

**River Parks Authority**

**Financial Statements**  
and  
Independent Auditor's Report

**June 30, 2016 and 2015**

**Contents**

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## **Independent Auditor's Report**

Board of Trustees of  
River Parks Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of River Parks Authority (the "Authority") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Authority's 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 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 from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the River Parks Authority as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note N, the prior year fund statements were restated to include all Tulsa's Gathering Place activity under the Tulsa's Gathering Place Fund and resulted in a \$2,194,063 transfer of equity. Previously, only capital asset activity was presented under Tulsa's Gathering Place. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 11 and other required supplemental pension information on pages 40 to 41 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017 on our consideration of the Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Tulsa, Oklahoma  
March 14, 2017

*Stanfield & O'Sell P.C.*

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

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As management of the River Parks Authority (the Authority), we offer readers of the Authority's financial statements this overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2016 and 2015.

The Authority is a proprietary fund classified as an enterprise fund to account for business-type activities. This is also true of the Authority's two blended component units, the River Parks Foundation and Tulsa's Gathering Place, LLC. A proprietary fund accounts for operations that are financed and operated in a manner similar to private business enterprises. Revenue sources for the Authority's Operating and M.K. & T. Trail Funds include intergovernmental contributions, easement fees, and investment earnings, as well as private grants and contributions. Revenue sources for the River Parks Foundation include private grants, contributions, investment earnings, park usage fees and sales receipts from park concessions and events.

Tulsa's Gathering Place, LLC is financed by private gifts and investments. As reported herein, the financial resources of Tulsa's Gathering Place, LLC, without exception, are restricted for the sole use of Tulsa's Gathering Place, a privately-funded park for public usage now under construction. The current and future assets of Tulsa's Gathering Place, LLC are not now, nor will they ever be, available to the River Parks Authority or the River Parks Foundation for their respective operations.

### Overview of the Financial Statements

The financial statements are designed to provide readers with a broader overview of the Authority's finances, in a manner similar to a private-sector business.

- The assets of the River Parks Authority and the River Parks Foundation exceeded liabilities at the close of business June 30, 2016 by \$30,724,670 (net position). Of this amount, \$535,959 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.
- The assets of Tulsa's Gathering Place, LLC exceeded liabilities at the close of business June 30, 2016 by \$104,341,771 (net position). Of this amount, \$9,942,644 may be used to meet the construction obligations of this project.

The *Statement of Net Position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position serve as a useful indicator of changes in a government's financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* serves as the basic statement of activities, which presents information showing how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unused vacation leave). In this statement, the focus is on expenses rather than expenditures.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

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### Overview of the Financial Statements - Continued

The *Statement of Cash Flows* provides information about cash receipts and cash payments for the fiscal years ending June 30, 2016 and 2015. This statement reports cash receipts, cash payments, and changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the period.

**Notes to the Financial Statements.** The notes provide additional detailed information that is essential to a full understanding of the data provided in the financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents Required Supplemental Information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees.

### Financial Analysis

Net position may serve over time as a useful indicator of the Authority's financial position. As noted earlier, the Authority's and Foundation's assets exceeded liabilities by \$30,724,670 at the close of the year. Tulsa's Gathering Place, LLC assets exceeded liabilities by \$104,341,771 at the close of the year.

- At the end of the current year, the Authority is able to report positive balances in its Operating and M.K. & T. Trail Funds, as well as in the River Parks Foundation. The same situation held true for the prior year. Funding ratios by the City of Tulsa and Tulsa County fluctuated, but total funding for operations remained stable.
- The vast majority of the Authority's net position (97 percent) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment). The Authority uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending.
- Capital assets for the Authority and the Foundation increased to \$29,779,513, 25 percent over the prior year amount, primarily due to current year capital improvements. Capital assets for Tulsa's Gathering Place, LLC increased \$51,498,190 or 120 percent over the prior year with continuing progress on construction activities.
- Change in net position increased \$6,345,236 or 810 percent for the Authority and the Foundation over the net decrease of the prior year, primarily due to intergovernmental activities related to the completion of the River West Festival Park and west bank trail renovations, as well as completion of the Zink Dam gates remediation project. Change in net position for Tulsa's Gathering Place, LLC increased \$14,151,771 or 31 percent over the prior year with continuing progress on construction activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

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### Financial Analysis - Continued

- The River West Festival Park and west bank trail renovations were funded by the City of Tulsa's 2006 Third Penny Sales Tax Program. The Festival Park hosts major community events such as Linde Oktoberfest Tulsa and the annual Fourth of July fireworks celebration. The west bank trail renovation, from Festival Park to Southwest Boulevard, brought to a close the phased renovation of River Parks' trails on both banks of the Arkansas River between Southwest Boulevard and 71<sup>st</sup> Street, a project initiated in 2007.
- Repairs to the Zink Dam gates, which began in November 2013, were completed in October 2015 using a combination of public and private funds. The work replaced the seals around the dam's three 50-foot bascule gates, rehabilitated the steel face of each gate, rebuilt most of the dam's hydraulic cylinders and accomplished other related tasks. The project was financed by funding from River Parks Authority, the City of Tulsa, Tulsa County and Public Service Company of Oklahoma. Weather and water flow conditions in the river dictated the pace at which the project could proceed toward completion.
- In August 2014, the Authority's Board of Trustees voted to accept the Member Interest in Tulsa's Gathering Place, LLC. Through this action, the Authority received ownership of Tulsa's Gathering Place, a privately-funded park development for public use that will eventually encompass over 65 acres of land in an area near 31st and Riverside Drive on the east bank of the Arkansas River. The project also has numerous public infrastructure elements and both the private and public improvements are well underway and progressing steadily. The first phase of the project is estimated to be completed in late 2017. As previously noted, Tulsa's Gathering Place funds are for the exclusive use of that project and neither River Park Authority nor River Park Foundation have access or receive the benefit from those funds. As a wholly-owned subsidiary of River Parks Authority, financial activity for Tulsa's Gathering Place, LLC is reported annually.
- In April 2016, Tulsa voters approved the Tulsa Vision Program which includes initiatives for public safety, transportation and economic development. Capital improvements funded by Tulsa Vision that impact River Parks include the renovation of Zink Dam, the replacement of the Pedestrian Bridge, land acquisition and improvements for the Turkey Mountain Urban Wilderness, and design and matching grant funds for the extension of the east bank trail from 101<sup>st</sup> Street, south to Cousins Park. The Line of Credit reference in the Financial Statements reflects a loan to allow the Turkey Mountain land acquisitions to commence in advance of the full collection of the earmarked sales taxes, helping to assure that acquisition opportunities will not be lost. The 2014 Improve Our Tulsa initiative includes funds that will be available incrementally over several years to upgrade park infrastructure and facilities.
- The Authority continues to raise private funds through the pursuit of grants and other contributions which help supplement public funding for the park system's day-to-day operations, as well as fund public events held in River Parks.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2016 and 2015

