

TULSA PERFORMING ARTS CENTER TRUST

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

FINANCIAL REPORT

June 30, 2012 and 2011

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)

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June 30, 2012 and 2011

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Independent Auditor's Report

Board of Trustees
Tulsa Performing Arts Center Trust
Tulsa, Oklahoma

We have audited the accompanying basic 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, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of TPACT's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TPACT, as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Our audit was conducted for the purpose of forming opinions 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

Kansas City, Missouri
October 29, 2012

**TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2012 and 2011**

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, 2012 and 2011. 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 \$3,653,076. Of this amount, \$2,088,365 is unrestricted and may be used to meet TPACT's ongoing obligations.
- Net position decreased from \$3,674,912 at June 30, 2011 to \$3,653,076 at June 30, 2012. During 2012, TPACT generated a decrease in net position of \$21,836 compared to an increase of \$93,465 in 2011.
- Cash and cash equivalents at June 30, 2012 were \$578,331, a \$4,502 decrease from June 30, 2011.

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.

TPACT adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2012 and 2011

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 decreased to \$3,653,076 at June 30, 2012 from \$3,674,912 at June 30, 2011. Net position increased to \$3,674,912 at June 30, 2011, from \$3,581,447 at June 30, 2010. The following provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets and other assets	\$ 2,089,677	\$ 2,118,926	\$ 2,262,002
Capital assets, net	<u>1,564,711</u>	<u>1,572,668</u>	<u>1,580,655</u>
Total assets	<u>3,654,388</u>	<u>3,691,594</u>	<u>3,842,657</u>
Total liabilities	<u>1,312</u>	<u>16,682</u>	<u>261,210</u>
Net investment in capital assets	1,564,711	1,572,668	1,580,655
Unrestricted	<u>2,088,365</u>	<u>2,102,244</u>	<u>2,000,792</u>
Total net position	<u>\$ 3,653,076</u>	<u>\$ 3,674,912</u>	<u>\$ 3,581,447</u>

In 2012, total net position decreased \$21,836 primarily related to grants and event expenses exceeding contributions and event revenues. In 2011, total net position increased \$93,465 primarily related to positive returns on investments.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2012 and 2011

SUMMARY OF CHANGES IN NET POSITION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 439,293	\$ 361,033	\$ 706,747
Nonoperating revenues	102,144	117,433	213,872
Investment gain	<u>14,196</u>	<u>188,510</u>	<u>85,964</u>
Total revenues	<u>555,633</u>	<u>666,976</u>	<u>1,006,583</u>
Depreciation expense	7,957	7,987	7,600
Other operating expense	<u>569,512</u>	<u>565,524</u>	<u>1,003,612</u>
Total expenses	<u>577,469</u>	<u>573,511</u>	<u>1,011,212</u>
Change in net position	(21,836)	93,465	(4,629)
Net position, beginning of year	<u>3,674,912</u>	<u>3,581,447</u>	<u>3,586,076</u>
Net position, end of year	<u>\$ 3,653,076</u>	<u>\$ 3,674,912</u>	<u>\$ 3,581,447</u>

In 2012, TPACT experienced a 16.7% decrease in total revenue and an 0.7% increase in total expenses. Expenses exceeded revenues by \$21,836 with an accompanying 0.6% decrease in the change in net position. Operating revenues include revenues generated from performing arts events and parking revenues. Operating revenues increased 21.7% during 2012, a result of increased event revenues and parking revenues.

In 2011, TPACT experienced a 33.7% decrease in total revenue and an 43.3% decrease in total expenses. Revenues exceeded expenses by \$93,465 resulting in a 2.6% increase in net position. Operating revenues included revenues generated from performing arts events and parking revenues. Operating revenues decreased 48.9% during 2011, a result of decreased event revenues and parking revenues.

In 2012, investment income decreased 92.5% as a result of a decrease in the value of the equity mutual fund portfolio and a decline in rates for fixed income investments. In 2011, investment income increased 119.3% as a result of an increase in the value of the equity mutual fund portfolio.

