TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)

FINANCIAL REPORT
June 30, 2016

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TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2016

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RSM US LLP

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, each major fund and the aggregate remaining fund information 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, 2016, 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 16 to the financial statements, which are included within the financial statements of the Arena and Convention Center major enterprise fund. This activity represents 12 percent and 74 percent, respectively, of the total assets and total revenues of the Arena and Convention Center major enterprise fund, and 9 percent and 48 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, each major fund and the aggregate remaining fund information of the Authority, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 and pension information on page 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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.

RSM US LLP

Kansas City, Missouri
November 21, 2016

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, 2016. 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 $187,004.

- The Authority's net position decreased to $187,004 as of June 30, 2016 from $193,980 as of June 30, 2015.

- The Authority's liabilities increased by $1,558 as of June 30, 2016. Advance ticket sales were the primary driver with an increase of $4,721 offset by the repayment of $3,835 in revenue bonds.

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.

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 three enterprise funds. Enterprise funds are used to report functions presented as business-type activities.

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, liabilities and deferred outflows/inflows of resources 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 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 $187,004 at June 30, 2016, from $193,980 at June 30, 2015. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	2016	2015	Dollar Change	Percent Change
Current assets	$ 35,143	$ 26,903	$ 8,240	30.6%
Capital assets, net	227,768	239,156	(11,388)	(4.8%)
Other assets	20,008	22,703	(2,695)	(11.9%)
Total assets	282,919	288,762	(5,843)	(2.0%)
Deferred outflow of resources	390	37	353	954.1%
Current liabilities	18,487	13,070	5,417	41.4%
Noncurrent liabilities	77,657	81,516	(3,859)	(4.7%)
Total liabilities	96,144	94,586	1,558	1.6%
Deferred inflow of resources	161	233	(72)	(30.9%)
Net investment in capital assets	169,178	178,878	(9,700)	(5.4%)
Restricted	2,235	2,542	(307)	(12.1%)
Unrestricted	15,591	12,560	3,031	24.1%
Net position	$ 187,004	$ 193,980	$ (6,976)	(3.6%)

Current assets increased $8,240 primarily due to an increase in restricted cash from arena events of $5,445 and an increase in unrestricted cash of $2,574. Capital assets decreased $11,388 resulting from annual depreciation. Other assets decreased $2,695 as a result of investments decreasing $550, capital lease receivable decreasing $642, and a decrease in advances to related entities of $1,503. Total liabilities increased $1,558 primarily due to increases in advance ticket sales of $4,721 and net pension liability of $451 offset by a $3,835 decrease in scheduled debt payments on revenue bonds.

Net Position, continued

SUMMARY OF CHANGES IN NET POSITION

	2016	2015	Dollar Change	Percent Change
Operating revenues	$ 24,744	$ 25,841	$ (1,097)	(4.2%)
Nonoperating revenues	3,294	2,217	1,077	48.6%
Total revenues	28,038	28,058	(20)	(0.1%)
Operating expenses	31,031	32,248	(1,217)	(3.8%)
Nonoperating expenses	3,983	4,051	(68)	(1.7%)
Total expenses	35,014	36,299	(1,285)	(3.5%)
Change in net position	(6,976)	(8,241)	1,265	15.4%
Net position, beginning of year	193,980	202,221	(8,241)	(4.1%)
Net position, end of year	$ 187,004	$ 193,980	$ (6,976)	(3.6%)

In 2016, the Authority's operating revenues decreased $1,097 or 4.2%, a result of arena facility revenue decreasing $913, lease revenue from One Technology Center decreased $191 and other revenue decreased $33 offset by an increase in parking revenue of $40. Nonoperating revenues increased $1,077 with an increase in payments from primary government.

Operating expenses decreased $1,217 or 3.8%. Operating expenses for the Arena decreased $280 and One Technology Center also had a decrease in operating expenses of $784 related to utilities and leasing commissions and depreciation of $330. These expenses were offset by an increase of $177 in personal services for One Technology Center. Nonoperating expenses decreased $68 as a result of a decrease in interest expense.

Capital Assets

The Authority's investment in capital assets as of June 30, 2016, amounts to $227,768 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, parking garage, leasehold improvements and artwork.

