TULSA STADIUM TRUST
(A COMPONENT UNIT OF THE CITY OF TULSA, OKLAHOMA)

FINANCIAL STATEMENTS

June 30, 2011 and 2010

WITH

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Tulsa Stadium Trust

We have audited the accompanying basic financial statements of Tulsa Stadium Trust (the Trust), a component unit of the City of Tulsa, as of June 30, 2011, and 2010. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for years ended June 30, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
November 30, 2011

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

Management's Discussion and Analysis

For the Years Ended June 30, 2011 and 2010

Introduction

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

Financial Statements

Condensed Statements of Net Assets

	2011	2010	2009
Current assets	$ 116,510	$ 5,058,681	$ 1,425,755
Noncurrent assets	48,921,834	48,103,009	16,955,075
Total assets	49,038,344	53,161,690	18,380,830
Total liabilities	19,144,392	22,540,700	3,993,196
Net assets:			
Invested in capital assets, net of related liabilities	29,666,423	24,951,033	12,804,004
Restricted for maintenance	622,823	516,668	-
Unrestricted	(395,294)	5,153,289	1,583,630
Total net assets	$ 29,893,952	$ 30,620,990	$ 14,387,634

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

As of June 30, 2011 and 2010, the Trust had total assets of $49,038,344 and $53,161,690, respectively. Current assets consisted of cash of $58,842 and $1,705,538, pledges receivable of $29,976 and $3,189,420 and other receivables of $27,692 and $163,723, respectively. Noncurrent assets consisted of capital assets of $48,773,443 and $47,433,817 net of depreciation, deferred loan costs of $147,172 and $152,524 net of amortization, deposits of $1,219 and $0, and restricted cash of $0 and $516,668, respectively. At June 30, 2011 and 2010, total liabilities consisted of accounts payable of $50,708 and $127,706, retainage payable of $0 and $1,890,534, accrued expenses of $702,061 and $711,896 and bonds payable of $18,391,623 and $19,810,564, respectively.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	2011	2010	2009
Operating revenues	$ 269,874	$ 77,313	$ -
Operating expenses	2,611,090	1,217,756	123,491
Operating loss	(2,341,216)	(1,140,443)	(123,491)
Nonoperating revenues, net	1,614,178	17,373,799	11,009,375
Increase (decrease) in net assets	$ (727,038)	$ 16,233,356	$ 10,885,884

The Trust completed the construction phase of the stadium and began operations during the spring of 2010. The Trust is being partially funded by approximately $31,920,750 of gifts and sponsorships of which $754,917 and $16,208,349 of cash and pledged receivables were recorded at June 30, 2011 and 2010, respectively. During 2011 and 2010, operating revenues consisted of rental income of $163,719 and $60,645 and maintenance reserve revenue of $106,155 and $16,668, respectively. During 2011 and 2010, operating expenses consisted primarily of professional fees of $70,219 and $200,505, administrative expenses of $189,799 and $457,083, insurance expenses of $62,282 and $54,683, improvement district assessment of $28,735 and $20,140, litigation costs of $326,862 and $0 and depreciation and amortization of $1,933,193 and $485,345, respectively. Expenses incurred for the years ended June 30, 2011 and 2010, are primarily related to operating the stadium activities, litigation costs and management of the construction phase of the stadium.

Requests for information

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

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash	$ 58,842	$ 1,705,538
Pledges receivable	29,976	3,189,420
Other receivable	27,692	163,723
Total current assets	116,510	5,058,681
Capital assets, net	48,773,443	47,433,817
Restricted cash	-	516,668
Deferred loan costs, net of amortization	147,172	152,524
Other assets	1,219	-
Total assets	49,038,344	53,161,690
Liabilities		
Current liabilities:		
Accounts payable	50,708	127,706
Retainage payable	-	1,890,534
Accrued interest	702,061	711,896
Current maturities of bonds payable	339,030	318,941
Total current liabilities	1,091,799	3,049,077
Bonds payable, less current maturities	18,052,593	19,491,623
Total liabilities	19,144,392	22,540,700
Net assets:		
Invested in capital assets, net of related liabilities	29,666,423	24,951,033
Restricted for maintenance	622,823	516,668
Unrestricted	(395,294)	5,153,289
Total net assets	$ 29,893,952	$ 30,620,990

See notes to financial statements.

