

TULSA PUBLIC FACILITIES AUTHORITY

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

FINANCIAL REPORT

June 30, 2014

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
INDEX
June 30, 2014

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	13
Supplementary Information:	
Combining Schedule of Net Position – Financing Fund	32
Combining Schedule of Revenues, Expense And Change in Net Position – Financing Fund	33
Combining Schedule of Cash Flows – Financing Fund	34
Other Information – Debt Compliance Information (unaudited)	35



Independent Auditor's Report

Board of Trustees
Tulsa Public Facilities Authority
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Tulsa Public Facilities Authority (Authority), a blended component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Authority'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 opinions on these financial statements based on our audit. We did not audit the financial statements of The Operations of the BOK Center, as managed by SMG, or The Operations of the Cox Business Center, as managed by SMG, an agent operating these facilities as discussed in Note 15 to the financial statements, which are included within the financial statements of the Arena and Convention Center major enterprise fund. This activity represents 8 percent and 65 percent, respectively, of the total assets and total revenues of the Arena and Convention Center major enterprise fund, and 6 percent and 39 percent, respectively, of the total assets and total revenues of the business-type activities. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for The Operations of the BOK Center, as managed by SMG, and The Operations of the Cox Business Center, as managed by SMG, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority, as of June 30, 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.

Emphasis of Matter

As described in Note 19, the Authority restated beginning net position of the business-type activities, One Technology Center Fund, and Arena and Convention Center Fund to correct an error in the Authority's prepaid expense balances as of June 30, 2013. Our opinion is not modified with respect to this matter.

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 7 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 and other auditors 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 opinions on the financial statements that collectively comprise Authority's basic financial statements. The combining schedules, 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 by us and other auditors. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Kansas City, Missouri
October 31, 2014

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

As management of the Tulsa Public Facilities Authority (the “Authority”), a blended component unit of the City of Tulsa (the “City”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements, which begin on page eight. All dollar amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent year by \$203,026.
- The Authority’s net position decreased to \$203,026 as of June 30, 2014 from \$206,428 as of June 30, 2013. The Authority had decreases in net position of \$3,402 and \$6,244 for the years ended June 30, 2014 and 2013, respectively.
- The Authority’s liabilities decreased by \$2,316 as of June 30, 2014. The repayment of \$5,020 in revenue bonds was the primary driver. Unearned revenue offset this decrease with an increase of \$2,455 relating to arena facility revenue.

Overview of the Financial Statements

The Authority, a legally separate public trust, is reported by the City as a blended component unit. As such, the activities of the Authority are reported in various enterprise funds and internal service funds within the City’s Comprehensive Annual Financial Report. The primary functions of the Authority are to issue revenue bonds, the proceeds of which may be loaned to the City or one of its component units and use bond proceeds to acquire, construct and ultimately lease governmental facilities to the City or one of its component units. The Authority also leases commercial office space to the City and private sector companies and manages the One Technology Center (“OTC”), the BOK Arena, and the Cox Business Center facilities.

This discussion and analysis are intended to serve as an introduction to the Authority’s basic financial statements. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The Authority uses fund accounting in its financial statements to demonstrate compliance with finance related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one fund type, proprietary, and reports four enterprise funds. Enterprise funds are used to report functions presented as business-type activities.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The basic financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, noncapital financing and capital financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the period.

Net Position

The Authority's net position decreased to \$203,026 at June 30, 2014, from \$206,428 at June 30, 2013. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	2014	2013	Dollar Change	Percent Change
Current assets	\$ 28,935	\$ 23,089	\$ 5,846	25.3%
Capital assets, net	250,227	270,266	(20,039)	(7.4%)
Other assets	28,427	19,952	8,475	42.5%
Total assets	307,589	313,307	(5,718)	(1.8%)
Current liabilities	19,552	16,308	3,244	19.9%
Noncurrent liabilities	85,011	90,571	(5,560)	(6.1%)
Total liabilities	104,563	106,879	(2,316)	(2.2%)
Net investment in capital assets	186,943	190,490	(3,547)	(1.9%)
Restricted	5,803	9,458	(3,655)	(38.6%)
Unrestricted	10,280	6,480	3,800	58.6%
Net position	\$ 203,026	\$ 206,428	\$ (3,402)	(1.6%)

Current assets increased \$5,846 primarily due to increases in unrestricted and restricted cash. Capital assets decreased \$20,039 resulting from the Authority entering into a capital lease for a portion of the One Technology Center. A capital lease receivable resulting from that capital lease is the primary driver in the increase of other assets.

Current liabilities increased \$3,244 primarily due to increases in unearned revenue related to arena facility use. The \$5,560 decrease in noncurrent liabilities was primarily the result of the \$5,020 in scheduled debt payments on revenue bonds.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Net Position, continued

SUMMARY OF CHANGES IN NET POSITION

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	\$ 23,294	\$ 25,749	\$ (2,455)	(9.5%)
Nonoperating revenues	7,244	6,300	944	15.0%
Total revenues	<u>30,538</u>	<u>32,049</u>	<u>(1,511)</u>	<u>(4.7%)</u>
Operating expenses	29,728	33,629	(3,901)	(11.6%)
Nonoperating expenses	4,252	4,690	(438)	(9.3%)
Total expenses	<u>33,980</u>	<u>38,319</u>	<u>(4,339)</u>	<u>(11.3%)</u>
Capital contributions, intergovernmental	40	25	15	60.0%
Change in net position	(3,402)	(6,245)	2,843	45.5%
Net position, beginning of year	<u>206,428</u>	<u>212,673</u>	<u>(6,245)</u>	<u>(2.9%)</u>
Net position, end of year	<u>\$ 203,026</u>	<u>\$ 206,428</u>	<u>\$ (3,402)</u>	<u>(1.6%)</u>

In 2014, the Authority's operating revenues decreased \$2,455 or 9.5%, a result of golf fees no longer included in the recreation facilities fund once related debt was repaid. Nonoperating revenues increased \$944 due to an increase in gain on disposal of capital assets and increased investment income offset by a decrease in payments from primary government.

Operating expenses decreased \$3,901 or 11.6%. Decreases in payments to related parties of \$2,511 in the Recreation Facilities fund, materials and supplies of \$698 in the One Technology Center fund and depreciation of \$623 also in the One Technology Center fund drove the decline.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Capital Assets

The Authority's investment in capital assets as of June 30, 2014, amounts to \$250,227 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, parking garage, leasehold improvements and artwork.