CAPITAL ASSETS

	2016	2015	Dollar Change	Percent Change
Land	$ 16,465	$ 16,465	$ -	0.0%
Artwork	653	653	-	0.0%
Construction-in-progress	73	138	(65)	(47.1%)
Leasehold improvements	50,767	55,498	(4,731)	(8.5%)
Buildings	239,301	238,611	690	0.3%
Parking garage	3,521	3,521	-	0.0%
Equipment	34,681	34,604	77	0.2%
	345,461	349,490	(4,029)	(1.2%)
Less accumulated depreciation	(117,693)	(110,334)	(7,359)	6.7%
Capital assets, net	$ 227,768	$239,156	$ (11,388)	(4.8%)

The overall decrease in capital assets is due to annual depreciation.

Noncurrent Liabilities

At year end, the Authority had debt outstanding of $79,305. The Authority's debt decreased $3,835 during the year. The decrease is the result of scheduled debt payment on revenue bonds.

OUTSTANDING DEBT

	2016	2015	Dollar Change	Percent Change
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	5,460	6,860	(1,400)	(20.4%)
Capital Improvement Revenue Bonds, Series 2008	9,660	10,755	(1,095)	(10.2%)
Capital Improvement Revenue Bonds, Series 2012	5,640	6,980	(1,340)	(19.2%)
Total revenue bonds	$ 79,305	$ 83,140	$ (3,835)	(4.6%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2017 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 4.9 percent at the end of fiscal-year 2016. Unemployment in the City of Tulsa was 5.4 percent at the end of fiscal-year compared to 4.8 percent at the end of the last fiscal year. The downturn in the oil and gas industry has affected the local unemployment rate but the Authority has not experienced a decline in collection rates for accounts receivable.

US Consumer spending fell slightly in the second half of 2016 after recording its largest increases in nearly six years in the second quarter of 2015 but a tightening labor market could fuel higher levels of spending for the latter half of 2016 according to economists. Oklahoma's real GDP has contracted in recent months with the downturn in oil and gas mining.

The BOK Arena continues to maintain its status as one of the world's busiest concert arenas ranking 12 out of 100 venues in the United States and 32 out of 100 venues globally for the first quarter of 2016 and has been nominated for 2016 Arena of the Year.

Office vacancies in the City of Tulsa decreased approximately .1% from July 2015 through June 2016. The commercial real estate leasing environment in Tulsa remained relatively stable over the course of the year because the non-energy parts of Tulsa's industry are faring better, continuing a demand for class A office space.

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, 2016

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Business-Type Activities Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 4,956	$ 16,127	$ -	$ 21,083
Cash and cash equivalents, restricted	1,149	8,210	398	9,757
Interest receivable	13	14	4	31
Accounts receivable, net	451	935	-	1,386
Advance to related entity	-	-	1,372	1,372
Prepaid expenses	-	572	-	572
Inventory	-	300	-	300
Capital lease receivable	642	-	-	642
	7,211	26,158	1,774	35,143
Noncurrent assets:				
Cash and cash equivalents, restricted	3,388	36	32	3,456
Investments, restricted	-	1,578	1,078	2,656
Advance to related entity	-	-	3,080	3,080
Capital lease receivable	10,816	-	-	10,816
Nondepreciable capital assets	3,182	9,509	4,500	17,191
Depreciable capital assets, net	35,700	174,877	-	210,577
Total Assets	$ 60,297	$ 212,158	$ 10,464	$ 282,919
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 390	$ -	$ -	$ 390

(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, 2016

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Business-Type Activities Total
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	$ 487	$ 2,532	$ -	$ 3,019
Compensated absences	24	-	-	24
Unearned revenue	134	3,940	-	4,074
Advance ticket sales	-	6,713	-	6,713
Accrued bond interest payable	414	147	56	617
Current portion of bonds payable	1,485	1,190	1,365	4,040
	2,544	14,522	1,421	18,487
Noncurrent liabilities:				
Deposits subject to refunds	8	-	-	8
Unearned revenue	-	1,134	-	1,134
Revenue bonds payable, net of current portion	62,520	8,470	4,275	75,265
Unamortized premium	-	-	268	268
Net pension liability	1,008	-	-	1,008
Compensated absences	9	-	-	9
Other post employment benefits	78	-	-	78
Unamortized discount	(113)	-	-	(113)
	63,510	9,604	4,543	77,657
Total liabilities	$ 66,054	$ 24,126	$ 5,964	$ 96,144
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 161	$ -	$ -	$ 161
NET POSITION				
Net investment in capital assets	(11,663)	176,341	4,500	169,178
Restricted for:				
Debt service	736	-	-	736
Capital projects	1,499	-	-	1,499
Unrestricted	3,900	11,691	-	15,591
Total net position (deficit)	$ (5,528)	$ 188,032	$ 4,500	187,004