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**Financial Analysis – Continued**

- The Governmental Accounting Standards Board (GASB) issued Statement No. 68 in 2012, requiring a pension liability reporting change for governmental entities. The Authority adopted this change effective June 30, 2014. The financial statements reflect the effect of this change.

**Contacting the Authority's Financial Management**

If you have questions about the Authority's financial statements or need additional financial information, contact the Executive Director at 2424 E. 21<sup>st</sup> St. Suite 300, Tulsa, OK 74114 or call (918) 596-2001.

River Parks Authority

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2016 and 2015

River Parks Authority  
Condensed Statement of Net Position  
As of June 30, 2016 and 2015

	Operating Fund		MK&T Sand Springs Trail Fund		Foundation		Tulsa's Gathering Place Fund		Total	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
	Current assets	\$ 851,374	\$ 1,074,482	\$ 116,716	\$ 115,602	\$ 1,671,944	\$ 1,438,401	\$ 18,465,917	\$ 5,381,020	\$ 21,105,951
Capital assets	29,779,513	23,894,128	-	-	-	-	94,399,127	42,900,937	124,178,640	66,795,065
Total assets	30,630,887	24,968,610	116,716	115,602	1,671,944	1,438,401	112,865,044	48,281,957	145,284,591	74,804,570
Operating liabilities	329,092	309,963	12,710	13,365	348,261	75,789	8,523,273	3,186,957	9,213,336	3,586,074
Line of credit-Turkey Mountain acquisition	63,048	-	-	-	-	-	-	-	63,048	-
Net pension liability	978,225	581,570	68,296	35,808	-	-	-	-	1,046,521	617,378
Net pension deferrals	(97,919)	323,190	(6,836)	19,899	-	-	-	-	(104,755)	343,089
Total liabilities and deferrals	1,272,446	1,214,723	74,170	69,072	348,261	75,789	8,523,273	3,186,957	10,218,150	4,546,541
Net position										
Investment in capital assets	29,779,513	23,894,128	-	-	-	-	94,399,127	42,900,937	124,178,640	66,795,065
Restricted - expendable	-	-	-	-	409,198	218,402	9,942,644	2,194,063	10,351,842	2,412,465
Unrestricted	(421,072)	(140,241)	42,546	46,530	914,485	1,144,210	-	-	535,959	1,050,499
Total net position	\$ 29,358,441	\$ 23,753,887	\$ 42,546	\$ 46,530	\$ 1,323,683	\$ 1,362,612	\$ 104,341,771	\$ 45,095,000	\$ 135,066,441	\$ 70,258,029

River Parks Authority

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2016 and 2015

River Parks Authority  
Condensed Statement of Activities  
As of June 30, 2016 and 2015

	Operating Fund		MK&T Sand Springs Trail Fund		Foundation		Tulsa's Gathering Place Fund		Total 6/30/2016	Total 6/30/2015
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015		
Operating revenues:										
Charges for sales and services	\$ -	\$ -	\$ -	\$ -	\$ 246,786	\$ 322,509	\$ -	\$ -	\$ 246,786	\$ 322,509
Total operating revenues	-	-	-	-	246,786	322,509	-	-	246,786	322,509
Operating expenses:										
Personnel services	785,443	692,252	59,170	43,258	19,923	58,779	277,940	249,484	1,142,476	1,043,773
Material and supplies	89,630	85,434	3,968	6,621	105,411	133,242	6,656	2,091	205,665	227,388
Other services and charges	619,242	549,800	33,601	29,150	612,786	454,526	323,350	474,357	1,588,979	1,507,833
Depreciation	1,636,363	1,413,997	-	-	-	-	13,689	761	1,650,052	1,414,758
Total operating expenses	3,130,678	2,741,483	96,739	79,029	738,120	646,547	621,635	726,693	4,587,172	4,193,752
Operating loss	(3,130,678)	(2,741,483)	(96,739)	(79,029)	(491,334)	(324,038)	(621,635)	(726,693)	(4,340,386)	(3,871,243)
Nonoperating revenues (expenses):										
Intergovernmental	9,210,384	1,390,170	54,140	44,798	-	1,750	-	-	9,264,524	1,436,718
Investment earnings	11,062	11,709	1,749	982	3,734	2,406	189,200	-	205,745	15,097
Unrealized loss on investment	-	-	-	-	-	-	(1,249,600)	-	(1,249,600)	-
Loss on disposal of assets	(839,858)	(278,027)	-	-	-	-	-	-	(839,858)	(278,027)
Fundraising	-	-	-	-	(8,438)	(84,274)	-	-	(8,438)	(84,274)
Other revenues	2,376	73,600	32,109	33,858	25	-	15,337,540	249,484	15,372,050	356,942
Contributions	-	-	-	-	734,882	928,483	45,591,266	11,654,007	46,326,148	12,582,490
Total nonoperating revenues (expenses)	8,383,964	1,197,452	87,998	79,638	730,203	848,365	59,868,406	11,903,491	69,070,571	14,028,946
Income (loss) before contributions and transfers	5,253,286	(1,544,031)	(8,741)	609	238,869	524,327	59,246,771	11,176,798	64,730,185	10,157,703
Capital contributions	78,227	235,500	-	-	-	-	-	-	78,227	235,500
Inter-fund transfers	273,041	323,547	4,757	-	(277,798)	(323,547)	-	-	-	-
Change in net position	5,604,554	(984,984)	(3,984)	609	(38,929)	200,780	59,246,771	11,176,798	64,808,412	10,393,203
Equity transfer	-	-	-	-	-	-	-	33,918,202	-	33,918,202
Total net position - beginning	23,753,887	24,738,871	46,530	45,921	1,362,612	1,161,832	45,095,000	-	70,258,029	25,946,624
Total net position - ending	\$ 29,358,441	\$ 23,753,887	\$ 42,546	\$ 46,530	\$ 1,323,683	\$ 1,362,612	\$ 104,341,771	\$ 45,095,000	\$ 135,066,441	\$ 70,258,029