CAPITAL ASSETS				
	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 16,465	\$ 16,001	\$ 464	2.9%
Artwork	653	653	-	0.0%
Construction-in-progress	1,728	54	1,674	3100.0%
Leasehold improvements	55,399	55,399	-	0.0%
Buildings	236,062	244,922	(8,860)	(3.6%)
Parking garage	3,521	6,118	(2,597)	(42.4%)
Equipment	34,308	34,683	(375)	(1.1%)
	<u>348,136</u>	<u>357,830</u>	<u>(9,694)</u>	<u>(2.7%)</u>
Less accumulated depreciation	<u>(97,909)</u>	<u>(87,564)</u>	<u>(10,345)</u>	<u>11.8%</u>
Capital assets, net	<u>\$ 250,227</u>	<u>\$270,266</u>	<u>\$ (20,039)</u>	<u>(7.4%)</u>

The overall decrease in capital assets is due to the capital lease within the One Technology Center fund.

Noncurrent Liabilities

At year end, the Authority had debt outstanding of \$88,415. The Authority's debt decreased \$5,020 during the year. The decrease is the result of scheduled debt payment on revenue bonds.

OUTSTANDING DEBT				
	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assembly Center Lease Payment				
Revenue Bonds, Series 1985	\$ 1,615	\$ 3,135	\$ (1,520)	(48.5%)
Lease Revenue Bonds,				
Series 2007A	34,620	34,620	-	0.0%
Lease Revenue Bonds,				
Series 2007B	23,925	23,925	-	0.0%
Capital Improvements Revenue Bonds Refunding				
Series 2012	8,200	9,480	(1,280)	(13.5%)
Capital Improvement Revenue Bonds,				
Series 2008	11,755	12,670	(915)	(7.2%)
Capital Improvement Revenue Bonds,				
Series 2012	8,300	9,605	(1,305)	(13.6%)
Total revenue bonds	<u>\$ 88,415</u>	<u>\$ 93,435</u>	<u>\$ (5,020)</u>	<u>(5.4%)</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2015 budget and fees charged for business-type activities. Lease revenues are governed by rates negotiated in long-term leases. Event revenues fluctuate as ticket prices vary by type of event at the arena.

At the national level, unemployment declined to 6.1 percent at the end of fiscal-year 2014. Unemployment in the City of Tulsa was 4.9 percent at the end of fiscal-year compared to 5.4 percent at the end of the last fiscal year. The Authority has not experienced a decline in collection rates for accounts receivable as the economy continues to recover from the economic downturn.

Consumer spending saw little change from the prior calendar year. Consumer spending at the national level decreased approximately one percent.

Oklahoma, along with 48 states and the District of Columbia saw growth in real GDP in 2014 of 4.6% according to the Bureau of Economic Analysis. Oklahoma's real GDP growth rate of 4.2 percent ranked it 4th among all other states for calendar year 2013.

The BOK Arena remains ranked in the top ten nationally based upon ticket sales. The BOK Arena generated more revenue in fiscal year 2014 due to increases in ancillary event revenue.

Office vacancies in Tulsa decreased approximately 0.6% from July 2013 through June 2014. The commercial real estate leasing environment in Tulsa improved slightly from the previous year. The Authority's square footage under lease at OTC was stable during fiscal year 2014.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tulsa, Office of the Controller, 175 East Second Street, Tulsa, Oklahoma 74103.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF NET POSITION
June 30, 2014

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,825	\$ 10,193	\$ -	\$ -	\$ 15,018
Cash and cash equivalents, restricted	1,116	7,838	658	-	9,612
Interest receivable	10	2	-	-	12
Interest receivable, restricted	2	-	5	-	7
Accounts receivable, net	451	1,137	-	-	1,588
Advance to related entity	-	-	1,325	-	1,325
Prepaid expenses	-	552	-	-	552
Inventory	-	240	-	-	240
Capital lease receivable	581	-	-	-	581
	<u>6,985</u>	<u>19,962</u>	<u>1,988</u>	<u>-</u>	<u>28,935</u>
Noncurrent assets:					
Cash and cash equivalents, restricted	3,599	1,699	-	-	5,298
Interest receivable, restricted	-	7	-	-	7
Investments, restricted	728	1,566	1,069	-	3,363
Advance to related entity	-	-	5,875	-	5,875
Advances to primary government, restricted	-	1,814	-	-	1,814
Capital lease receivable	12,070	-	-	-	12,070
Nondepreciable capital assets	3,164	11,182	4,500	-	18,846
Depreciable capital assets, net	37,875	193,506	-	-	231,381
Total Assets	<u>\$ 64,421</u>	<u>\$ 229,736</u>	<u>\$ 13,432</u>	<u>\$ -</u>	<u>\$ 307,589</u>

(Continued)

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF NET POSITION, Continued
June 30, 2014

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 634	\$ 2,445	\$ -	\$ -	\$ 3,079
Vested compensated absences	22	-	-	-	22
Retainage payable	-	7	-	-	7
Unearned revenue	204	10,232	-	-	10,436
Accrued bond interest payable	425	232	76	-	733
Current portion of bonds payable	1,340	2,615	1,320	-	5,275
	<u>2,625</u>	<u>15,531</u>	<u>1,396</u>	<u>-</u>	<u>19,552</u>
Noncurrent liabilities:					
Contract lease obligation	18	-	-	-	18
Deposits subject to refunds	8	-	-	-	8
Unearned revenue	-	1,317	-	-	1,317
Revenue bonds payable, net of current portion	65,405	10,755	6,980	-	83,140
Unamortized premium	-	-	556	-	556
Net pension obligation	19	-	-	-	19
Vested compensated absences	9	-	-	-	9
Other post employment benefits	70	-	-	-	70
Unamortized discount	(126)	-	-	-	(126)
	<u>65,403</u>	<u>12,072</u>	<u>7,536</u>	<u>-</u>	<u>85,011</u>
Total liabilities	<u>68,028</u>	<u>27,603</u>	<u>8,932</u>	<u>-</u>	<u>104,563</u>
NET POSITION					
Net investment in capital assets	(10,445)	192,888	4,500	-	186,943
Restricted for:					
Debt service	693	3,284	-	-	3,977
Capital projects	1,285	-	-	-	1,285
Other purposes	541	-	-	-	541
Unrestricted	4,319	5,961	-	-	10,280
Total net position (deficit)	<u>\$ (3,607)</u>	<u>\$ 202,133</u>	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 203,026</u>