Other operating expenses increased 0.7% in 2012 as a result of an increase in parking lot expense during the current year. In 2011, other operating expenses decreased 43.7% as a result of a decrease in event expense during the year.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2012 and 2011

Capital Assets

TPACT's investment in capital assets as of June 30, 2012 amounts to \$1,564,711 (net of accumulated depreciation). At June 30, 2011, TPACT's investment in capital assets amounted to \$1,572,668 (net of accumulated depreciation).

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,394,996	\$ 1,394,996	\$ 1,394,996
Artwork	74,767	74,767	74,767
Land improvements	94,948	102,905	110,892
Capital assets, net	<u>\$ 1,564,711</u>	<u>\$ 1,572,668</u>	<u>\$ 1,580,655</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, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 578,331	\$ 582,833
Investments	1,052,618	858,490
Interest receivable	7,598	6,817
Accounts receivable	<u>12,254</u>	<u>14,252</u>
 Total current assets	 1,650,801	 1,462,392
Noncurrent assets:		
Investments	438,876	656,534
Nondepreciable capital assets	1,469,763	1,469,763
Depreciable capital assets, net	<u>94,948</u>	<u>102,905</u>
 Total assets	 <u>3,654,388</u>	 <u>3,691,594</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	1,312	1,682
Unearned revenue	<u>-</u>	<u>15,000</u>
 Total current liabilities	 <u>1,312</u>	 <u>16,682</u>
 <u>NET POSITION</u>		
Net investment in capital assets	1,564,711	1,572,668
Unrestricted	<u>2,088,365</u>	<u>2,102,244</u>
 Total net position	 <u>\$ 3,653,076</u>	 <u>\$ 3,674,912</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, 2012 and 2011

	2012	2011
Operating revenues:		
Event revenues	\$ 121,311	\$ 95,401
Parking lot revenues	317,982	265,632
Total operating revenues	439,293	361,033
Operating expenses:		
Contracting services	75,000	75,000
Materials and supplies	617	172
Advertising	24,749	35,148
Auditing	13,500	13,000
Printing	222	393
Mailing	262	622
Rental fees	10,569	15,005
Grants	33,817	52,006
Parking lot expenses	194,931	183,176
Depreciation	7,957	7,987
Services and charges	215,845	191,002
Total operating expenses	577,469	573,511
Operating loss	(138,176)	(212,478)
Nonoperating revenues:		
Investment income	14,196	188,510
Contributions	95,285	109,322
State and other grants	6,859	8,111
Total nonoperating revenues	116,340	305,943
Change in net position	(21,836)	93,465
Net position, beginning of year	3,674,912	3,581,447
Net position, end of year	\$ 3,653,076	\$ 3,674,912

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers	\$ 438,291	\$ 377,864
Cash payments to suppliers	<u>(569,882)</u>	<u>(592,620)</u>
Net cash used by operating activities	<u>(131,591)</u>	<u>(214,756)</u>
Cash flows from noncapital financing activities:		
Nonoperating grants	6,859	8,111
Contributions (returned) received	<u>83,285</u>	<u>(107,886)</u>
Net cash provided (used) by noncapital financing activities	<u>90,144</u>	<u>(99,775)</u>
Cash flows from investing activities:		
Investment income received	50,400	70,320
Investments purchased	(163,455)	(234,826)
Sale and maturity of investments	<u>150,000</u>	<u>222,197</u>
Net cash provided by investing activities	<u>36,945</u>	<u>57,691</u>
Net decrease in cash and cash equivalents	(4,502)	(256,840)
Cash and cash equivalents, beginning of year	<u>582,833</u>	<u>839,673</u>
Cash and cash equivalents, end of year	<u>\$ 578,331</u>	<u>\$ 582,833</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (138,176)	\$ (212,478)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	7,957	7,987
Decrease (increase) in accounts receivable	(1,002)	18,128
Decrease in accounts payable	<u>(370)</u>	<u>(28,393)</u>
Net cash used by operating activities	<u>\$ (131,591)</u>	<u>\$ (214,756)</u>
Noncash investing activities:		
Appreciation (depreciation) of fair value of investments	<u>\$ (36,984)</u>	<u>\$ 122,317</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, 2012 and 2011

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

NATURE OF BUSINESS – The Tulsa Performing Arts Center Trust (“TPACT”) is a public trust created under the provisions of the Oklahoma Trust Act. The beneficiary is the City of Tulsa (the “City”).