River Parks Authority

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2016 and 2015

River Parks Authority  
Condensed Statements of Cash Flow  
For the Years Ended June 30, 2016 and 2015

	Operating Fund		MK&T Sand Springs Trail Fund		Foundation		Tulsa's Gathering Place Fund		Total	Total
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
	Net cash used in operations	\$ (1,603,676)	\$ (1,501,943)	\$ (91,641)	\$ (85,860)	\$ (208,547)	\$ (331,447)	\$ (330,006)	\$ (476,448)	\$ (2,233,870)
Net cash provided by (used in) noncapital and related financing source	9,182,273	1,475,807	116,736	48,169	(8,438)	(82,524)	-	-	9,290,571	1,441,452
Net cash provided by (used in) capital and related financing source	(7,942,533)	(280,052)	-	-	457,109	604,936	(568,297)	5,857,468	(8,053,721)	6,182,352
Net cash provided by investing activities	11,345	11,618	1,466	1,073	3,734	2,406	189,200	-	205,745	15,097
Net increase (decrease) in cash	(352,591)	(294,570)	26,561	(36,618)	243,858	193,371	(709,103)	5,381,020	(791,275)	5,243,203
Cash and cash equivalents, beginning of year	1,072,636	1,367,206	84,961	121,579	1,428,086	1,234,715	5,381,020	-	7,966,703	2,723,500
Cash and cash equivalent, end of year	\$ 720,045	\$ 1,072,636	\$ 111,522	\$ 84,961	\$ 1,671,944	\$ 1,428,086	\$ 4,671,917	\$ 5,381,020	\$ 7,175,428	\$ 7,966,703

River Parks Authority

**Statements of Net Position**

June 30,

	2016	2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 7,175,428	\$ 7,966,703
Investments	13,794,000	-
Receivables	136,523	42,802
	<u>21,105,951</u>	<u>8,009,505</u>
Noncurrent assets		
Capital assets (notes A7 and E)	124,178,640	66,795,065
	<u>145,284,591</u>	<u>74,804,570</u>
<b>Deferred Outflow of Resources</b>		
Pension related resources	408,695	86,914
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	340,033	112,361
Accounts payable construction, payable from restricted assets	8,523,273	3,186,957
Deferred revenues	94,897	64,894
Current portion of vested compensated absences	26,742	54,147
	<u>8,984,945</u>	<u>3,418,359</u>
Noncurrent liabilities		
Vested compensated absences, less current portion	65,443	29,577
Other employee benefit liabilities	162,948	138,138
Note payable - line of credit	63,048	-
Net pension liability	1,046,521	617,378
	<u>10,322,905</u>	<u>4,203,452</u>
<b>Deferred Inflows of Resources</b>		
Pension related resources	303,940	430,003
<b>Net Position</b>		
Investment in capital assets	124,178,640	66,795,065
Restricted - expendable	10,351,842	2,412,465
Unrestricted net position	535,959	1,050,499
	<u>\$ 135,066,441</u>	<u>\$ 70,258,029</u>

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

River Parks Authority

**Statements of Revenues, Expenses and Changes in Net Position**

Years Ended June 30,

	2016	2015
<b>Operating revenues</b>		
Charges for sales and services	\$ 246,786	\$ 322,509
<b>Operating expenses</b>		
Personnel services	1,142,476	1,043,773
Material and supplies	205,665	227,388
Other services and charges	1,588,979	1,507,833
Depreciation	1,650,052	1,414,758
Total operating expenses	4,587,172	4,193,752
Net operating loss	(4,340,386)	(3,871,243)
<b>Nonoperating revenues (expenses)</b>		
Intergovernmental	9,264,524	1,436,718
Investment earnings	205,745	15,097
Unrealized loss on investments	(1,249,600)	-
Loss on disposal of fixed assets	(839,858)	(278,027)
Fundraising expenses	(8,438)	(84,274)
Miscellaneous revenues	34,510	89,008
Other revenues - in-kind contributions	15,337,540	249,484
Other revenues - donations	734,882	946,933
Contributions	45,591,266	11,654,007
Total nonoperating revenues	69,070,571	14,028,946
Gain before contributions	64,730,185	10,157,703
<b>Capital contributions</b>	78,227	235,500
<b>Change in net position</b>	64,808,412	10,393,203
<b>Total net position - beginning of year</b>	70,258,029	25,946,624
<b>Equity contribution - Tulsa Gathering Place</b>	-	33,918,202
<b>Total net position - end of year</b>	\$ 135,066,441	\$ 70,258,029