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
Operating revenues:					
Lease revenue	\$ 8,176	\$ -	\$ -	\$ -	\$ 8,176
Facilities revenue	-	11,873	-	-	11,873
Sponsorship and naming rights revenue	-	2,080	-	-	2,080
Parking facilities revenue	780	-	-	-	780
Investment income	-	-	24	-	24
Advance/loan interest income	-	-	141	-	141
Other	220	-	-	-	220
	<u>9,176</u>	<u>13,953</u>	<u>165</u>	<u>-</u>	<u>23,294</u>
Operating expenses:					
Personal services	723	-	-	-	723
Materials and supplies	293	-	-	-	293
Other service charges	4,228	11,898	-	-	16,126
Interest and amortization expense	-	-	165	-	165
Depreciation	1,299	11,049	-	73	12,421
	<u>6,543</u>	<u>22,947</u>	<u>165</u>	<u>73</u>	<u>29,728</u>
	<u>2,633</u>	<u>(8,994)</u>	<u>-</u>	<u>(73)</u>	<u>(6,434)</u>
Operating income (loss)					
Nonoperating revenues (expenses):					
Investment income	717	42	-	-	759
Interest and amortization expense	(3,384)	(868)	-	-	(4,252)
Payments from primary government	-	4,313	-	-	4,313
Gain on disposal of capital assets	2,172	-	-	-	2,172
	<u>(495)</u>	<u>3,487</u>	<u>-</u>	<u>-</u>	<u>2,992</u>
Capital contributions	-	40	-	-	40
Change in net position	2,138	(5,467)	-	(73)	(3,402)
Net position (deficit), beginning of year as restated	(5,745)	207,600	4,500	73	206,428
Net position (deficit), end of year	<u>\$ (3,607)</u>	<u>\$ 202,133</u>	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 203,026</u>

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
Cash flows from operating activities:					
Interest paid on revenue bonds	\$ -	\$ -	\$ (349)	\$ -	\$ (349)
Receipts from customers	8,991	16,570	-	-	25,561
Investment income	-	-	15	-	15
Payments to suppliers for goods and services	(4,481)	(11,589)	-	-	(16,070)
Payments for employment services	(754)	-	-	-	(754)
Payments to related entity	-	-	(110)	-	(110)
Payments from related entity	-	-	1,375	-	1,375
Principal paid on long-term debt	-	-	(1,305)	-	(1,305)
Net cash provided (used) by operating activities	3,756	4,981	(374)	-	8,363
Cash flows from noncapital financing activities:					
Payments from primary government	-	4,244	-	-	4,244
Payments to primary government	-	(1,966)	-	-	(1,966)
Net cash provided by noncapital financing activities	-	2,278	-	-	2,278
Cash flows from capital financing activities:					
Acquisition of capital assets	(453)	(2,266)	-	-	(2,719)
Payments from primary government	-	1,754	-	-	1,754
Principal paid on revenue bonds	(1,280)	(2,435)	-	-	(3,715)
Interest paid on revenue bonds	(3,378)	(933)	-	-	(4,311)
Proceeds from sale of capital assets	1	-	-	-	1
Payments for capital lease transaction	(650)	-	-	-	(650)
Proceeds from capital lease transaction	1,200	-	-	-	1,200
Net cash used in capital financing activities	\$ (4,560)	\$ (3,880)	\$ -	\$ -	\$ (8,440)

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF CASH FLOWS, Continued
Year Ended June 30, 2014

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Recreational Facilities	Business-Type Activities Total
Cash flows from investing activities:					
Investment income	\$ 73	\$ 23	\$ -	\$ -	\$ 96
Net cash provided by investing activities	73	23	-	-	96
Net change in cash and cash equivalents	(731)	3,402	(374)	-	2,297
Cash and cash equivalents, beginning of year	10,271	16,328	1,032	-	27,631
Cash and cash equivalents, end of year	\$ 9,540	\$ 19,730	\$ 658	\$ -	\$ 29,928
Reconciliation of cash and cash equivalents to the Statement of Net Position					
Unrestricted cash and cash equivalents	\$ 4,825	\$ 10,193	\$ -	\$ -	\$ 15,018
Current restricted cash and cash equivalents	1,116	7,838	658	-	9,612
Noncurrent restricted cash and cash equivalents	3,599	1,699	-	-	5,298
Total cash and cash equivalents	\$ 9,540	\$ 19,730	\$ 658	\$ -	\$ 29,928
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 2,633	\$ (8,994)	\$ -	\$ (73)	\$ (6,434)
Adjustments:					
Depreciation	1,299	11,049	-	73	12,421
Change in accounts receivable	(142)	219	-	-	77
Change in inventories	-	10	-	-	10
Change in prepaid expenses	-	(275)	-	-	(275)
Change in accounts payable and accrued expenses	9	574	-	-	583
Change in unearned revenue	(43)	2,398	-	-	2,355
Change in financing assets	-	-	(9)	-	(9)
Change in financing liabilities	-	-	(1,489)	-	(1,489)
Change in advances	-	-	1,124	-	1,124
Net cash provided (used) by operating activities	\$ 3,756	\$ 4,981	\$ (374)	\$ -	\$ 8,363
Noncash capital financing activities:					
Donated capital assets	\$ -	\$ 40	\$ -	\$ -	\$ 40

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

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

NATURE OF BUSINESS AND REPORTING ENTITY - The Tulsa Public Facilities Authority (the "Authority") is a public trust created on March 10, 1981, as the Tulsa Civic Center Authority. On March 12, 1982, the Authority amended its Trust Indenture to change its name to the Tulsa Public Facilities Authority and expand its purposes to promote the acquisition, construction, and operation of various facilities and public improvements in and for the City of Tulsa, Oklahoma (the "City"). The Authority serves as a financing authority for the City as well as an enterprise authority for the operation of the One Technology Center ("OTC"), and BOK Arena and Cox Business Center facilities. The five trustees are the Mayor and four individuals appointed by the Mayor and confirmed by the City Council. All dollar amounts, unless otherwise indicated, are expressed in thousands of dollars.

The OTC was acquired to consolidate City operations previously located in several locations in or near the central business district in downtown Tulsa and contains approximately 630,000 square feet of commercial office space. Approximately 143,000 square feet of the space is leased under a capital lease to a tenant. Of the remaining 487,000 square feet of space, 239,000 square feet is leased by the City and the remaining is available for leasing to private businesses.

The BOK Arena was constructed as part of Vision 2025, a project to grow economic and community infrastructure for future generations. The BOK Arena is a 19,199 seat state-of-the-art sports and entertainment venue.