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, 2016

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Business-Type Activities Total
Operating revenues:				
Lease revenue	$ 8,062	$ -	$ -	$ 8,062
Facilities revenue	-	13,521	-	13,521
Sponsorship and naming rights revenue	-	2,080	-	2,080
Parking facilities revenue	837	-	-	837
Investment income	-	-	18	18
Advance/loan interest income	-	-	107	107
Other	87	32	-	119
	8,986	15,633	125	24,744
Operating expenses:				
Personal services	846	-	-	846
Materials and supplies	152	-	-	152
Services and Charges	4,410	13,404	-	17,814
Interest and amortization expense	-	-	125	125
Depreciation	1,224	10,870	-	12,094
	6,632	24,274	125	31,031
Operating income (loss)	2,354	(8,641)	-	(6,287)
Nonoperating revenues (expenses):				
Investment income	658	57	-	715
Interest and amortization expense	(3,344)	(636)	-	(3,980)
Operating subsidy from the City	-	2,540	-	2,540
Capital contributions from the City	17	22	-	39
Loss on disposal of capital assets	(3)	-	-	(3)
	(2,672)	1,983	-	(689)
Change in net position	(318)	(6,658)	-	(6,976)
Net position (deficit), beginning of year	(5,210)	194,690	4,500	193,980
Net position (deficit), end of year	$ (5,528)	$ 188,032	$ 4,500	$ 187,004

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, 2016

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Business-Type Activities Total
Cash flows from operating activities:				
Interest paid on revenue bonds	$ -	$ -	$ (268)	$ (268)
Receipts from customers	9,000	20,811	-	29,811
Investment income	-	-	14	14
Payments to suppliers for goods and services	(4,842)	(13,306)	-	(18,148)
Payments for employment services	(789)	-	-	(789)
Payments on advance from related entity	-	-	1,584	1,584
Principal paid on long-term debt	-	-	(1,340)	(1,340)
Net cash provided (used) by operating activities	3,369	7,505	(10)	10,864
Cash flows from noncapital financing activities:				
Operating subsidy from the City	-	2,540	-	2,540
Net cash provided by noncapital financing activities	-	2,540	-	2,540
Cash flows from capital financing activities:				
Acquisition of capital assets	(273)	(542)	-	(815)
Capital contributions from the City	17	22	-	39
Principal paid on revenue bonds	(1,400)	(1,095)	-	(2,495)
Interest paid on revenue bonds	(3,339)	(652)	-	(3,991)
Payments received for capital lease transaction	1,200	-	-	1,200
Net cash used by capital financing activities	$ (3,795)	$ (2,267)	$ -	$ (6,062)

(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 CASH FLOWS, continued
Year Ended June 30, 2016

(in thousands of dollars)

	One Technology Center	Arena and Convention	Financing	Business-Type Activities Total
Cash flows from investing activities:				
Investment income	$ 43	$ 52	$ -	$ 95
Proceeds from sales or maturities of investments	742	-	-	742
Net cash provided by investing activities	785	52	-	837
Net change in cash and cash equivalents	359	7,830	(10)	8,179
Cash and cash equivalents, beginning of year	9,134	16,543	440	26,117
Cash and cash equivalents, end of year	$ 9,493	$ 24,373	$ 430	$ 34,296
Reconcilation of cash and cash equivalents to the Statement of Net Position				
Unrestricted cash and cash equivalents	$ 4,956	$ 16,127	$ -	$ 21,083
Current restricted cash and cash equivalents	1,149	8,210	398	9,757
Noncurrent restricted cash and cash equivalents	3,388	36	32	3,456
Total cash and cash equivalents	$ 9,493	$ 24,373	$ 430	$ 34,296
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 2,354	$ (8,641)	$ -	$ (6,287)
Adjustments:				
Depreciation	1,224	10,870	-	12,094
Change in accounts receivable and other assets	12	(172)	-	(160)
Change in deferred outflows of resources	(354)	-	-	(354)
Change in accounts payable and other liabilities	(245)	5,448	-	5,203
Change in net pension liability	450	-	-	450
Change in deferred inflows of resources	(72)	-	-	(72)
Change in financing assets	-	-	(4)	(4)
Change in financing liabilities	-	-	(1,483)	(1,483)
Change in operational financing activities	-	-	1,477	1,477
Net cash provided (used) by operating activities	$ 3,369	$ 7,505	$ (10)	$ 10,864
Noncash investing activities:				
Appreciation of fair value of investments	$ 25	$ 4	$ 3	$ 32