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

River Parks Authority

**Statements of Cash Flows**

Years Ended June 30,

	2016	2015
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 276,789	\$ 314,033
Payments to suppliers for goods or services	(1,660,693)	(1,793,979)
Payments to employees for services	(849,966)	(915,752)
Net cash used in operating activities	<u>(2,233,870)</u>	<u>(2,395,698)</u>
<b>Cash flows from noncapital financing activities</b>		
Miscellaneous income	34,485	90,758
Receipt of subsidy from intergovernmental entities	9,256,086	1,350,694
Net cash provided by noncapital and related financing activities	<u>9,290,571</u>	<u>1,441,452</u>
<b>Cash flows from capital and related financing activities</b>		
Contributions	46,326,173	12,600,940
Capital contributions	-	235,500
Purchases of capital assets	(54,445,678)	(6,659,610)
Proceeds from line of credit	63,048	-
Proceeds from sale of capital assets	2,736	5,522
Net cash provided by (used in) capital and related financing activities	<u>(8,053,721)</u>	<u>6,182,352</u>
<b>Cash flows from investing activities</b>		
Investment earnings	205,745	15,097
Net cash provided by (used in) investing activities	<u>205,745</u>	<u>15,097</u>
Net increase (decrease) in cash and cash equivalents	(791,275)	5,243,203
<b>Cash and cash equivalent, beginning of year</b>	<u>7,966,703</u>	<u>2,723,500</u>
<b>Cash and cash equivalent, end of year</b>	<u>\$ 7,175,428</u>	<u>\$ 7,966,703</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>		
Net operating loss	\$ (4,340,386)	\$ (3,871,243)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,650,052	1,414,758
In-kind donation	277,940	249,484
Change in operating assets/liabilities:		
(Increase) decrease in other assets	(91,320)	16,239
Increase (decrease) in accounts payable and accrued liabilities	225,271	(74,997)
Increase (decrease) in deferred revenue	30,003	(8,476)
Increase (decrease) in pension and other employee benefit liabilities	6,109	(119,845)
Increase (decrease) in compensated absences payable	8,461	(1,618)
Total adjustments	<u>2,106,516</u>	<u>1,475,545</u>
<b>Net cash used in operating activities</b>	<u>\$ (2,233,870)</u>	<u>\$ (2,395,698)</u>

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

River Parks Authority

**Statement of Net Position - Proprietary Funds**

June 30, 2016

	Authority	Foundation	Tulsa's Gathering Place Fund	Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 831,567	\$ 1,671,944	\$ 4,671,917	\$ 7,175,428
Investments	-	-	13,794,000	13,794,000
Other assets	136,523	-	-	136,523
	968,090	1,671,944	18,465,917	21,105,951
Noncurrent assets				
Capital assets (notes A7 and E)	29,779,513	-	94,399,127	124,178,640
	30,747,603	1,671,944	112,865,044	145,284,591
<b>Deferred Outflow of Resources</b>				
Pension related resources	408,695	-	-	408,695
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	86,669	253,364	-	340,033
Accounts payable construction	-	-	8,523,273	8,523,273
Deferred revenues	-	94,897	-	94,897
Current portion of vested compensated absences	26,742	-	-	26,742
	113,411	348,261	8,523,273	8,984,945
Noncurrent liabilities				
Vested compensated absences, less current portion	65,443	-	-	65,443
Other employee benefit liabilities	162,948	-	-	162,948
Line of credit	63,048	-	-	63,048
Net Pension liability	1,046,521	-	-	1,046,521
	1,451,371	348,261	8,523,273	10,322,905
<b>Deferred Inflows of Resources</b>				
Pension related resources	303,940	-	-	303,940
<b>Net Position</b>				
Investment in capital assets	29,779,513	-	94,399,127	124,178,640
Restricted - expendable	-	409,198	9,942,644	10,351,842
Unrestricted net position	(378,526)	914,485	-	535,959
	\$ 29,400,987	\$ 1,323,683	\$ 104,341,771	\$ 135,066,441

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



River Parks Authority

**Statement of Net Position - Proprietary Funds**

June 30, 2015

	Authority	Foundation	Tulsa's Gathering Place Fund	Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 1,157,597	\$ 1,428,086	\$ 5,381,020	\$ 7,966,703
Other assets	32,487	10,315	-	42,802
	1,190,084	1,438,401	5,381,020	8,009,505
Noncurrent assets				
Capital assets (notes A7 and E)	23,894,128	-	42,900,937	66,795,065
	25,084,212	1,438,401	48,281,957	74,804,570
<b>Deferred Outflow of Resources</b>				
Pension related resources	86,914	-	-	86,914
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	101,466	10,895	-	112,361
Accounts payable construction	-	-	3,186,957	3,186,957
Deferred revenues	-	64,894	-	64,894
Current portion of vested compensated absences	54,147	-	-	54,147
	155,613	75,789	3,186,957	3,418,359
Noncurrent liabilities				
Vested compensated absences, less current portion	29,577	-	-	29,577
Other employee benefit liabilities	138,138	-	-	138,138
Net Pension liability	617,378	-	-	617,378
	940,706	75,789	3,186,957	4,203,452
<b>Deferred Inflows of Resources</b>				
Pension related resources	430,003	-	-	430,003
<b>Net Position</b>				
Investment in capital assets	23,894,128	-	42,900,937	66,795,065
Restricted - expendable	-	218,402	2,194,063	2,412,465
Unrestricted net position	(93,711)	1,144,210	-	1,050,499
	\$ 23,800,417	\$ 1,362,612	\$ 45,095,000	\$ 70,258,029

