reported as investment income in the statement of revenues, expenses, and changes in net position.

ACCOUNTS RECEIVABLE – These amounts consist primarily of parking revenue due from the parking operator at year end. Management at TPACT believes this amount is fully collectible and has not reported an allowance for the amount due.

CAPITAL ASSETS – Capital assets are stated at cost. TPACT’s capitalization threshold is \$5,000. Capital assets are depreciated on a straight-line basis over the following estimated service life:

Equipment	3-20 years
Land improvements	15-30 years

TPACT owns a collection of art housed in the Performing Arts Center. The collection is not depreciated because it meets all the following conditions:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

NET POSITION – Net position of TPACT represents the difference between assets and liabilities. Investment in capital assets consist of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on the assets’ use either through enabling legislation adopted by TPACT 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 resources are available, TPACT first applies restricted resources. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of investment in capital assets or restricted.

INCOME TAXES – TPACT is exempt from federal income taxes under Section 501(c)(3) and is nontaxable under Section 115(1) of the Internal Revenue Code.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2015 and 2014

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

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 amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

2. **CASH DEPOSITS AND INVESTMENTS**

POOLED CASH AND CASH EQUIVALENTS – Cash deposits of TPACT are maintained within the City’s pooled cash and investments account. Pooled cash and equivalents consist primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2015 and 2014, the pooled cash and equivalents amounted to \$662,878 and \$1,148,959, respectively.

NON-POOLED INVESTMENTS – TPACT may invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, and equity index funds.

For the years ended June 30, TPACT had the following non-pooled investments and maturities:

2015

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>	
		<u>Less than 1</u>	<u>1-5</u>
Equity index funds	\$ 1,247,899	\$ 1,247,899	\$ -
U.S. Treasury securities	600,142	-	600,142
	<u>\$ 1,848,041</u>	<u>\$ 1,247,899</u>	<u>\$ 600,142</u>

2014

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>	
		<u>Less than 1</u>	<u>1-5</u>
Equity index funds	\$ 1,300,353	\$ 1,300,353	\$ -

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2015 and 2014

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

Interest Rate Risk – Interest rate risk is the risk that a change in interest rates will adversely affect the value of an investment.

Pooled investments – In accordance with the City’s investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City’s pooled investment portfolio is 2.07 years.

Non-pooled investments – As a means of limiting its exposure to fair value losses arising from rising interest rates, TPACT’s investment policy states that a maximum of 50% of the market value of the Trust’s portfolio may be invested in equity index funds with the remainder invested in fixed income securities or cash reserves. Fixed income securities are to consist of U.S. government or agency obligations and cash reserves may consist of deposits with financial institutions, money markets, repurchase agreements or the City’s pooled portfolio. The equity index funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately and are not subject to interest rate risk.

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

Pooled investments – The City’s investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2015 and 2014, the U.S. agencies obligations included in the City’s pooled investment portfolio were rated Aaa and AA+ by Moody’s and Standard & Poor’s, respectively.

Non-pooled investments – TPACT does not have a formal policy to limit its credit risk on investments. TPACT’s equity index funds and U.S. Treasury securities are not subject to credit risk.

Custodial Credit Risk – For deposits with financial institutions, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, TPACT will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Pooled deposits and investments – The City’s investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City’s approval and release of the security. Certificates of deposit are, according to the City’s investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2015 and 2014, none of the deposits in the pooled portfolio were exposed to custodial credit risk. All safekeeping receipts for investment instruments are held in accounts in the City’s name and all securities are registered in the City’s name. Thus, none of TPACT’s investments as of June 30, 2015 and 2014 were exposed to custodial credit risk.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2015 and 2014

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

Non-pooled investments – TPACT’s investments in U.S. Treasury securities are insured or registered securities held by TPACT or by its agent in TPACT’s name. TPACT’s investments in equity index funds are 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

Pooled investments – At June 30, 2015, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association constituted approximately 19%, 18%, 17% and 15% respectively, of its total pooled investment portfolio. At June 30, 2014, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 19%, 18%, 19%, and 18%, respectively, of its total pooled investment portfolio.

Non-pooled investments – TPACT places no limit on the amount that may be invested in any one issuer. At June 30, 2015 and 2014, TPACT’s investments in the equity index funds are not subject to concentration of credit risk disclosure. At June 30, 2015 TPACT’s investments in U.S. Treasury securities are not subject to concentration of credit risk disclosure.