TPACT’s mission is 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.

The City owns the Tulsa Performing Arts Center and the furniture and equipment within the Center. Therefore, these assets are not reflected in the financial statements of TPACT.

BASIS OF ACCOUNTING AND PRESENTATION – The financial statements of TPACT 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 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.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to 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.

TPACT adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

REPORTING ENTITY - TPACT is a component unit of the City and is included in the City’s comprehensive annual financial report as a discretely presented component unit.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents balances, other than petty cash and non-pooled investments, are pooled with the City of Tulsa’s cash and investments and invested by the City of Tulsa’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 cash held by the City of Tulsa’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, 2012 and 2011

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

INVESTMENTS – TPACT follows the provisions of GASB Statement No. 31, “Certain Investments and External Investment Pools,” which requires governmental entities to report investments at fair value in the statement of net position. A net decrease in fair value of investments of \$36,958 has been recognized and reported in investment income in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2012. For the year ended June 30, 2011, a net increase in fair value of investments of \$128,439 was recognized and reported in 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.

UNEARNED REVENUE – Unearned revenue represents payments and/or revenue received but not yet recognized since it has not yet been earned. Unearned revenue primarily consists of contributions for performances not yet held.

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:

Land improvements	15-30 years
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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. Net 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 net position is available, TPACT first applies restricted resources. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net 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, 2012 and 2011

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 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 position during the reporting period. 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, 2012 and 2011, the pooled cash and equivalents amounted to \$578,331 and \$582,833, respectively. The amounts pooled with the City at June 30, 2012 and 2011 were represented by investments which were insured or registered or securities held by the City or its agent in the City’s name.

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 investments and maturities:

2012:	Type	Fair Value	Maturities in Years	
			Less than 1	1-5
	Equity index funds	\$ 847,686	\$ 847,686	\$ -
	U.S. agency obligations	643,808	204,932	438,876
		<u>\$ 1,491,494</u>	<u>\$ 1,052,618</u>	<u>\$ 438,876</u>

2011:	Type	Fair Value	Maturities in Years	
			Less than 1	1-5
	Equity index funds	\$ 703,822	\$ 703,822	\$ -
	U.S. agency obligations	811,202	154,668	656,534
		<u>\$ 1,515,024</u>	<u>\$ 858,490</u>	<u>\$ 656,534</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

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

Interest Rate Risk – 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 of Tulsa’s pooled portfolio.

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 1.80 years.

Non-pooled investments – 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, 2012, 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. As of June 30, 2011 the ratings were Aaa AAA by Moody’s and Standard & Poor’s, respectively

Non-pooled investments – TPACT does not have a formal policy to limit its credit risk investments. TPACT’s fixed income investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated AA+ and AAA as of June 30, 2012 and 2011, respectively by Standard & Poor’s and TPACT’s equity index fund investments are not subject to credit risk.

Custodial Credit Risk – For an investment, 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, 2012 and 2011, 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. Therefore, none of the Authority’s investments as of June 30, 2012 and 2011 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, 2012 and 2011

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

Non-pooled investments – All of the underlying securities for TPACT’s investments in U.S. agency obligations at June 30, 2012 and 2011, are insured or registered or 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, 2012, 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 17%, 15%, 22%, and 21%, respectively, of its total pooled investment portfolio. At June 30, 2011, 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 17%, 15%, 19%, and 13%, 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, 2012, TPACT’s investments in the equity index funds are not subject to concentration of credit risk disclosure. TPACT’s investments in Federal Home Loan Bank, Federal Farm Credit Bank, and Federal National Mortgage Association constituted 14%, 14% and 15%, respectively, of total investments.

At June 30, 2011, TPACT’s investments in the equity index funds were not subject to concentration of credit risk disclosure. TPACT’s investments in Federal Home Loan Bank, Federal Farm Credit Bank, and Federal National Mortgage Association constituted 24%, 14% and 15%, respectively, of total investments.