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

River Parks Authority

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**

Year Ended June 30, 2016

	Authority	Foundation	Tulsa's Gathering Place Fund	Total
<b>Operating revenues</b>				
Charges for sales and services	\$ -	\$ 246,786	\$ -	\$ 246,786
Total operating revenues	-	246,786	-	246,786
<b>Operating expenses</b>				
Personnel services	844,613	19,923	277,940	1,142,476
Material and supplies	93,598	105,411	6,656	205,665
Other services and charges	652,843	612,786	323,350	1,588,979
Depreciation	1,636,363	-	13,689	1,650,052
Total operating expenses	3,227,417	738,120	621,635	4,587,172
Net operating loss	(3,227,417)	(491,334)	(621,635)	(4,340,386)
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental	9,264,524	-	-	9,264,524
Investment earnings	12,811	3,734	189,200	205,745
Unrealized loss on investment	-	-	(1,249,600)	(1,249,600)
Loss on disposal of fixed assets	(839,858)	-	-	(839,858)
Fundraising expenses	-	(8,438)	-	(8,438)
Miscellaneous revenues	34,485	25	-	34,510
Other revenues - in-kind contributions	-	-	15,337,540	15,337,540
Other revenues - donations	-	734,882	-	734,882
Contributions	-	-	45,591,266	45,591,266
Total nonoperating revenues	8,471,962	730,203	59,868,406	69,070,571
Gain before contributions and interfund transfers	5,244,545	238,869	59,246,771	64,730,185
<b>Capital contributions</b>	78,227	-	-	78,227
<b>Interfund transfers</b>	277,798	(277,798)	-	-
<b>Change in net position</b>	5,600,570	(38,929)	59,246,771	64,808,412
<b>Total net position - beginning of year</b>	23,800,417	1,362,612	45,095,000	70,258,029
<b>Total net position - end of year</b>	\$ 29,400,987	\$ 1,323,683	\$ 104,341,771	\$ 135,066,441

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

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**

Year Ended June 30, 2015

	Authority	Foundation	Tulsa's Gathering Place Fund	Total
<b>Operating revenues</b>				
Charges for sales and services	\$ -	\$ 322,509	\$ -	\$ 322,509
Total operating revenues	-	322,509	-	322,509
<b>Operating expenses</b>				
Personnel services	735,510	58,779	249,484	1,043,773
Material and supplies	92,055	133,242	2,091	227,388
Other services and charges	578,950	454,526	474,357	1,507,833
Depreciation	1,413,997	-	761	1,414,758
Total operating expenses	2,820,512	646,547	726,693	4,193,752
Net operating loss	(2,820,512)	(324,038)	(726,693)	(3,871,243)
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental	1,434,968	1,750	-	1,436,718
Investment earnings	12,691	2,406	-	15,097
Loss on disposal of fixed assets	(278,027)	-	-	(278,027)
Fundraising expenses	-	(84,274)	-	(84,274)
Miscellaneous revenues	89,008	-	-	89,008
Other revenues - in-kind contributions	-	-	249,484	249,484
Other revenues - donations	18,450	928,483	-	946,933
Contributions	-	-	11,654,007	11,654,007
Total nonoperating revenues	1,277,090	848,365	11,903,491	14,028,946
Gain before contributions	(1,543,422)	524,327	11,176,798	10,157,703
<b>Equity contribution - Tulsa's Gathering Place, LLC</b>	33,918,202	-	-	33,918,202
<b>Transfer of equity to separate fund</b>	(33,918,202)	-	33,918,202	-
<b>Capital contributions</b>	235,500	-	-	235,500
<b>Interfund transfers</b>	323,547	(323,547)	-	-
<b>Change in net position</b>	(984,375)	200,780	45,095,000	44,311,405
<b>Total net position - beginning of year</b>	24,784,792	1,161,832	-	25,946,624
<b>Total net position - end of year</b>	\$ 23,800,417	\$ 1,362,612	\$ 45,095,000	\$ 70,258,029

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

**Statement of Cash Flows - Proprietary Funds**

Year Ended June 30, 2016

	Authority	Foundation	Tulsa's Gathering Place Fund	Total
<b>Cash flows from operating activities</b>				
Receipt from customers and users	\$ -	\$ 276,789	\$ -	\$ 276,789
Payments to suppliers for goods or services	(865,274)	(465,413)	(330,006)	(1,660,693)
Payments to employees for services	(830,043)	(19,923)	-	(849,966)
Net cash used in operating activities	(1,695,317)	(208,547)	(330,006)	(2,233,870)
<b>Cash flows from noncapital financing activities</b>				
Miscellaneous income	34,485	-	-	34,485
Operating grants and donations	9,264,524	(8,438)	-	9,256,086
Net cash provided by (used in) noncapital and related financing activities	9,299,009	(8,438)	-	9,290,571
<b>Cash flows from capital and related financing activities</b>				
Contributions	-	734,907	45,591,266	46,326,173
Interfund transfers	277,798	(277,798)	-	-
Purchases of capital assets	(8,286,115)	-	(46,159,563)	(54,445,678)
Proceeds from line of credit	63,048	-	-	63,048
Proceeds from sale of capital assets	2,736	-	-	2,736
Net cash provided by capital and related financing activities	(7,942,533)	457,109	(568,297)	(8,053,721)
<b>Cash flows from investing activities</b>				
Investment earnings	12,811	3,734	189,200	205,745
Net cash used in investing activities	12,811	3,734	189,200	205,745
Net increase in cash and cash equivalents	(326,030)	243,858	(709,103)	(791,275)
<b>Cash and cash equivalent, beginning of year</b>	1,157,597	1,428,086	5,381,020	7,966,703
<b>Cash and cash equivalent, end of year</b>	\$ 831,567	\$ 1,671,944	\$ 4,671,917	\$ 7,175,428
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>				
Net operating loss	\$ (3,227,417)	\$ (491,334)	\$ (621,635)	\$ (4,340,386)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	1,636,363	-	13,689	1,650,052
In-kind donation	-	-	277,940	277,940
Change in operating assets/liabilities:				
Decrease in other assets	(104,036)	12,716	-	(91,320)
Decrease in accounts payable	(14,797)	240,068	-	225,271
Decrease in deferred revenue	-	30,003	-	30,003
Decrease in pension and other employee benefit liabilities	6,109	-	-	6,109
Decrease in compensated absences payable	8,461	-	-	8,461
<b>Net cash used in operating activities</b>	\$ (1,695,317)	\$ (208,547)	\$ (330,006)	\$ (2,233,870)