The Authority is included in the City's comprehensive annual financial report ("CAFR") as a blended component unit. As such, the activities of the Authority are reported in various proprietary funds within the City's CAFR, as either enterprise funds or internal service funds.

BASIS OF ACCOUNTING - The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. 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 Authority reports the following major enterprise funds:

The One Technology Center fund accounts for the commercial leasing activities of the One Technology Center building and parking garage in Tulsa, Oklahoma.

Arena and Convention Center Fund accounts for the operations of the BOK Arena and the Cox Business Center; both are sports and entertainment facilities in downtown Tulsa.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

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

The Recreational Facilities fund holds a portion of the leasehold improvements of the City's two 36-hole golf course facilities. This fund is reported as nonmajor in the City's CAFR.

The Authority reports the following internal service fund:

Financing Fund – Capital Improvements Revenue Bond 2012 and Capital Improvements Revenue Bond - issues revenue bonds, the proceeds of which are loaned to the City or to one of its component units. Land is also held by the Capital Improvements Revenue Bond sub fund.

CASH AND CASH EQUIVALENTS - For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased and any cash held by the City of Tulsa's internal pool to be cash equivalents. Interest income in pooled cash and investments is allocated monthly based on the percentage of the Authority's average daily equity in the pooled portfolio to the total average daily pooled portfolio balance.

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

RESTRICTED ASSETS – Restricted assets of the Authority are restricted under the terms of its bond indentures.

INVENTORY – Inventory, which consists of food and beverage items and other supplies, is stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

CAPITAL ASSETS - Capital assets purchased or acquired are carried at historical cost. The excess of interest cost, including amortization of bond discounts, over interest earned on the proceeds of borrowings is capitalized during the construction period. There was no interest capitalized during the year ended June 30, 2014.

The Authority owns artwork housed at the Cox Business Center. The artwork is not depreciated because it meets all the following conditions:

- The artwork is held for public exhibition.
- The artwork is protected, kept unencumbered, cared for, and preserved.
- The artwork is subject to an organizational policy requiring that the proceeds from sales of artwork be used to acquire other artwork.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

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

DEPRECIATION - Capital assets placed in service are depreciated on a straight-line basis over the following estimated service lives and have the following capital thresholds:

Buildings	30-50 years	\$5
Parking garage	30 years	\$5
Leasehold improvements	24 years	\$5
Equipment	3-20 years	\$5
Land and artwork	Not depreciated	

UNEARNED REVENUE – Unearned revenues for the BOK Arena are comprised of arena naming rights, sponsorships, club sales, advance ticket sales and event deposits and are recognized over the life of the agreement, generally three to ten years or at the completion of the event. Unearned revenues for the OTC are related to leases. The related revenues are recognized in the period earned.

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

VESTED COMPENSATED ABSENCES – Vacation and sick leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 14 to 24 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount which may be earned in one calendar year. Accumulated vacation leave vests and the Authority is obligated to make payment even if the employee terminates. Accumulated sick leave is not paid out to employees upon separation from the Authority. The liability for compensated absences attributable to the Authority is charged to expense during the period earned and a corresponding liability is established.

POSTEMPLOYMENT BENEFITS (PENSION AND OTHER) –Postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, whereas other benefits, including retirement and postemployment healthcare, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Authority accounts for annual pension and other postemployment benefit costs on an accrual basis, charging expenses in the period incurred, with a corresponding liability for benefits to be paid in future periods.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

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

NET POSITION – Net position of the Authority represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Outstanding balances of borrowings are net of unspent bond proceeds, including bond reserve funds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Unrestricted net position is the assets less liabilities that do not meet the definition of net investment in capital assets or restricted.

REVENUE AND EXPENSES – Operating revenues consist of commercial office space lease revenue, parking garage rental, sponsorship and naming rights revenues, facilities use fees for the BOK Arena and the Cox Business Center, and investment income for financing funds. Long-term leases govern the rates charged for the commercial office space leased. Long-term agreements also govern the amount of revenue recognized by the BOK Arena as sponsorship and naming rights revenue.

Operating expenses consist of all costs incurred to administer the One Technology Center building and garage, the BOK Arena, the Cox Business Center, including depreciation and amortization of capital assets, and interest costs for financing funds. All revenues and expenses not meeting these descriptions are considered nonoperating revenues and expenses.

INCOME TAXES - The Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code, as amended.

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

2. CASH DEPOSITS AND INVESTMENTS

POOLED CASH AND INVESTMENTS – The Authority participates in the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities guaranteed by the United States Government or its agencies and are recorded at fair value. The pooled cash and investments balances at June 30, 2014 are represented by investments that were collateralized by securities that were held by the pledging financial institution, or by its trust department or agent, in the City's name.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS, continued

NON-POOLED INVESTMENTS - Investments are carried at fair value. In accordance with the bond indentures and state statutes, authorized investments consist of obligations of the U.S. Treasury, federal agencies and instrumentalities, and money market mutual funds.

At June 30, 2014, the Authority had the following non-pooled investments:

Investment Type	Fair Value	Maturities in Years	
		Less than 1	1-5
U.S. Agency Obligations	\$ 2,635	\$ -	\$ 2,635
U.S. Treasury Securities	728	-	728
Money Market Mutual Funds	7,073	7,073	-
	<u>\$ 10,436</u>	<u>\$ 7,073</u>	<u>\$ 3,363</u>

Interest Rate Risk – The Authority participates in the City’s pooled portfolio as a means of limiting its exposure to fair value losses arising from rising interest rates.

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 2.31 years.

Non-pooled investments - The Authority’s investment policy is established by bond indentures that provide maturity of investments as bonds become due. There is no stated policy for investments not associated with bond indentures. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately 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, 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 - The Authority’s investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2014, the U.S. agencies obligations included in the Authority’s investments were rated Aaa and AA+ by Moody’s and Standard & Poor’s, respectively.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS, continued

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 an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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. At June 30, 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. Therefore, none of the Authority’s pooled investments as of June 30, 2014 was exposed to custodial credit risk.

Non-pooled deposits and investments – The Authority’s policy for custodial credit risk requires compliance with provisions of state law and demand deposits be collateralized by at least 110% of the amount not federally insured. All safekeeping receipts for investment instruments are held in accounts in the Authority’s name and all securities are registered in the Authority’s name. Therefore, at June 30, 2014 none of the Authority’s non-pooled deposits of \$16,956 and \$2,635 of U.S. Agency obligations were exposed to custodial credit risk.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one issuer.

Pooled investments – 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.