INVESTMENT INCOME – Investment income for the years ended June 30 consists of:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 26,315	\$ 33,863
Net increase in fair value of investments	47,089	247,735
	<u>\$ 73,404</u>	<u>\$ 281,598</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2015 and 2014

3. **CAPITAL ASSETS**

The changes in capital assets during the years ended June 30 are summarized as follows:

2015:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable assets:				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	90,767	-	-	90,767
Total nondepreciable capital assets	<u>1,485,763</u>	<u>-</u>	<u>-</u>	<u>1,485,763</u>
Depreciable assets:				
Equipment	15,830	-	-	15,830
Land improvements	228,920	-	-	228,920
Total capital assets being depreciated	<u>244,750</u>	<u>-</u>	<u>-</u>	<u>244,750</u>
Accumulated depreciation:				
Equipment	(132)	(1,583)	-	(1,715)
Land improvements	(149,887)	(7,956)	-	(157,843)
Total accumulated depreciation	<u>(150,019)</u>	<u>(9,539)</u>	<u>-</u>	<u>(159,558)</u>
Depreciable capital assets, net	<u>94,731</u>	<u>(9,539)</u>	<u>-</u>	<u>85,192</u>
Capital assets, net	<u>\$ 1,580,494</u>	<u>\$ (9,539)</u>	<u>\$ -</u>	<u>\$ 1,570,955</u>
2014:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable assets:				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	74,767	16,000	-	90,767
Total nondepreciable capital assets	<u>1,469,763</u>	<u>16,000</u>	<u>-</u>	<u>1,485,763</u>
Depreciable assets:				
Equipment	-	15,830	-	15,830
Land improvements	228,920	-	-	228,920
Total capital assets being depreciated	<u>228,920</u>	<u>15,830</u>	<u>-</u>	<u>244,750</u>
Accumulated depreciation:				
Equipment	-	(132)	-	(132)
Land improvements	(141,930)	(7,957)	-	(149,887)
Total accumulated depreciation	<u>(141,930)</u>	<u>(8,089)</u>	<u>-</u>	<u>(150,019)</u>
Depreciable capital assets, net	<u>86,990</u>	<u>7,741</u>	<u>-</u>	<u>94,731</u>
Capital assets, net	<u>\$ 1,556,753</u>	<u>\$ 23,741</u>	<u>\$ -</u>	<u>\$ 1,580,494</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2015 and 2014

4. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2015 and 2014, TPACT had the following transactions with related parties:

	<u>2015</u>	<u>2014</u>
Payments to City of Tulsa - General Fund for staff support	\$ 75,000	\$ 75,000
Payment to Tulsa Parking Authority for parking lot management	\$ 5,000	\$ 5,000
Payments to the City of Tulsa for rental fees at the Performing Arts Center	\$ 7,611	\$ 9,774

5. RISK MANAGEMENT

TPACT is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City carries commercial insurance for general liability and property damage. TPACT is included in the City's insurance policies and would be responsible for deductibles relating to specific claims pertaining to TPACT. The property damage deductible is \$150,000. There have been no significant reductions in insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years.

6. CONTINGENT LIABILITIES

In the normal course of operations, TPACT receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to be material.

7. COMMITMENTS

TPACT enters into various contracts to bring performances to the Tulsa Performing Arts Center. These contracts may obligate TPACT to make certain purchases. At June 30, 2015 TPACT had entered into a contract to bring a show that necessitates TPACT to purchase services that are estimated to be approximately \$300,000.

8. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the Authority beginning with its year ending June 30, 2016.

This Statement provides guidance for determining a fair value measurement for financial reporting purposes, and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2015 and 2014

8. **FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS, Continued**

The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a governmental unit's financial position.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTE TO OTHER SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

OTHER SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, TPACT presents a combining schedule of net position, a combining schedule of revenues, expenses and changes in net position and a combining schedule of cash flows for its five sub funds of the operations of TPACT. Brief explanations of these sub funds are as follows:

The Operating Fund – This fund is used to account for the revenue from ticket sales and related operating expenses for certain TPACT-sponsored functions held at the Tulsa Performing Arts Center.

The Unrestricted Endowment Fund – This fund is used to account for contributions and related interest income which are unrestricted by donors. The Board has designated the use of income earned in this account to obtaining cultural events for the Tulsa Performing Arts Center. Income earned in this account may also be used to fund general equipment purchases.

The Restricted Endowment Fund – This fund is used to account for contributions from private sources. TPACT's board has restricted the use of the principal and/or investment income for specific purposes.

The Special Event Fund – This fund is used to account for special events designated by the Board.

The Parking Lot Fund – This fund is used to account for a parcel of land acquired in 1994 and held for future development. The acquisition included an existing parking lot. This fund will account for the land and land improvements and the revenues and related operating expenses derived from the parking lot operations until such time that the land is developed.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET POSITION
June 30, 2015

	<u>Operating Fund</u>	<u>Unrestricted Endowment Fund</u>	<u>Restricted Endowment Fund</u>	<u>Special Event Fund</u>	<u>Parking Lot Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ -	\$ 588,506	\$ 44,885	\$ 4,528	\$ 24,959	\$ 662,878
Investments	-	1,185,505	62,394	-	-	1,247,899
Interest receivable	53	3,915	132	9	50	4,159
Accounts receivable	550	-	-	-	10,141	10,691
Grants receivable	5,000	-	-	-	-	5,000
Prepaid expenses	5,000	-	-	-	-	5,000
Internal balances	(9,719)	9,719	-	-	-	-
Total current assets	884	1,787,645	107,411	4,537	35,150	1,935,627
Noncurrent assets:						
Investments	-	570,134	30,008	-	-	600,142
Nondepreciable capital assets	52,617	-	-	38,150	1,394,996	1,485,763
Depreciable capital assets, net	-	-	-	-	85,192	85,192
Total assets	53,501	2,357,779	137,419	42,687	1,515,338	4,106,724
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	22,292	-	-	-	-	22,292
Total current liabilities	22,292	-	-	-	-	22,292
<u>NET POSITION</u>						
Investment in capital assets	52,617	-	-	38,150	1,480,188	1,570,955
Unrestricted	(21,408)	2,357,779	137,419	4,537	35,150	2,513,477
Total net position	\$ 31,209	\$ 2,357,779	\$ 137,419	\$ 42,687	\$ 1,515,338	\$ 4,084,432