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

**Statement of Cash Flows - Proprietary Funds**

Year Ended June 30, 2015

	Authority	Foundation	Tulsa's Gathering Place Fund	Total
<b>Cash flows from operating activities</b>				
Receipt from customers and users	\$ -	\$ 314,033	\$ -	\$ 314,033
Payments to suppliers for goods or services	(730,830)	(586,701)	(476,448)	(1,793,979)
Payments to employees for services	(856,973)	(58,779)	-	(915,752)
Net cash used in operating activities	(1,587,803)	(331,447)	(476,448)	(2,395,698)
<b>Cash flows from noncapital financing activities</b>				
Miscellaneous income	89,008	1,750	-	90,758
Operating grants and donations	1,434,968	(84,274)	-	1,350,694
Net cash provided by (used in) noncapital and related financing activities	1,523,976	(82,524)	-	1,441,452
<b>Cash flows from capital and related financing activities</b>				
Contributions	18,450	928,483	11,654,007	12,600,940
Capital contributions	235,500	-	-	235,500
Interfund transfers	323,547	(323,547)	-	-
Purchases of capital assets	(863,071)	-	(5,796,539)	(6,659,610)
Proceeds from sale of capital assets	5,522	-	-	5,522
Net cash provided by capital and related financing activities	(280,052)	604,936	5,857,468	6,182,352
<b>Cash flows from investing activities</b>				
Interest received	12,691	2,406	-	15,097
Net increase in cash and cash equivalents	(331,188)	193,371	5,381,020	5,243,203
<b>Cash and cash equivalent, beginning of year</b>	1,488,785	1,234,715	-	2,723,500
<b>Cash and cash equivalent, end of year</b>	\$ 1,157,597	\$ 1,428,086	\$ 5,381,020	\$ 7,966,703
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>				
Net operating loss	\$ (2,820,512)	\$ (324,038)	\$ (726,693)	\$ (3,871,243)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	1,413,997	-	761	1,414,758
In-kind donation	-	-	249,484	249,484
Change in operating assets/liabilities:				
Decrease in other assets	-	16,239	-	16,239
Decrease in accounts payable	(59,825)	(15,172)	-	(74,997)
Decrease in deferred revenue	-	(8,476)	-	(8,476)
Increase in pension and other employee benefit liabilities	(119,845)	-	-	(119,845)
Decrease in compensated absences payable	(1,618)	-	-	(1,618)
<b>Net cash used in operating activities</b>	\$ (1,587,803)	\$ (331,447)	\$ (476,448)	\$ (2,395,698)

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

## Notes to Financial Statements

June 30, 2016 and 2015

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### Note A – Organization, Operations and Summary of Significant Accounting Policies

The financial statements of the River Parks Authority (the Authority) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The significant accounting policies of the Authority are described below.

#### 1. *Organization*

The Authority is a public trust created April 9, 1974 under the provisions of the Oklahoma Trust Act. The beneficiaries of the Trust are the City of Tulsa (the “City”) and Tulsa County (the “County”). The Authority’s Board of Trustees is comprised of seven members: three appointed by the City, three appointed by the County, and one appointed by the Tulsa Metropolitan Area Planning Commission.

The mission of the Authority is to maintain, preserve and develop the Arkansas River and/or land areas adjacent to the river within Tulsa County for the economic and cultural benefit of the community and to promote public use of all parklands and facilities under the Authority’s jurisdiction. The vision of the Authority is to be the region’s premier park, recreation, and entertainment destination.

#### 2. *Fund Accounting*

The Authority is accounted for as a proprietary fund. To ensure the observance of limitations and restrictions placed on the use of resources available to the Authority, its accounts are maintained in accordance with the principles of fund accounting. This is a procedure by which resources for various purposes are classified for accounting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position are reported in self-balancing funds. These funds consist of:

#### **River Parks Authority Fund (Operating Fund)**

This fund is the principal fund of the Authority which accounts for all financial transactions not accounted for in other funds. The purpose of the fund is to provide the primary funding for maintaining the park property and facilities of the River Parks system. Intergovernmental contributions, investment earnings and private grants provide resources for this fund. The fund includes the Restricted Cash Contingency Fund, which contains a portion of the accumulated operating surplus funds and interest earnings since the Authority’s inception in 1974. Funds are accessible only by action of the Board of Trustees for the primary purpose of self-insuring against major repairs to the Pedestrian Bridge or Zink Dam, which are not insured for physical damage.

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note A – Organization, Operations and Summary of Significant Accounting Policies - Continued**

*2. Fund Accounting - Continued*

Included in the River Parks Authority fund is the M.K.&T. Tulsa – Sand Springs Trail Fund. This fund represents funds restricted for support of the M.K.&T. Tulsa - Sand Springs Trail. The purpose of the fund is to maintain a 5.5-mile asphalt recreation trail on the former M.K.&T. railroad right-of-way, now owned by the State of Oklahoma. Intergovernmental contributions and easements provide funding for this fund. The section maintained by the Authority is from the intersection of Cameron Street and Elwood Avenue in downtown Tulsa to Adams Road in Sand Springs.

**Rivers Parks Foundation**

The River Parks Foundation (the Foundation), a blended component unit, is a non-profit organization that supports the Authority’s mission and vision by encouraging monetary and/or non-monetary gifts that benefit the Authority and acts as an agent to receive and administer such gifts and if need be, acts as the vehicle for translating gifts into structures, programs, or other enhancements desired by donors. Although the Foundation is a separate legal entity, the Authority maintains fiscal responsibility for it. For financial reporting purposes, it is a blended component unit and is included as an enterprise fund of the Authority.

**Tulsa’s Gathering Place Fund**

In August 2014, the Authority’s Board of Trustees voted to accept the Member Interest in Tulsa’s Gathering Place, LLC. Through this action, the Authority received ownership of Tulsa’s Gathering Place, a privately-funded park development that will eventually encompass over 65 acres of land in an area near 31<sup>st</sup> and Riverside Drive on the east bank of the Arkansas River. Tulsa’s Gathering Place, LLC. is reported as a blended component unit. The project also has numerous public infrastructure elements and both the private and public improvements are well underway and progressing steadily. The first phase of the project is estimated to be completed in late 2017. As a wholly-owned subsidiary of River Parks Authority, financial activity for Tulsa’s Gathering Place, LLC is reported annually beginning with the June 30, 2015 fiscal year-end. For financial reporting purposes, it is a blended component unit and is reported as the Tulsa’s Gathering Place fund of the Authority. All cash reported in these financial statements under the Tulsa’s Gathering Place Fund legally belongs to the River Parks Authority. In addition to the Tulsa’s Gathering Place, LLC, the Tulsa’s Gathering Place Fund also includes activity of the Authority that is for the Tulsa’s Gathering Place. This included all contributions and capital asset purchases associated with the Tulsa’s Gathering Place.