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

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 the BOK Arena and Cox Business Center facilities.

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, 229,000 square feet is leased by the City and the remaining is available for leasing to private businesses.

The Cox Business Center, opened in 1964, is an award winning venue that houses an 8,900 seat arena, exhibit hall and ballroom.

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. The five trustees of the Authority are the Mayor and four individuals appointed by the Mayor and confirmed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its primary purposes are to issue revenue bonds to finance major capital improvements and manage certain properties on behalf of the City. Financing activities of this fund are included as an internal service fund and enterprise activities are included as enterprise funds.

BASIS OF ACCOUNTING - The financial statements of the Authority are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to enterprise activities of 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 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.

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

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.

The Authority reports the following nonmajor 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 for possible development.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents reported on the statement of net position include both the amounts deposited within the City's pooled portfolio and other cash and cash equivalents.

The Authority's cash and cash equivalents included in the City's pooled portfolio are recorded at the net asset value of their position in the City's pooled portfolio. The Authority is allocated interest monthly based on their average daily position in the City's pooled portfolio. Changes in fair value of the City's pooled portfolio are allocated annually based on the Authority's position as of June 30.

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 amounts held by the City's portfolio pool, to be cash equivalents

The amounts held in the City's pooled portfolio are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

INVESTMENTS –The Authority invests available cash in accordance with the bond indentures and/or state statutes, authorized investments consist of obligations of the U.S. Treasury, and federal agencies and instrumentalities. The investments of the Authority are reported at fair value.

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

FAIR VALUE MEASUREMENTS – During the fiscal year ending June 30, 2016, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same-that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Authority categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority’s own assumptions as there is little, if any, related market activity.

Hierarchy – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs – If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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

ACCOUNTS RECEIVABLE – Accounts receivable are stated net of an allowance for doubtful accounts. The allowance is determined by the length of time accounts receivable are past due and an analysis of the customer’s ability to pay. Accounts receivable are written off when deemed uncollectible.

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.

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

CAPITAL ASSETS - Capital assets purchased or acquired are carried at historical cost. Interest incurred during the construction phase of capital assets of enterprise activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the year ended June 30, 2016.

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.

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	$5

UNEARNED REVENUE – Unearned revenues for the BOK Arena and Cox Business Center are comprised of arena naming rights, sponsorships, club sales, advertising and event deposits and are recognized on a straight line basis 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.

ADVANCE TICKET SALES – A liability is recorded for advance ticket sales to be paid to the promoter at the end of an event. These funds are deposited in an escrow account until the event occurs.

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.

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

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 26 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, if separation occurs before retirement eligibility. Upon retirement the employee is eligible to receive a lump sum payout of one hour for every three hours accrued if the employee has at least 960 hours. The liability for sick leave consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation payments and other employees who are expected to become eligible in the future to receive such payments upon separation are included. The liability for compensated absences attributable to the Authority are charged to expense during the period earned and is probable of payout, and a corresponding liability is established.

PENSIONS – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement Plan (MERP) and additions to/deductions from MERP's fiduciary net position have been determined on the same basis as they are reported by MERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POSTEMPLOYMENT BENEFITS – 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 postemployment healthcare, are taken after the employees' services have ended. Nevertheless, the benefit constitutes compensation for employee services. The Authority accounts for 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.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be reported as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Authority records deferred outflows of resources and deferred inflows of resources related to their participation in MERP.

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 and deferred inflows/outflows. 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 resources are available, the Authority first applies restricted resources. Unrestricted net position is the difference between assets, liabilities and deferred inflow/outflows of resources 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 non-operating 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

2. CASH DEPOSITS AND INVESTMENTS

CASH AND CASH EQUIVALENTS – Cash deposits of The Authority are held within the City's pooled portfolio. The City's pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2016 the Authority maintained a balance of $5,567 in the City's pooled portfolio which represented .77% of the City's pooled portfolio.