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2015

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Operating revenues:						
Event revenues	\$ 22,862	\$ -	\$ -	\$ -	\$ -	\$ 22,862
Parking lot revenues	-	-	-	-	360,277	360,277
Total operating revenues	<u>22,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,277</u>	<u>383,139</u>
Operating expenses:						
Contracting services	75,000	-	-	-	-	75,000
Materials and supplies	1,170	-	-	-	-	1,170
Advertising	25,084	-	-	-	-	25,084
Auditing	14,300	-	-	-	-	14,300
Printing	761	-	-	-	-	761
Mailing	270	-	-	-	-	270
Rental fees	8,743	-	-	-	-	8,743
Grants	76,850	-	-	-	-	76,850
Parking lot expenses	-	-	-	-	216,765	216,765
Depreciation	-	-	-	-	9,539	9,539
Services and charges	111,585	-	6,118	-	-	117,703
Total operating expenses	<u>313,763</u>	<u>-</u>	<u>6,118</u>	<u>-</u>	<u>226,304</u>	<u>546,185</u>
Operating income (loss)	<u>(290,901)</u>	<u>-</u>	<u>(6,118)</u>	<u>-</u>	<u>133,973</u>	<u>(163,046)</u>
Nonoperating revenues:						
Investment income	422	69,574	3,108	45	255	73,404
Contributions	75,123	-	-	-	-	75,123
State and other grants	39,282	-	1,250	-	-	40,532
Total nonoperating revenues	<u>114,827</u>	<u>69,574</u>	<u>4,358</u>	<u>45</u>	<u>255</u>	<u>189,059</u>
Income (loss) before transfers	(176,074)	69,574	(1,760)	45	134,228	26,013
Transfers in	135,785	150,054	3,000	-	-	288,839
Transfers out	(3,000)	(135,785)	-	-	(150,054)	(288,839)
Change in net position	(43,289)	83,843	1,240	45	(15,826)	26,013
Net position, beginning of year	74,498	2,273,936	136,179	42,642	1,531,164	4,058,419
Net position, end of year	<u>\$ 31,209</u>	<u>\$ 2,357,779</u>	<u>\$ 137,419</u>	<u>\$ 42,687</u>	<u>\$ 1,515,338</u>	<u>\$ 4,084,432</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS
Year Ended June 30, 2015

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 22,862	\$ -	\$ -	\$ -	\$ 366,573	\$ 389,435
Cash payments to suppliers	(292,953)	-	(6,118)	-	(216,765)	(515,836)
Net cash provided (used) by operating activities	(270,091)	-	(6,118)	-	149,808	(126,401)
Cash flows from noncapital financing activities:						
Operating grants	39,782	-	1,250	-	-	41,032
Contributions received	75,123	-	-	-	-	75,123
Transfers in	135,785	150,054	3,000	-	-	288,839
Transfers out	(3,000)	(135,785)	-	-	(150,054)	(288,839)
Advance from (to) other funds	9,719	(9,719)	-	-	-	-
Net cash provided (used) by noncapital financing activities	257,409	4,550	4,250	-	(150,054)	116,155
Cash flows from investing activities:						
Investment income received	354	24,972	699	46	267	26,338
Investments purchased	-	(660,723)	(34,774)	-	-	(695,497)
Sale and maturity of investments	-	183,658	9,666	-	-	193,324
Net cash provided (used) by investing activities	354	(452,093)	(24,409)	46	267	(475,835)
Net increase (decrease) in cash and cash equivalents						
	(12,328)	(447,543)	(26,277)	46	21	(486,081)
Cash and cash equivalents, beginning of year						
	12,328	1,036,049	71,162	4,482	24,938	1,148,959
Cash and cash equivalents, end of year						
	\$ -	\$ 588,506	\$ 44,885	\$ 4,528	\$ 24,959	\$ 662,878
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (290,901)	\$ -	\$ (6,118)	\$ -	\$ 133,973	\$ (163,046)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	-	-	-	9,539	9,539
(Increase) decrease in accounts receivable	(550)	-	-	-	6,296	5,746
Decrease in prepaid items	7,000	-	-	-	-	7,000
Increase in accounts payable	14,360	-	-	-	-	14,360
Net cash provided (used) by operating activities	\$ (270,091)	\$ -	\$ (6,118)	\$ -	\$ 149,808	\$ (126,401)
Noncash investing activities:						
Appreciation of fair value of investments	\$ -	\$ 43,238	\$ 2,277	\$ -	\$ -	\$ 45,515