**Note A – Organization, Operations and Summary of Significant Accounting Policies – Continued**

*3. Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The Authority's financial statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred.

*4. 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 effect the reported amounts and disclosures in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

*5. Cash and Cash Equivalents*

Cash and cash equivalents consist primarily of funds held by a financial institution and funds pooled with the City's cash at the end of each day and invested by the City Treasurer. Interest income on the pooled cash is allocated monthly based on the percentage of the Authority's average daily equity in the pooled cash compared to the total of the City's average daily pooled equity.

For purposes of the statement of cash flows, the Authority considers cash and cash equivalents to be currency on-hand, demand deposits with banks, and amounts included in pooled cash and investment accounts, as these pooled cash and investment accounts are readily available to the Authority.

*6. Investments*

Investments in marketable equity securities are recorded at fair value based upon quotations of market values from published sources.

Interest and dividends earned on investments and realized and unrealized investment appreciation (depreciation) are reported as an increase (decrease) in unrestricted net assets, except to the extent their use is temporarily or permanently restricted by explicit donor-imposed restrictions or by applicable law.

*7. Capital Assets*

Capital assets consist of those assets owned and maintained by the Authority and Tulsa's Gathering Place, LLC. Land and capital assets adjacent to the river and owned and maintained by other governmental entities are not included in the Authority's financial statements.



**Note A – Organization, Operations and Summary of Significant Accounting Policies – Continued**

*7. Capital Assets - Continued*

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is provided on the straight-line basis over the following estimated useful lives.

	Useful Lives	Capitalization Threshold
Lease/land improvements	7 - 25 years	\$ 2,000
Buildings	20 - 50 years	\$ 2,000
Equipment	2 - 15 years	\$ 2,000

*8. Net Position*

The net position of the Authority is classified into the following components:

- *Investment in capital assets* – Consists of capital assets, net of accumulated depreciation and related debt.
- *Restricted net position* – Consists of net position with constraints placed on the use either by external groups, such as contributors, or by laws and regulations. Restricted net position classified as expendable represent amounts for which the donor has specified the purpose for which the contributed components of net position are to be used.
- *Unrestricted net position* – All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

When an expense is incurred for purposes for which both components of restricted and unrestricted net position are available, the Authority first applies restricted resources.

*9. Vested Compensated Absences*

The Authority’s employees earn paid vacation each month based upon their years of service with the Authority. Vacation time accrues and vests proportionately throughout the year. Employees may also convert accrued sick leave in excess of 960 hours (120 days) to vacation compensation, provided the total accrued sick leave compensation doesn’t exceed 1200 hours (150 days).

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note A – Organization, Operations and Summary of Significant Accounting Policies - Continued**

*9. Vested Compensated Absences – Continued*

In addition to accrued vacation leave, employees who are eligible to retire under the provisions of the Municipal Employees Retirement Program (MERP) are eligible under certain conditions to receive pay for a portion of unused sick leave.

*10. Interfund Transfers*

Interfund transfers consist primarily of transfers of monetary and non-monetary contributions from the Foundation to the Authority. From time to time, the Foundation will also reimburse the Authority for its share of employee and other expenses paid by the Authority on its behalf.

*11. Retirement Plan and Pensions*

The information presented in Note G regarding the Authority's participation in the Municipal Employees' Retirement Plan is presented in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of Government Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

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.

*12. Income Taxes*

The Authority is exempt from Federal income taxes under Section 501(c)(3) and is nontaxable under Section 115(1) of the Internal Revenue Code, as amended. Accordingly, no provision for income taxes is included in the financial statements of the Authority. The Authority and Foundation information returns, (form 990), are subject to examination by the IRS for three years from the date filed. Tulsa's Gathering Place, LLC. activity is included with the Authority for tax reporting purposes.

*13. Grants - Economic Dependency*

The Authority receives grants from the City, County and the City of Sand Springs to finance operations. These grants are recognized as income in the period the funds are made available by the City and County. The City and County grants are recognized as non-operating revenues.

Tulsa's Gathering Place fund also receives contributions for the construction of Tulsa's Gathering Place. The funds are recognized as non-operating revenue.

## Notes to Financial Statements

June 30, 2016 and 2015

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### Note A – Organization, Operations and Summary of Significant Accounting Policies - Continued

#### 14. *Reclassification*

Certain prior year amounts have been reclassified to conform to the current year's presentation. The reclassifications had no effect on the previously reported increase in net position.

#### 15. *Subsequent Events*

The Authority has evaluated subsequent events through March 14, 2017, the date the financial statements were available to be issued.

### Note B – Cash and Cash Equivalents

The cash and cash equivalents of the primary government, River Park Authority, is held in funds pooled with the City of Tulsa. Information regarding the City's pooled cash is available in the City's audited financial statements.

The cash and cash equivalents and restricted cash of the blended component units are held in a financial institution. The amounts are subject to credit risks related to bank deposits. Some amounts on deposit in the blended component units exceed Federal Deposit Insurance Corporation limits. No losses have been or are expected to be incurred.

### Note C – Investments and Investing Activity

The Authority currently maintains its investments at Bank of Oklahoma, N.A., pursuant to investment management policies and custodial agreements as follows:

- The Authority's Operating and M.K.&T. Trail funds are invested with the City of Tulsa's pooled cash. Those investments are governed by the City's investment and banking policies.
- It is the policy of the River Parks Foundation to restrict its investments to financial products that are fully covered by the Federal Deposit Insurance Corporation.