As of June 30, 2016, the Authority has $23,727 of cash and cash equivalents held with the operator of the BOK Arena.

The City's pooled portfolio is collateralized by securities held by the City or its agent in the City's name as June 30, 2016.

Please refer to the City's Comprehensive Annual Financial report for additional information on the City's pooled portfolio, including required disclosures of risks and fair value measurement techniques. A copy of the City's separately issued report can be obtained at www.cityoftulsa.org.

INVESTMENTS – At June 30, 2016, the Authority had the following investments:

		Maturities in Years				Fair Value
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**Moody's**	**S& P**	**Measurement**
Federal Home Loan Bank Securities	$ 2,656	$ -	$ 2,656	Aaa	AA+	Level 2

In addition, the Authority has money market accounts of $5,002 as of June 30, 2016 which are reported as cash equivalents on the statement of net position.

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

The Authority's investment policy is established by bond indentures that provide for maturity of investments as bonds become due.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's bond indentures dictate the types of investments that can be purchased thereby reducing credit risk.

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

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.

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, 2016 none of the Authority's deposits and investments of $23,727 and $2,656 of U.S. agency obligations was 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. At June 30, 2016, the Authority's investments in Federal Home Loan Bank constituted approximately 100% of its total investments.

INVESTMENT INCOME – Investment income for the year ended June 30, 2016, consisted of:

INVESTMENT INCOME:		
Interest and dividend income	$	767
Advance/loan interest income		18
Net increase in fair value of investments and cash equivalents		55
	$	840

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

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.

	OTC	Arena	Total
Accounts receivable:			
Lease revenue	$ 358	$ -	$ 358
Parking facility revenue	71	-	71
Event revenue	-	462	462
Sponsorship revenue	-	478	478
Miscellaneous revenue	22	-	22
Total	451	940	1,391
Less: Allowance for doubtful accounts	-	(5)	(5)
Accounts Receivable, net	$ 451	$ 935	$ 1,386

4. ADVANCES TO RELATED ENTITY

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 $4,452 at June 30, 2016 relating to this financing agreement.

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

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 and annual lease payments will be $2,207. 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 accounts for the lease agreement as a capital lease.

Minimum future rentals on noncancellable capital leases as of June 30, 2016 are as follows:

Year	Principal	Interest	Debt Subtotal	Operating Costs	Total
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	746	454	1,200	1,007	2,207
2021	784	416	1,200	1,007	2,207
2022-2026	4,564	1,436	6,000	5,035	11,035
2027-2029	3,337	263	3,600	3,021	6,621
	$ 11,458	$ 4,142	$ 15,600	$ 13,091	$ 28,691

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 16,465	$ -	$ -	$ 16,465
Artwork	653	-	-	653
Construction in progress	138	560	(625)	73
Total capital assets not being depreciated	17,256	560	(625)	17,191
Capital assets, being depreciated:				
Leasehold improvements	55,498	-	(4,731)	50,767
Buildings	238,611	697	(7)	239,301
Parking garage	3,521	-	-	3,521
Equipment	34,604	77	-	34,681
Total capital assets being depreciated	332,234	774	(4,738)	328,270
Less accumulated depreciation:				
Leasehold improvements	(16,990)	(2,031)	4,731	(14,290)
Buildings	(68,826)	(7,036)	4	(75,858)
Parking garage	(919)	(117)	-	(1,036)
Equipment	(23,599)	(2,910)	-	(26,509)
Total accumulated depreciation	(110,334)	(12,094)	4,735	(117,693)
Total capital assets being depreciated, net	221,900	(11,320)	(3)	210,577
Capital assets, net	$ 239,156	$ (10,760)	$ (628)	$ 227,768

7. PENSION PLAN

Plan Description – Employees of the Authority are provided with pensions through MERP-a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City). MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City of Tulsa's Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2nd Street, Tulsa, Oklahoma 74103.

7. PENSION PLAN, continued

Benefits Provided – MERP provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest 30 months of pensionable wages during the last five years of service and a multiplier based on the years of service. Employees are eligible for full retirement at age 65 and at least 5 years of service or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early Retirement). Benefits for Early retirement are reduced 2.5 percent per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement with additional service credited during the period of disability. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50 percent of the member's accrued benefit determined based on final average earnings and service as of the date of death.