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

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 53,025	\$ 60,071
Net increase (decrease) in fair value of investments	(38,829)	128,439
	<u>\$ 14,196</u>	<u>\$ 188,510</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

3. **CAPITAL ASSETS**

The changes in capital assets during the years ended June 30, 2012 and 2011 are summarized as follows:

2012:	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	74,767	-	-	74,767
Total capital assets not being depreciated	<u>1,469,763</u>	<u>-</u>	<u>-</u>	<u>1,469,763</u>
Capital assets being depreciated:				
Land improvements	228,920	-	-	228,920
Less accumulated depreciation:				
Land improvements	(126,015)	(7,957)		(133,972)
Total capital assets being depreciated, net	<u>102,905</u>	<u>(7,957)</u>	<u>-</u>	<u>94,948</u>
Capital assets, net	<u>\$ 1,572,668</u>	<u>\$ (7,957)</u>	<u>\$ -</u>	<u>\$ 1,564,711</u>
2011:	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	74,767	-	-	74,767
Total capital assets not being depreciated	<u>1,469,763</u>	<u>-</u>	<u>-</u>	<u>1,469,763</u>
Capital assets being depreciated:				
Land improvements	228,920	-	-	228,920
Less accumulated depreciation:				
Land improvements	(118,028)	(7,987)	-	(126,015)
Total capital assets being depreciated, net	<u>110,892</u>	<u>(7,987)</u>	<u>-</u>	<u>102,905</u>
Capital assets, net	<u>\$ 1,580,655</u>	<u>\$ (7,987)</u>	<u>\$ -</u>	<u>\$ 1,572,668</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

4. **RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2012 and 2011, TPACT conducted the following transactions with related parties:

	<u>2012</u>	<u>2011</u>
Payments to City of Tulsa - General Fund for staff support	<u>\$ 75,000</u>	<u>\$ 75,000</u>
Payment to Tulsa Parking Authority for parking lot management	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Payments to the City of Tulsa for rental fees at the Performing Arts Center	<u>\$ 10,194</u>	<u>\$ 14,330</u>

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; natural disasters, and accidents. TPACT carries commercial insurance which management believes to be adequate to cover material risk to which TPACT is exposed. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTE TO OTHER SUPPLEMENTARY INFORMATION
Year Ended June 30, 2012

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 expansion. 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 used for expansion.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET POSITION
June 30, 2012

	<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	\$ -	\$ 516,576	\$ 32,179	\$ 4,420	\$ 25,156	\$ 578,331
Investments	-	1,000,019	52,599	-	-	1,052,618
Interest receivable	3	7,193	305	14	83	7,598
Accounts receivable	-	-	-	-	12,254	12,254
Internal balances	(11,416)	11,416	-	-	-	-
Total current assets	(11,413)	1,535,204	85,083	4,434	37,493	1,650,801
Noncurrent assets:						
Investments	-	417,000	21,876	-	-	438,876
Nondepreciable capital assets	36,617	-	-	38,150	1,394,996	1,469,763
Depreciable capital assets, net	-	-	-	-	94,948	94,948
Total assets	25,204	1,952,204	106,959	42,584	1,527,437	3,654,388
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	1,312	-	-	-	-	1,312
Total current liabilities	1,312	-	-	-	-	1,312
<u>NET POSITION</u>						
Net investment in capital assets	36,617	-	-	38,150	1,489,944	1,564,711
Unrestricted	(12,725)	1,952,204	106,959	4,434	37,493	2,088,365
Total net position	\$ 23,892	\$ 1,952,204	\$ 106,959	\$ 42,584	\$ 1,527,437	\$ 3,653,076