Nonpooled investments – At June 30, 2014, the Authority’s investments in Federal Home Loan Bank constituted approximately 25% of its total nonpooled investment portfolio.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS, continued

RECONCILIATION TO STATEMENT OF NET POSITION – A reconciliation of the pooled cash and investments and non-pooled cash and investments to the carrying amounts on the statement of net position as of June 30, 2014, is as follows:

RECONCILIATION TO STATEMENT OF NET POSITION:

Pooled cash and investments	\$ 5,899
Non-pooled cash and investments	27,392
	<u>\$ 33,291</u>
Current unrestricted cash and cash equivalents	\$ 15,018
Current restricted cash and cash equivalents	9,612
Non-current restricted cash and cash equivalents	5,298
Non-current restricted investments	3,363
	<u>\$ 33,291</u>

INVESTMENT INCOME – Investment income for the year ended June 30, 2014, consisted of:

INVESTMENT INCOME:

Interest and dividend income	\$ 753
Advance/loan interest income	141
Net increase in fair value of investments and cash equivalents	30
	<u>\$ 924</u>

3. ACCOUNTS RECEIVABLE

The accounts receivable balance consists of amounts owed at year end for OTC leasing revenues and BOK Arena and Cox Business Center event revenues.

	<u>OTC</u>	<u>Arena</u>	<u>Total</u>
Accounts receivable:			
Lease revenue	\$ 349	\$ -	\$ 349
Parking facility revenue	68	-	68
Event revenue	-	680	680
Sponsorship revenue	-	477	477
Miscellaneous revenue	34	-	34
Total	<u>451</u>	<u>1,157</u>	<u>1,608</u>
Less: Allowance for doubtful accounts	<u>-</u>	<u>(20)</u>	<u>(20)</u>
Accounts Receivable, net	<u>\$ 451</u>	<u>\$ 1,137</u>	<u>\$ 1,588</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

4. ADVANCES TO PRIMARY GOVERNMENT AND RELATED ENTITY

ARENA AND CONVENTION FUND – In April 2008, the Authority issued its \$16,000 Series 2008 Capital Improvements Revenue Bonds Taxable Series 2008. The proceeds were loaned to the City to finance the acquisition, construction, furnishing and equipping of capital improvements and additions to the BOK Arena. The City collects sponsorship and naming rights revenues and repays the Authority for the loan in monthly installments which provide funds to pay the debt service on the bonds. At June 30, 2014 the Authority has an advance to the City (primary government) of \$1,814 for collections in excess of amounts provided for debt service.

FINANCING FUND – In April 2012, the Authority issued its \$10,900 Series 2012 Capital Improvements Revenue Bonds. The proceeds of the bonds were loaned to the Tulsa Authority for Recovery of Energy (TARE), a component unit of the City, to fund the acquisition of trash carts and fund the Bond Reserve Fund. TARE receives revenues for the collection of residential solid waste which will provide funds to pay the debt service on the bonds. The Authority has an advance to TARE (related entity) of \$7,200 at June 30, 2014 relating to this financing agreement.

5. CAPITAL LEASE RECEIVABLE

On August 28, 2013, the Authority entered into an amended lease agreement (agreement) with a tenant of OTC effective July 1, 2013 for 143,242 square feet of commercial office space at OTC. The agreement extends the term of the lease to June 30, 2029. Annual lease payments will be \$2,207 except for fiscal year 2015 which will be reduced by \$80. The tenant will assign the lease to an affiliated company. \$1,200 of the annual lease payment will remain unchanged throughout the term of the lease. The remainder of the annual lease payments will be apportioned to operating expense reimbursement. The affiliated company will have the option to purchase the occupied space for one dollar at June 30, 2029. The Authority will account for the lease agreement as a capital lease. The initiation of this lease resulted in a gain of approximately \$2,200 that was recognized during 2014.

Minimum future rentals on noncancellable capital leases as of June 30, 2014 are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Subtotal</u>	<u>Operating Costs</u>	<u>Total</u>
2015	\$ 581	\$ 619	\$ 1,200	\$ 927	\$ 2,127
2016	611	589	1,200	1,007	2,207
2017	642	558	1,200	1,007	2,207
2018	675	525	1,200	1,007	2,207
2019	710	490	1,200	1,007	2,207
2020-2024	4,131	1,869	6,000	5,034	11,034
2025-2029	5,301	699	6,000	5,032	11,032
	<u>\$ 12,651</u>	<u>\$ 5,349</u>	<u>\$ 18,000</u>	<u>\$ 15,021</u>	<u>\$ 33,021</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Transfers & Reclasses	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 16,001	\$ -	\$ (972)	\$ 1,436	\$ 16,465
Artwork	653	-	-	-	653
Construction in progress	54	1,725	-	(51)	1,728
Total capital assets not being depreciated	16,708	1,725	(972)	1,385	18,846
Capital assets, being depreciated:					
Leasehold improvements	55,399	-	-	-	55,399
Buildings	244,922	530	(9,441)	51	236,062
Parking garage	6,118	-	(1,161)	(1,436)	3,521
Equipment	34,683	511	(886)	-	34,308
Total capital assets being depreciated	341,122	1,041	(11,488)	(1,385)	329,290
Less accumulated depreciation:					
Leasehold improvements	(12,861)	(2,099)	-	(1)	(14,961)
Buildings	(55,518)	(6,940)	1,117	(203)	(61,544)
Parking garage	(1,115)	(120)	229	204	(802)
Equipment	(18,070)	(3,262)	730	-	(20,602)
Total accumulated depreciation	(87,564)	(12,421)	2,076	-	(97,909)
Total capital assets being depreciated, net	253,558	(11,380)	(9,412)	(1,385)	231,381
Capital assets, net	\$ 270,266	\$ (9,655)	\$ (10,384)	\$ -	\$ 250,227

7. MUNICIPAL EMPLOYEES' PENSION PLAN

The Authority contributes to the Municipal Employees Retirement Plan (the "Plan"), a cost-sharing, multiple-employer, defined benefit pension plan administered by the City. The pension plan was established by the City in accordance with the City Charter and State Statutes, and is reported in the City's Comprehensive Annual Financial Report. All full-time employees of the Authority, along with other employees of the City and certain related agencies, are eligible to participate in the Plan on the first day of the month coinciding with or next following their first day of employment. Employees become 100% vested after five years of employment.

Pension provisions include death benefits for the surviving spouse. The Plan does not provide a monthly income for disabled participants; however, under certain conditions, employees who become disabled may be eligible to receive their full retirement at age 65 even though they were unable to work up to the retirement age.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

7. MUNICIPAL EMPLOYEES' PENSION PLAN, continued

The ability to establish and amend requirements of plan members and the Authority is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute 6% percentage of their annual covered salary.