Contributions – Contributions are set per City of Tulsa ordinance. Employees were required to contribute 6.5 percent of their pensionable wages for the year ended June 30, 2016. The Authority was required to contribute 11.5 percent of pensionable wages for the year ended June 30, 2016. Actual contributions to the pension plan from the Authority were $63 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Authority reported a liability of $1,008 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension liability to June 30, 2016. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2016, the Authority's proportion was .4662 percent, which was an increase of .0210 from its proportion measured as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

7. PENSION PLAN, continued

For the year ended June 30, 2016, the Authority recognized pension expense of $88. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 11	$ 26
Changes of assumptions	221	135
Net difference between projected and actual earnings on pension plan investments	102	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	56	-
Total	$ 390	$ 161

Note: Changes of assumptions – In 2016, amounts reported as changes in assumptions resulted primarily from the changes in the mortality table and discount rate from 7.75% to 7.50%.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 26
2018	26
2019	118
2020	59
	$ 229

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

7. PENSION PLAN, continued

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 11.75 percent, including inflation.
Investment rate of return	7.5 percent compounded annually, net of investment expense and including inflation

Mortality rates were based on RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Generational mortality improvements with Scale MP-2015 are from the table's base year of 2014.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	24%	1.16%
Domestic equity	36%	6.19%
International equity	24%	6.59%
Real estate	8%	4.24%
Commodities	3%	0.50%
Timber	4%	4.25%
Cash	1%	0.11%
Total	100%	

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

7. PENSION PLAN, continued

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the participating employers will be made as specified in MERP's funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 14.85 percent of payroll, which is the actuarially determined contribution rate. Based on those assumptions, MERP's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	$ 1,355	$ 1,008	$ 718

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net positon is available in the City of Tulsa's CAFR; which can be located at www.cityoftulsa.org.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Authority provides postemployment health care benefits for retired employees and their dependents through participation in 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 and are funded on a pay-as-you-go basis.

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.

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

The actuarial valuation of liabilities under the plan is calculated using the entry age normal cost method as of the July 1, 2016, 2015 and 2014 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately $9,713, $12,180 and $14,216 for the City as of June 30, 2016, 2015, and 2014, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determined.

Annual OPEB Cost Information - City

Year	Actuarially Required Contributions	Employer Contributions	Percent Contributed	Authority's OPEB Obligation
2016	$ 977	$ 796	81%	$ 78
2015	1,207	618	51%	69
2014	1,376	1,332	97%	70

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. UNEARNED REVENUE

The Authority had the following unearned revenues at June 30, 2016:

	Total	Current	Noncurrent
Arena and Convention event deposits	$ 230	$ 230	$ -
Arena and Convention - naming rights, club sales, advertising, and sponsorships	4,844	3,710	1,134
One Technology Center - lease revenues	134	134	-
	$ 5,208	$ 4,074	$ 1,134

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

10. REVENUE BONDS PAYABLE

Revenue bonds payable activity for the year ended June 30, 2016 is as follows:

REVENUE BONDS PAYABLE

Bond, Series, Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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%	6,860	-	(1,400)	5,460	1,485
Capital Improvements,							
Series 2008, 2027	16,000	6.07%	10,755	-	(1,095)	9,660	1,190
Capital Improvements,							
Series 2012, 2020	10,900	3.00%-4.00%	6,980	-	(1,340)	5,640	1,365
Total revenue bonds			83,140	-	(3,835)	79,305	4,040
Unamortized premiums			401	-	(133)	268	-
Unamortized discounts			(119)	-	6	(113)	-
			$ 83,422	$ -	$ (3,962)	$ 79,460	$ 4,040

	Principal	Interest	Total
2017	$ 4,040	$ 4,133	$ 8,173
2018	3,865	3,987	7,852
2019	4,595	3,852	8,447
2020	4,030	3,678	7,708
2021	2,745	3,457	6,202
2022-2026	14,450	14,556	29,006
2027-2031	16,675	9,487	26,162
2032-2036	19,585	4,951	24,536
2037-2038	9,320	460	9,780
	$ 79,305	$ 48,561	$ 127,866

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

11. OTHER LONG-TERM LIABILITIES

The changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Other long-term liabilities:					
Vested compensated absences	$ 25	$ 45	$ 37	$ 33	$ 24
Net pension liability	558	576	126	1,008	-
Other postemployment benefits	69	9	-	78	-
Contract lease obligation	65	-	65	-	-
Total other long-term liabilities	$ 717	$ 630	$ 228	$ 1,119	$ 24

12. 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 $108,509 with annual requirements ranging from $4,805 to $5,677 through 2038. Annual debt service required 59% of gross revenues. Principal and interest paid amounted to $4,739. Current year lease revenue totaled $8,062.