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, 2012

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Operating revenues:						
Event revenues	\$ 121,311	\$ -	\$ -	\$ -	\$ -	\$ 121,311
Parking lot revenues	-	-	-	-	317,982	317,982
Total operating revenues	<u>121,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,982</u>	<u>439,293</u>
Operating expenses:						
Contracting services	75,000	-	-	-	-	75,000
Materials and supplies	617	-	-	-	-	617
Advertising	24,749	-	-	-	-	24,749
Auditing	13,500	-	-	-	-	13,500
Printing	222	-	-	-	-	222
Mailing	262	-	-	-	-	262
Rental fees	10,569	-	-	-	-	10,569
Grants	33,817	-	-	-	-	33,817
Parking lot expenses	-	-	-	-	194,931	194,931
Depreciation	-	-	-	-	7,957	7,957
Services and charges	209,561	-	6,284	-	-	215,845
Total operating expenses	<u>368,297</u>	<u>-</u>	<u>6,284</u>	<u>-</u>	<u>202,888</u>	<u>577,469</u>
Operating income (loss)	<u>(246,986)</u>	<u>-</u>	<u>(6,284)</u>	<u>-</u>	<u>115,094</u>	<u>(138,176)</u>
Nonoperating revenues:						
Investment income	120	13,259	394	54	369	14,196
Contributions	92,285	-	3,000	-	-	95,285
State and other grants	6,859	-	-	-	-	6,859
Total nonoperating revenues	<u>99,264</u>	<u>13,259</u>	<u>3,394</u>	<u>54</u>	<u>369</u>	<u>116,340</u>
Income (loss) before transfers	<u>(147,722)</u>	<u>13,259</u>	<u>(2,890)</u>	<u>54</u>	<u>115,463</u>	<u>(21,836)</u>
Transfers:						
Transfers in	165,170	122,325	3,000	-	-	290,495
Transfers out	(3,000)	(165,170)	-	-	(122,325)	(290,495)
Total transfers	<u>162,170</u>	<u>(42,845)</u>	<u>3,000</u>	<u>-</u>	<u>(122,325)</u>	<u>-</u>
Change in net position	14,448	(29,586)	110	54	(6,862)	(21,836)
Net position, beginning of year	<u>9,444</u>	<u>1,981,790</u>	<u>106,849</u>	<u>42,530</u>	<u>1,534,299</u>	<u>3,674,912</u>
Net position, end of year	<u>\$ 23,892</u>	<u>\$ 1,952,204</u>	<u>\$ 106,959</u>	<u>\$ 42,584</u>	<u>\$ 1,527,437</u>	<u>\$ 3,653,076</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS
Year Ended June 30, 2012

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 121,311	\$ -	\$ -	\$ -	\$ 316,980	\$ 438,291
Cash payments to suppliers	(368,667)	-	(6,284)	-	(194,931)	(569,882)
Net cash provided (used) by operating activities	(247,356)	-	(6,284)	-	122,049	(131,591)
Cash flows from noncapital financing activities:						
Nonoperating grants	6,859	-	-	-	-	6,859
Contributions received	80,285	-	3,000	-	-	83,285
Transfers in	165,170	122,325	3,000	-	-	290,495
Transfers out	(3,000)	(165,170)	-	-	(122,325)	(290,495)
Advance from (to) other funds	(2,075)	2,075	-	-	-	-
Net cash provided (used) by noncapital financing activities	247,239	(40,770)	6,000	-	(122,325)	90,144
Cash flows from investing activities:						
Investment income received	117	47,679	2,260	42	302	50,400
Investments purchased	-	(155,282)	(8,173)	-	-	(163,455)
Sale and maturity of investments	-	142,500	7,500	-	-	150,000
Net cash provided by investing activities	117	34,897	1,587	42	302	36,945
Net increase (decrease) in cash and cash equivalents	-	(5,873)	1,303	42	26	(4,502)
Cash and cash equivalents, beginning of year	-	522,449	30,876	4,378	25,130	582,833
Cash and cash equivalents, end of year	\$ -	\$ 516,576	\$ 32,179	\$ 4,420	\$ 25,156	\$ 578,331
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (246,986)	\$ -	\$ (6,284)	\$ -	\$ 115,094	\$ (138,176)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	-	-	-	7,957	7,957
Increase in accounts receivable	-	-	-	-	(1,002)	(1,002)
Decrease in accounts payable	(370)	-	-	-	-	(370)
Net cash provided (used) by operating activities	\$ (247,356)	\$ -	\$ (6,284)	\$ -	\$ 122,049	\$ (131,591)
Noncash investing activities:						
Depreciation of fair value of investments	\$ -	\$ (35,137)	\$ (1,847)	\$ -	\$ -	\$ (36,984)