Annual Pension Cost Trend Information					
Year	Actuarially Required Contributions	Actual Contributions	Percentage Contributed	Net Pension Obligation	
2014	\$ 51	\$ 46	90%	\$ 19	
2013	50	45	90%	53	
2012	-	-	-	-	

The Plan is reported as a Pension Trust Fund in the City's 2014 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City provides postemployment health care benefits for retired employees and their dependents through the City of Tulsa Postretirement Medical Plan (the "Plan"), a multiple-employer cost-sharing defined benefit health care plan. The benefits, coverage levels, employee contributions, and employer contributions are governed by the City through its personnel and union contracts.

All health care benefits are provided through the City's fully insured health plan. The benefit levels are the same as those offered to active employees. Benefits include general inpatient and outpatient medical services and prescriptions. General employees are eligible for membership in the plan if they retire from the City on or after age 55 with 5 years of service or with age and service totaling 80 points. Coverage ceases upon eligibility of the member (retiree or dependent) for Medicare. Coverage for dependents can continue upon the death of the retiree. Spouses of employees eligible for benefits and who die in active service can receive coverage.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The actuarial valuation of liabilities under the plan is calculated using the entry age normal cost method as of the July 1, 2014, 2013 and 2012 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately \$14,216, \$28,539 and \$27,437 for the City as of June 30, 2014, 2013, and 2012, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable.

Annual OPEB Cost Information - City				
Year	Actuarially Required Contributions	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2014	\$ 1,376	\$ 1,332	97%	\$ 70
2013	2,880	1,685	59%	69
2012	2,769	1,208	44%	-

The amount allocated to the Authority is based on the number of active eligible employees of the Authority compared to the total number of active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

9. REVENUE BONDS PAYABLE

Revenue bonds payable activity for the year ended June 30, 2014 is as follows:

REVENUE BONDS PAYABLE

Bond, Series, Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Assembly Center, Series 1985, 2014	\$ 23,335	6.60%	\$ 3,135	\$ -	\$ (1,520)	\$ 1,615	\$ 1,615
Lease Revenue Series 2007A, 2037	34,620	4.625%-5.25%	34,620	-	-	34,620	-
Lease Revenue, Series 2007B, 2029	33,130	6.30%-6.60%	23,925	-	-	23,925	-
Capital Improvements Revenue Refunding Series 2012, 2019	9,480	1.25%	9,480	-	(1,280)	8,200	1,340
Capital Improvements, Series 2008, 2027	16,000	6.07%	12,670	-	(915)	11,755	1,000
Capital Improvements, Series 2012, 2020	10,900	3.00%-4.00%	9,605	-	(1,305)	8,300	1,320
Total revenue bonds			93,435	-	(5,020)	88,415	5,275
Unamortized premiums			730	-	(174)	556	-
Unamortized discounts			(132)	-	6	(126)	-
			\$ 94,033	\$ -	\$ (5,188)	\$ 88,845	\$ 5,275

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

9. **REVENUE BONDS PAYABLE, continued**

Principal and interest payments in subsequent years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,275	\$ 4,428	\$ 9,703
2016	3,835	4,257	8,092
2017	4,040	4,133	8,173
2018	3,865	3,987	7,852
2019	4,595	3,852	8,447
2020-2024	15,385	16,420	31,805
2025-2029	15,905	11,543	27,448
2030-2034	17,780	6,788	24,568
2035-2038	17,735	1,839	19,574
	<u>\$ 88,415</u>	<u>\$ 57,247</u>	<u>\$ 145,662</u>

10. **OTHER LONG-TERM LIABILITIES**

The changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	<u>Beginning</u>		<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due within</u>
	<u>Balance</u>				<u>Balance</u>	<u>One Year</u>
Other long-term liabilities:						
Vested compensated absences	\$ 29	\$ 40	\$ 38	\$ 31	\$ 22	
Net pension obligation	53	-	34	19	-	
Other postemployment benefits	69	1	-	70	-	
Contract lease obligation	-	18	-	18	-	
	<u>\$ 151</u>	<u>\$ 59</u>	<u>\$ 72</u>	<u>\$ 138</u>	<u>\$ 22</u>	
Total other long-term liabilities	<u>\$ 151</u>	<u>\$ 59</u>	<u>\$ 72</u>	<u>\$ 138</u>	<u>\$ 22</u>	

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

11. **PLEDGED REVENUE**

ONE TECHNOLOGY CENTER LEASE REVENUE- The Authority has pledged future gross lease revenues derived from the operations of One Technology Center to repay outstanding lease revenue bonds and related refunding bonds. Proceeds from the bonds provided financing for the acquisition and improvements of One Technology Center.

Total principal and interest remaining on the debt is \$117,944 with annual requirements ranging from \$4,696 to \$5,677 through 2038. Annual debt service required 57% of gross revenues. Principal and interest paid amounted to \$4,677. Current year lease revenue totaled \$8,176.

ASSEMBLY CENTER LEASE PAYMENT REVENUE BONDS, REFUNDING SERIES 1985- On October 17, 1985, the Authority issued \$23,335 Series 1985 bonds, which are accounted for in the Arena and Convention Fund. The proceeds of these bonds were utilized to refund the Authority's \$15,600 Assembly Center Lease Payment Revenue Bonds, Series 1982, as well as provide funds for the construction of certain additions and improvements to the Assembly Center.

The bonds are collateralized by a lease agreement between the City and the Authority which provides that a portion of the hotel/motel taxes collected by the City are pledged as lease payments equal to the annual debt service on the bonds.

Total principal and interest remaining on the debt is \$1,668 due in 2015. Total principal and interest paid during the year amounted to \$1,727. The Authority received \$1,677 from the City from hotel/motel tax collections.

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

Total principal and interest remaining on the debt is \$16,608 with annual requirements ranging from \$674 to \$1,776 through 2027. Annual debt service required 81% of sponsorship and naming right revenues. The Authority paid \$1,684 in principal and interest during the year. Sponsorship and naming rights revenue, from which the appropriations will be made, was \$2,080 for the current year.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

11. PLEDGED REVENUE, continued

CAPITAL IMPROVEMENTS SERIES 2012- In April 2012, the Authority issued \$10,900 Series 2012 Capital Improvements Revenue Bonds. The proceeds of the bonds were used to fund the acquisition of trash carts by the TARE, to fund the Bond Reserve Fund in the amount of ten percent of the par amount of the bonds (the “Reserve Requirement”) and to pay the costs of issuing the Bonds.