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Rent	$ 163,719	$ 60,645
Maintenance reserve revenue	106,155	16,668
	269,874	77,313
Operating expenses:		
Professional fees	70,219	200,505
Administrative expenses and other	189,799	457,083
Insurance	62,282	54,683
Depreciation and amortization	1,933,193	485,345
Improvement district assessment	28,735	20,140
Litigation costs	326,862	-
Total operating expenses	2,611,090	1,217,756
Operating loss	(2,341,216)	(1,140,443)
Nonoperating revenues (expenses):		
Noncapital gifts	754,917	16,208,349
Transfer from primary government	2,015,446	2,007,010
Interest income	1,563	11,115
Interest expense	(1,157,748)	(852,675)
Total nonoperating revenues, net	1,614,178	17,373,799
Increase (decrease) in net assets	(727,038)	16,233,356
Net assets, beginning of year	30,620,990	14,387,634
Net assets, end of year	$ 29,893,952	$ 30,620,990

See notes to financial statements.

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts from customers	$ 269,874	$ 77,313
Payments to suppliers	(698,441)	(674,495)
Net cash used in operating activities	(428,567)	(597,182)
Cash Flows from Noncapital Financing Activities		
Noncapital gifts received	3,914,361	13,523,736
Cash Flows from Capital and Related Financing Activities		
Proceeds from borrowings	3,900,000	20,100,050
Transfer from primary government	2,015,446	2,007,010
Payments from financing activity	136,031	-
Acquisition and construction of capital assets	(5,208,778)	(33,149,483)
Interest paid on bonds	(1,174,479)	(140,779)
Principal paid on bonds	(5,318,941)	(289,486)
Net cash used in financing activities	(5,650,721)	(11,472,688)
Cash Flows From Investing Activities		
Interest income	1,563	11,115
Increase (decrease) in cash	(2,163,364)	1,464,981
Cash, beginning of year	2,222,206	757,225
Cash, end of year	$ 58,842	$ 2,222,206
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (2,341,216)	$ (1,140,443)
Adjustments to reconcile operating loss to net cash provided by (used in)operating activities:		
Depreciation	1,927,842	479,994
Amortization of bond issue costs	5,351	5,351
Change in assets and liabilities:		
Accounts payable	(20,544)	57,916
Net cash provided by (used in) operating activities	$ (428,567)	$ (597,182)
Noncash Investing and Financing Activities		
Capital asset acquisitions in accounts and retainage payable	$ 13,336	$ 1,960,324

See notes to financial statements.

TULSA STADIUM TRUST
(a Component Unit of the City of Tulsa, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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

Description of organization

The Tulsa Stadium Trust (the Trust) a component unit of the City of Tulsa (the City) was organized as a public trust on September 25, 2008, for the use and benefit of the City under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes, 2001, Section 176 to 180.4. The purpose of the Trust is to acquire, construct, own and operate a baseball stadium in downtown Tulsa and amenities and facilities necessary or convenient thereto. In addition, the trust may engage in other projects if approved by a vote of two-thirds of the trustees. The Trust shall terminate when the purpose of the Trust has been fully executed as determined by a majority vote of the full membership of both the trustees and the governing body of the city or in a manner provided by Title 60, Oklahoma Statutes, Section 180. The stadium construction phase was completed during the year ended June 30, 2010.

Basis of accounting and presentation

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

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

Cash equivalents

The Trust considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and 2010, the trust did not have any cash equivalents.

Capital assets

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value as of the date donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets between 10-25 years. Expenditures for maintenance and repairs are charged to expense as incurred whereas major improvements are capitalized. Gains and losses from the sale of property and equipment are reflected in the year of disposal.

Deferred loan costs

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

Net assets

Net assets of the Trust are classified in four components. Net assets invested in capital assets, net of related liabilities, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of any related liabilities used to finance the purchase or construction of those assets. Related expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Trust. Restricted nonexpendable net assets are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Trust. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related liabilities or restricted expendable or nonexpendable. The Trust did not have any restricted nonexpendable net assets at June 30, 2011 or 2010.

Gifts and sponsorship

The Trust is being partially funded by approximately $31,920,750 of gifts and sponsorships. All cash gifts are made to the Tulsa Community Foundation (the Foundation) on behalf of the Trust. The Trust records revenue from cash contributions when cash has been received by the Foundation and the Trust has eligible expenditures.

Income taxes

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

Use of estimates

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

Subsequent events

The Trust has evaluated subsequent events through November 30, 2011, the date which the financial statements were available to be issued.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation. The reclassification had no affect on total assets, liabilities or net assets.

Note 2 – Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposit may not be returned to it. The Trust's deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured.

As of June 30, 2011 and 2010, none of the Trust's bank balances of $58,842 and $2,222,206 were exposed to custodial credit risks.