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.

Total principal and interest remaining on the debt is $13,147 with annual requirements ranging from $674 to $1,776 through 2027. Annual debt service required 84% of sponsorship and naming right revenues which are pledged towards the debt under the indenture. The Authority paid $1,747 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.

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

12. 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 $6,210 with annual debt service requirements ranging from $1,518 to $1,591 through 2020. Annual debt service required 6% of TARE refuse revenue, which is the pledged revenue towards the debt per the bond indenture. Principal and interest paid during the year amounted to $1,608. Solid waste collection and disposal revenue recorded by TARE was $26,599.

13. 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 64% of the net rentable space is available to external tenants. At year end, the building was approximately 88% 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 $1,224 for the current year.

The gross amounts of capital assets subject to lease as of June 30, 2016 are as follows:

Building	$	38,309
Parking garage		3,521
Land		3,165
Equipment		5,846
Construction in Progress		17
Accumulated depreciation		(11,976)
Net investment in commercial property leases	$	38,882

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

13. OPERATING LEASE REVENUE, continued

Minimum future rentals on noncancellable operating leases as of June 30, 2016 are as follows:

Year		
2017	$	1,638
2018		1,710
2019		1,632
2020		1,210
	$	6,190

14. BOK ARENA NAMING RIGHTS AND SPONSORSHIP AGREEMENTS

The Authority had $14,817 in naming rights and sponsorships agreements outstanding at June 30, 2016. 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:

Years		Future Earnings
2017	$	2,147
2018		2,149
2019		1,501
2020		1,386
2021		1,386
2022-2026		5,049
2027-2029		1,199
	$	14,817

15. 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 $2,497 in luxury boxes and $925 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.

16. OPERATING AGREEMENTS

COX BUSINESS CENTER AND BOK CENTER LEASE AND PROJECT AGREEMENTS-The Authority has leased the Cox Business Center and BOK Center (the Facilities) from the City for 25 years, ending June 30, 2032 or such longer period as any indebtedness issued in connection with the Facilities is outstanding. The lease assists the Authority in making financing arrangements that benefit improvements at the Facilities. The Authority has also entered into a project agreement that makes available proceeds of the Hotel/Motel Tax necessary to pay principal and interest on certain Facility bonds and to operate and maintain the Facilities. During the year the Authority received $2,540 from the City's Hotel/Motel taxes to operate and maintain the Facilities.

ARENA AND CONVENTION CENTER MANAGEMENT AGREEMENTS - In June 2013, the Authority and the City entered into an operating agreement with SMG. The agreement provides for the development 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.

Under the agreement, for the year ended June 30, 2016, SMG earned an annual base management fee of $140 for the Cox Business Center and $140 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 $140 of incentive fee for the BOK Arena and $140 for the Cox Business Center for the year ended June 30, 2016.

17. RISK MANAGEMENT

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

The Authority also participates in the City's workers compensation self-insurance program. The City retains all risk of loss for workers' compensation claims.

18. 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.

NOTES TO FINANCIAL STATEMENTS (in thousands of dollars)

19. RELATED PARTY TRANSACTIONS

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

Capital contributions from the City of Tulsa for capital improvements	$	39
Operating subsidy from the City of Tulsa for the Cox Business Center	$	2,540
Lease revenue from the City of Tulsa for leased space in OTC	$	5,069
Payments on the advance to TARE	$	1,584

20. SUBSEQUENT EVENT

On October 5, 2016 Moody's Investment Service downgraded the Authority's Series 2008 Capital Improvement bonds rating from Aa2 to Aa3. The outlook is stable. The downgrade is a result of a nationwide change in Moody's methodology and classification of the BOK Arena debt as not related to a core governmental service.

21. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for PostEmployment Benefits Other Than Pensions*, will be effective for the Authority beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by government for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73,* will be effective June 30, 2017. This statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based and ratios that use that measure.

(in thousands of dollars)

Municipal Employees' Retirement Plan
Schedule of Proportionate Share – For the current and prior two years

Year	Authority's proportion of net pension liability	Authority's proportionate share of net pension liability	Authority's covered-employee payroll	Authority's proportionate share of net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of total pension liability
2016	0.4662%	$ 1,008	$ 547	184%	65.6%
2015	0.4452%	558	491	114%	77.1%
2014	0.4212%	471	461	102%	79.3%

* Prior year information is not available.

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from changes in the mortality table and discount rate from 7.75% to 7.50%.

Municipal Employees' Retirement Plan
Schedule of Employer Contributions – Last five years

Year	Contractually Required Contributions	Actual Contributions	Contribution Defiency (Excess)	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2016	$ 63	$ 63	$ -	$ 547	11.5%
2015	56	56	-	485	11.5%
2014	46	68	(22)	461	14.8%
2013	45	47	(2)	451	10.4%
2012	34	34	-	365	9.3%

* Prior year information is not available.

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET POSITION – FINANCING FUND
June 30, 2016

(in thousands of dollars)	Capital Improvements Revenue Bond 2012	Capital Improvements Revenue Bond	Financing Fund Total
ASSETS			
Current assets:			
Cash and cash equivalents, restricted	$ 398	$ -	$ 398
Interest receivable, restricted	4	-	4
Advance to related entity	1,372	-	1,372
	1,774	-	1,774
Noncurrent assets:			
Cash and cash equivalents, restricted	32	-	32
Investments, restricted	1,078	-	1,078
Advance to related entity	3,080	-	3,080
Nondepreciable capital assets	-	4,500	4,500
	4,190	4,500	8,690
Total Assets	5,964	4,500	10,464
LIABILITIES			
Current liabilities:			
Accrued bond interest payable	56	-	56
Current portion of bonds payable	1,365	-	1,365
	1,421	-	1,421
Noncurrent liabilities:			
Revenue bonds payable, net of current portion	4,275	-	4,275
Unamortized premium	268	-	268
	4,543	-	4,543
Total liabilities	5,964	-	5,964
NET POSITION			
Net investment in capital assets	-	4,500	4,500
Total net position	$ -	$ 4,500	$ 4,500

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, 2016

(in thousands of dollars)

	Capital Improvements Revenue Bond 2012	Capital Improvements Revenue Bond	Financing Fund Total
Operating revenues:			
Investment income	$ 18	$ -	$ 18
Advance/loan interest income	107	-	107
	125	-	125
Operating expenses:			
Interest and amortization expense	125	-	125
	125	-	125
Change in net position	-	-	-
Net position, beginning of year	-	4,500	4,500
Net position, end of year	$ -	$ 4,500	$ 4,500

TULSA PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS – FINANCING FUND
Year Ended June 30, 2016

(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	$ (268)	$ -	$ (268)
Investment income	14	-	14
Payments from related entity	1,584	-	1,584
Principal paid on long-term debt	(1,340)	-	(1,340)
Net cash used by operating activities	(10)	-	(10)
Net change in cash and cash equivalents	(10)	-	(10)
Cash and cash equivalents, beginning of year	440	-	440
Cash and cash equivalents, end of year	$ 430	$ -	$ 430
Reconciliation of operating income to net cash used by operating activities:			
Operating income	$ -	$ -	$ -
Adjustments:			
Change in financing assets	(4)	-	(4)
Change in financing liabilities	(1,483)	-	(1,483)
Change in advances	1,477	-	1,477
Net cash used by operating activities	$ (10)	$ -	$ (10)
Noncash investing activities:			
Appreciation of fair value of investments	$ -	$ -	$ -

ONE TECHNOLOGY CENTER

Percentage of Occupied Units

Total occupied	18
Total vacant units	5
Total units	23
Percentage Occupied	78%

Percentage of Occupied Square Feet

Total Occupied Square Feet	554,398
Total Vacant Square Feet	76,072
Total Square Footage	630,470
Percentage Occupied	88%

Major Tenants and Square Feet

City of Tulsa	229,871
Level 3 Communications, LLP**	143,242
Magellan Midstream Partners, LP	96,312

**Space is included in Capital Lease

RSM