The Authority entered into a projects agreement with the City and TARE, a component unit of the City. The projects agreement provides financing for the acquisition, furnishing, equipping, maintaining, storing, and delivering of trash carts and other capital improvements, equipment and facilities for use in the operations of TARE’s system for solid waste management providing collection and disposal of collectible residential solid waste of the City. The bonds will be repaid by revenues received by TARE for the collection of residential solid waste. In the event TARE fails to make the required payments to the Authority, the City will be required to make the debt service payments, subject to certain conditions.

Total principal and interest remaining on the debt is \$9,441 with annual debt service requirements ranging from \$1,518 to \$1,625 through 2020. Annual debt service required 6% of TARE refuse revenue. Principal and interest paid during the year amounted to \$1,650. Solid waste collection and disposal revenue recorded by TARE was \$26,557.

12. OPERATING LEASE REVENUE

ONE TECHNOLOGY CENTER LEASES - Commercial property lease revenues arise from the leasing of the Authority’s commercial lease space at the OTC facility. Lease terms range from approximately two to five years. Approximately 51% of the net rentable space is available to external tenants. At year end, the building was approximately 93% occupied. Depreciation expense for leased property is provided primarily on the straight-line method over the estimated useful life of the leased property. Depreciation expense related to the OTC facility was \$1,299 for the current year.

The gross amounts of capital assets subject to lease as of June 30, 2014 are as follows:

Building	\$	37,999
Parking garage		3,521
Land		3,164
Equipment		5,809
Accumulated depreciation		<u>(9,454)</u>
Net investment in commercial property leases	\$	<u>41,039</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

12. OPERATING LEASE REVENUE, continued

Minimum future rentals on noncancellable operating leases as of June 30, 2014 are as follows:

<u>Years</u>		
2015	\$	1,842
2016		1,323
2017		1,220
2018		709
		<u>5,094</u>
	\$	<u>5,094</u>

13. UNEARNED REVENUE

The Authority had the following unearned revenues at June 30, 2014:

	<u>Total</u>	<u>Current</u>	<u>Noncurrent</u>
BOK Arena - advance ticket sales, membership fees, naming rights, sponsorships and box income	\$ 11,549	\$ 10,232	\$ 1,317
OTC - lease revenues	204	204	-
	<u>\$ 11,753</u>	<u>\$ 10,436</u>	<u>\$ 1,317</u>

13. BOK ARENA NAMING RIGHTS AND SPONSORSHIP AGREEMENTS

The Authority had \$19,090 in naming rights and sponsorships agreements outstanding at June 30, 2014. During the year, the Authority recognized \$2,080 in naming rights and sponsorship revenue. Any amounts received but not earned are reflected as unearned revenue on the statement of net position.

The future earnings to be recognized on these agreements are as follows:

<u>Years</u>	<u>Future Earnings</u>
2015	\$ 2,140
2016	2,140
2017	2,140
2018	2,140
2019	1,511
2020-2024	6,375
2025-2029	2,644
	<u>\$ 19,090</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

14. FACILITIES REVENUE

The Authority has entered into various agreements for the use of luxury boxes and club seats through 2018. During the year, the Authority recognized \$1,965 in luxury boxes and \$961 in club seats, which is included in facility revenue. Any amounts received but not earned are reflected as unearned revenue on the statement of net position.

15. OPERATING AGREEMENTS

ASSEMBLY CENTER LEASES - In October 1980, the City of Tulsa voters approved an increase in the City's hotel/motel tax from three percent to five percent. Additionally, City Ordinances were changed to allocate 59.6% of such tax received by the City to an expansion and partial renovation of the City's Assembly Center (the "Project"). The tax increase and the reallocation of the tax received were for the purpose of financing the 145,000 square foot addition to the Assembly Center via certain lease arrangements with the Authority. The substance of these leases is as follows:

Assembly Center Site Lease - The City holds title to the property at the west end of the Assembly Center upon which the Project was constructed. The City leased this site to the Authority for 32 years, ending March 1, 2014, for a nominal rental payment.

Assembly Center Complex Lease - This 32-year lease agreement, ending March 1, 2014, provides for the City to lease the project back from the Authority using, as a primary source of rental payments, 59.6% of the hotel/motel tax. These rentals paid by the City to the Authority amounted to \$2,139 for the year ended June 30, 2014. The rental payments are shown as payments from primary government on the Statement of Revenues, Expenses and Changes in Net Position.

ARENA AND CONVENTION CENTER MANAGEMENT AGREEMENTS - In March, 2006, the Authority entered into an operating agreement with SMG. The agreement as subsequently amended provides for the development, pre-operation and management services of both the Cox Business Center and BOK Arena facilities. The amended term of the operating section of the agreement is July 1, 2007 through June 30, 2010 for the Cox Business Center and July 1, 2007 through June 30, 2010 for the BOK Arena. The Authority extended the term for the operation of the Cox Business Center and the BOK Arena through June 30, 2013. In June 2013, the Authority and the City entered into a new operating agreement with SMG. The agreement provides for the development, pre-operation and management services of both the Cox Business Center and the BOK Arena facilities. The term of the operating section of the agreement is July 1, 2013 through June 30, 2018. The Authority may extend the agreement for an additional five years at its sole discretion. The contract is subject to annual appropriations and may be terminated by any party.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

15. OPERATING AGREEMENTS, continued

ARENA AND CONVENTION CENTER MANAGEMENT AGREEMENTS, continued

Under the agreement, for the year ended June 30, 2014, SMG earned an annual base management fee of \$137 for the Cox Business Center and \$137 for the BOK Arena. SMG can also earn an annual incentive fee based on the operating results of both facilities compared to certain operating thresholds, as defined in the agreements. The operating thresholds, as defined in the agreements are gross revenue, attendance and net operating profits. If the benchmark is met for a threshold, SMG may receive an incentive fee equal to 33 1/3% of the management fee. The incentive fee may not exceed the management fee for the year. SMG earned \$128 of incentive fee for the BOK Arena and \$138 for the Cox Business Center for the year ended June 30, 2014.

In September, 2007, the Authority entered into a master lease agreement with Bank of Oklahoma (“BOK”) wherein BOK guaranteed the payment of certain OTC lease revenues by third parties to the Authority. In exchange, the Authority agrees to pay to BOK 80% of OTC net cash flows, up to a maximum of \$4,500, from the first 66,589 square feet of OTC space leased. The remaining 20% of OTC net cash flows from this space are to be deposited into the Authority’s escrow account to be distributed subject to the terms of the agreement. During the year, \$18 of guarantee payments were due the Authority under this agreement. OTC net cash flow payments were \$513 to BOK and \$128 to the escrow.

16. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters other than natural disasters. There have been no significant reductions in insurance coverage for insured programs. Settled claims have not exceeded coverage in any of the three preceding years.

17. GENERAL LITIGATION

The Authority is subject to claims and lawsuits that arise primarily in the course of ordinary business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, changes in financial position and cash flows of the Authority.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

18. RELATED PARTY TRANSACTIONS

During the year ended, the Authority conducted the following transactions with related entities:

Payments from the City of Tulsa for capital improvements	\$ 27
Payments from the City of Tulsa for debt service on the Cox Business Center	\$ 1,727
Payments from the City of Tulsa for the Cox Business Center operations	\$ 2,559
Payments from the City of Tulsa for leased space in OTC	\$ 4,968
Payments from the Tulsa Authority for Recovery of Energy for loan financing	\$ 1,375
Payments to the Tulsa Authority for Recovery of Energy for loan financing	\$ 110

19. RESTATEMENT

The Authority restated beginning of year net position (deficit) for commissions previously recorded as a prepaid asset. This restatement is in connection with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which provided guidance on the treatment of initial direct costs of operating leases and was adopted by the Authority in 2012. As a result of the error, the change in net position for the year ending June 30, 2013 was understated by \$84 in the One Technology Center fund, overstated by \$115 in the Arena and Convention fund, and overstated in the Business-Type Activities total by \$31. The result of the restatement on the current beginning of year net position (deficit) is as follows:

	<u>One Technology Center</u>	<u>Arena and Convention</u>	<u>Business-Type Activities Total</u>
Net position (deficit), beginning of year	\$ (4,923)	\$ 208,943	\$ 208,593
Adjustment applicable to prior periods	(822)	(1,343)	(2,165)
Net position (deficit), beginning of year as restated	<u>\$ (5,745)</u>	<u>\$ 207,600</u>	<u>\$ 206,428</u>

20. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Authority beginning with its year ending June 30, 2015. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that met certain criteria.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

20. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS, continued

This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension costs. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. While the impact of GASB Statement No. 68 on the Authority's financial statements in the year of adoption has not been determined, it has the potential to have a significant impact on the Authority's financial statements.

GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, issued November 2013, will be effective for the Authority for its year ending June 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET POSITION – FINANCING FUND
Year Ended June 30, 2014

(in thousands of dollars)	Capital Improvements Revenue Bond 2012	Capital Improvements Revenue Bond	Financing Fund Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents, restricted	\$ 658	\$ -	\$ 658
Interest receivable, restricted	5	-	5
Advance to related entity	1,325	-	1,325
	<u>1,988</u>	<u>-</u>	<u>1,988</u>
Noncurrent assets:			
Investments, restricted	1,069	-	1,069
Advance to related entity	5,875	-	5,875
Nondepreciable capital assets	-	4,500	4,500
	<u>6,944</u>	<u>4,500</u>	<u>11,444</u>
Total Assets	<u>8,932</u>	<u>4,500</u>	<u>13,432</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accrued bond interest payable	76	-	76
Current portion of bonds payable	1,320	-	1,320
	<u>1,396</u>	<u>-</u>	<u>1,396</u>
Noncurrent liabilities:			
Revenue bonds payable, net of current portion	6,980	-	6,980
Unamortized premium	556	-	556
	<u>7,536</u>	<u>-</u>	<u>7,536</u>
Total liabilities	<u>8,932</u>	<u>-</u>	<u>8,932</u>
<u>NET POSITION</u>			
Net investment in capital assets	<u>-</u>	<u>4,500</u>	<u>4,500</u>
Total net position	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION – FINANCING FUND
Year Ended June 30, 2014

(in thousands of dollars)

	Capital Improvements Revenue Bond 2012	Capital Improvements Revenue Bond	Financing Fund Total
Operating revenues:			
Investment income	\$ 24	\$ -	\$ 24
Advance/loan interest income	141	-	141
	<u>165</u>	<u>-</u>	<u>165</u>
Operating expenses:			
Interest and amortization expense	165	-	165
	<u>165</u>	<u>-</u>	<u>165</u>
Change in net position	-	-	-
Net position, beginning of year	-	4,500	4,500
Net position, end of year	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS – FINANCING FUND
Year Ended June 30, 2014

(in thousands of dollars)

	Capital Improvements Revenue Bond 2012	Capital Improvements Revenue Bond	Financing Fund Total
Cash flows from operating activities:			
Interest paid on revenue bonds	\$ (349)	\$ -	\$ (349)
Investment income	15	-	15
Payments to related entity	(110)	-	(110)
Payments from related entity	1,375	-	1,375
Principal paid on long-term debt	(1,305)	-	(1,305)
Net cash used in operating activities	<u>(374)</u>	<u>-</u>	<u>(374)</u>
Net change in cash and cash equivalents	(374)	-	(374)
Cash and cash equivalents, beginning of year	<u>1,032</u>	<u>-</u>	<u>1,032</u>
Cash and cash equivalents, end of year	<u>\$ 658</u>	<u>\$ -</u>	<u>\$ 658</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position			
Restricted cash and cash equivalents	<u>\$ 658</u>	<u>\$ -</u>	<u>\$ 658</u>
Total cash and cash equivalents	<u>\$ 658</u>	<u>\$ -</u>	<u>\$ 658</u>
Reconciliation of operating income to net cash used in operating activities:			
Operating income	\$ -	\$ -	\$ -
Adjustments:			
Change in financing assets	(9)	-	(9)
Change in financing liabilities	(1,489)	-	(1,489)
Change in advances	1,124	-	1,124
Net cash used by operating activities	<u>\$ (374)</u>	<u>\$ -</u>	<u>\$ (374)</u>

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
DEBT COMPLIANCE INFORMATION (unaudited)
June 30, 2014

ONE TECHNOLOGY CENTER

Percentage of Occupied Units

Total occupied	12
Total vacant units	1
Total units	13
Percentage Occupied	92%

Percentage of Occupied Square Feet

Total Occupied Square Feet	454,082
Total Vacant Square Feet	33,156
Total Square Footage	487,238
Percentage Occupied	93%

Major Tenants and Square Feet

City of Tulsa	239,361
Magellan Midstream Partners, LP	48,156
Deloitte, LLP	35,282