Note 3 – Capital Assets

A summary of the Trust's capital assets activity for the years ended June 30, 2011 and 2010 is as follows:

	Balance June 30, 2010	Capital Acquisitions	Sales/Other Dispositions	Transfers	Balance June 30, 2011
Capital assets not being depreciated:					
Land	$ 2,841,018	$ -	$ -	$ -	$ 2,841,018
Investment real estate	-	2,850,020	-	-	2,850,020
Capital assets being depreciated:					
Stadium Facilities	43,121,747	456,191	-	-	43,577,938
Stadium Equipment	1,951,046	31,047	(69,790)	-	1,912,303
	47,913,811	3,337,258	(69,790)	-	51,181,279
Less: accumulated depreciation	(479,994)	(1,927,842)	-	-	(2,407,836)
	$ 47,433,817	$ 1,409,416	$ (69,790)	$ -	$ 48,773,443

	Balance June 30, 2009	Capital Acquisitions	Sales/Other Dispositions	Transfers	Balance June 30, 2010
Capital assets not being depreciated:					
Land	$ 2,841,018	$ -	$ -	$ -	$ 2,841,018
Construction-in-progress	13,956,182	-	-	(13,956,182)	-
Capital assets being depreciated:					
Stadium Facilities	-	29,165,565	-	13,956,182	43,121,747
Stadium Equipment	-	1,951,046	-	-	1,951,046
	16,797,200	31,116,611	-	-	47,913,811
Less: accumulated depreciation	-	(479,994)	-	-	(479,994)
	$ 16,797,200	$ 30,636,617	$ -	$ -	$ 47,433,817

Note 4 – Long-Term Debt

On December 12, 2008, the Trust entered into a $25,000,000 revenue bond agreement with the Foundation, the proceeds of which were to be used to fund stadium construction costs.

The bond agreement was amended effective May 25, 2010, allowing the Trust to request advances not to exceed $25,000,000 less the sum of principal payments required to be paid in accordance with the principal payment schedule. The bond agreement was subsequently amended June 10, 2010, whereby the originally issued bond was surrendered and two bonds were issued. The new bonds are designated as the Tulsa Stadium Trust $19,710,564 Improvement District No. 1 Revenue Bond No. 2010-1 (the Exempt Bond) and the Tulsa Stadium Trust $5,000,000 Improvement District No. 1 Bond 2010-2 (the Taxable Bond) with outstanding balances at June 30, 2011 of $13,714,399 and $4,677,224, respectively. The Exempt and Taxable bonds accrue interest at 6.15% and 7.90% annually, respectively, require annual principal and interest payments and mature November 30, 2038. The bonds are collateralized by an undivided percent of property tax assessment of the Tulsa Stadium Improvement District No. 1 as defined in the bond documents and a mortgage on the assets of the Trust, including rentals and other revenues from the lease agreement described in Note 5. Principal and interest payments commenced November 30, 2010. Unused and available bond balances at June 30, 2011 were $6,000,000.

The following is a summary of changes in bonds payable for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within A Year
Bonds payable	$ 19,810,564	$ 3,900,000	$ 5,318,941	$ 18,391,623	$ 339,030

The annual debt service requirements as of June 30, 2011 are as follows:

	Bonds Payable	
Year ending June 30	Principal	Interest
2012	$ 339,030	$ 1,217,559
2013	360,386	1,210,772
2014	383,086	1,183,738
2015	407,218	1,158,513
2016	432,870	1,131,698
2017-2021	2,609,397	5,198,835
2022-2026	3,541,629	4,220,300
2027-2031	4,807,016	2,895,633
2032-2036	4,745,450	1,134,901
2037-2038	765,541	105,394
	$ 18,391,623	$ 19,457,343

Note 5 – Operating Lease Agreement

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

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

The lease agreement requires the Trust to be responsible for capital expenditures related to the baseball stadium and to establish a trust fund for the long-term maintenance and capital needs of the stadium. The Trust funded the trust fund with $500,000 during 2010 and is required to maintain a minimum balance of $500,000 over the 30-year initial term of the lease. The lessee is required to make annual contributions to the trust fund of $50,000 to be adjusted annually by the CPI Index, which is capped at 5%. In addition, additional lessee contributions to the trust fund are required should paid attendance to Tulsa Drillers games exceed 300,000 during any baseball season. The lessee contributed $106,155 to the fund during 2011. During 2011, excess trust funds were used to pay down on the outstanding balances of both bonds in order to decrease the interest expense incurred. Management determined that this was a prudent temporary use of the trust funds. The unused bond balances of $6,000,000 were available for potential maintenance needs.

Note 6 – Litigation

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

OTHER REPORTS

Stanfield & O'Dell PC
Beyond numbers. To solutions.
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Tulsa Stadium Trust

We have audited the financial statements of the Tulsa Stadium Trust (the Trust), a component unit of the City of Tulsa as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than those specified parties.

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
November 30, 2011