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note C – Investments and Investing Activity - Continued**

- The Authority received a contribution for Tulsa’s Gathering Place of donated marketable equity securities during the current year. Investment securities are exposed to various risks such as interest rate fluctuations, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term may materially affect the amounts reported for Tulsa’s Gathering Place Fund in the financial statements.

Investment held as of June 30, 2016 is as follows:

	<u>Fair Value</u>	<u>Cost</u>
Equities	\$ 13,794,000	\$ 15,043,600

There were no investments as of June 30, 2015.

Investment earnings as of June 30, 2016 consisted of the following:

	<u>2016</u>
Dividends	\$ 189,200
Interest	16,545
Investment earnings	<u>\$ 205,745</u>
Unrealized loss on investments	<u>\$ (1,249,600)</u>

Subsequent to year-end, The Authority sold the above investments for \$14,763,294 resulting in a gain of \$969,294.

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note D – Fair Value Measurements**

The fair value measurement standards define fair value, establish a consistent framework for measuring fair value and establish a fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

	<b>Fair Value Measurements at June 30, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 13,794,000	\$ -	\$ -	\$ 13,794,000
Total	\$ 13,794,000	\$ -	\$ -	\$ 13,794,000

There were no transfers into or out of Levels 1, 2, or 3 for the years ended June 30, 2016.

River Parks Authority

**Notes to Financial Statements**

June 30, 2016 and 2015

**Note E – Capital Assets**

A summary of changes in capital assets during the years ended June 30, 2016 and 2015 are as follows:

	July 1, 2015	Acquisitions	Sales or Dispositions	Transfers	June 30, 2016
Capital assets not being depreciated:					
Land	\$ 25,487,222	\$ -	\$ -	\$ -	\$ 25,487,222
Construction in progress	21,917,023	51,529,484	(988,743)	-	72,457,764
Sculptures and artwork	1,878,832	78,227	(305,580)	-	1,651,479
Capital assets being depreciated:					
Lease/land improvements	27,800,816	8,546,247	(1,484,622)	-	34,862,441
Buildings	1,672,029	615,244	-	-	2,287,273
Equipment	942,505	95,762	(19,489)	-	1,018,778
	79,698,427	60,864,964	(2,798,434)	-	137,764,957
Accumulated depreciation	(12,903,362)	(1,650,052)	967,097	-	(13,586,317)
<b>Total</b>	<b>\$ 66,795,065</b>	<b>\$ 59,214,912</b>	<b>\$ (1,831,337)</b>	<b>\$ -</b>	<b>\$ 124,178,640</b>

	July 1, 2014	Acquisitions	Sales or Dispositions	Transfers	June 30, 2015
Capital assets not being depreciated:					
Land	\$ 3,767,291	\$ 21,719,931	\$ -	\$ -	\$ 25,487,222
Construction in progress	1,626,885	21,540,571	(1,250,433)	-	21,917,023
Sculptures and artwork	1,871,929	96,800	(89,897)	-	1,878,832
Capital assets being depreciated:					
Lease/land improvements	28,773,003	1,243,229	(2,215,416)	-	27,800,816
Buildings	1,469,891	202,138	-	-	1,672,029
Equipment	846,241	100,635	(4,371)	-	942,505
	38,355,240	44,903,304	(3,560,117)	-	79,698,427
Accumulated depreciation	(13,597,572)	(1,414,758)	2,108,968	-	(12,903,362)
<b>Total</b>	<b>\$ 24,757,668</b>	<b>\$ 43,488,546</b>	<b>\$ (1,451,149)</b>	<b>\$ -</b>	<b>\$ 66,795,065</b>

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note E – Capital Assets - Continued**

Tulsa's Gathering Place's total acquisitions as of June 30, 2016 and 2015 consist of the following:

	<b>2016</b>	<b>2015</b>
Capital assets not being depreciated:		
Land	\$ 21,719,931	\$ 21,719,931
Construction in progress	72,405,167	20,704,068
Capital assets being depreciated:		
Buildings	202,138	202,138
Equipment	86,342	51,347
	<u>\$ 94,413,578</u>	<u>\$ 42,677,484</u>

**Note F – Line of Credit**

In February 2016, the Authority entered into an unsecured non-revolving line-of-credit agreement with George Kaiser Family Foundation and QuikTrip Corporation for the purpose of purchasing land for River Parks' Turkey Mountain Urban Wilderness. The line-of-credit expires February 2018, with a limit of \$2,800,000 per lender, for a total of \$5,600,000. Interest is accrued at a fixed rate of 2.5%. The line-of-credit will be paid back with Vision 2025 funds as they become available. Loan funds received and outstanding at June 30, 2016 totaled \$63,048 (see note M).

**Note G – Retirement Plan and Pension**

In June 2012, The Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement was effective for fiscal years beginning after June 15, 2014. The adoption of the standard, as amended, added deferred outflows and inflows related to delayed recognition changes to the net pension liability and the recognition of the Authority's share of net pension liabilities.

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note G – Retirement Plan and Pension - Continued**

1. *Plan Description*

Employees of the Authority are provided with pensions through the Municipal Employee Retirement Plan (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. 2<sup>nd</sup> Street, Tulsa, Oklahoma 74103.

2. *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% 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 who die before retirement eligibility is reached are, at the spouse’s election, a refund of contribution plus interest or a life annuity of 50% of the member’s accrued benefit determined based on final average earnings and service as of the date of death.

3. *Contributions*

Contributions are set per City of Tulsa ordinance. Employees are required to contribute 6.5 percent of their pensionable wages for the year ended June 30, 2016. The Authority is required to contribute 11.5 percent of pensionable wages for the year ended June 30, 2016. Contributions to the pension plan from the Authority were \$66,077 for the year ended June 30, 2016.



**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note G – Retirement Plan and Pension - Continued**

*4. 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 \$1,046,521 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 0.4838 percent, which was a decrease of 0.0091 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Authority recognized pension loss of \$49,107. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual plan experience	\$ 11,172	\$ (27,085)
Changes of assumptions	228,941	(139,957)
Net difference between projected and actual earnings on pension plan investments	168,582	(62,221)
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	-	(74,677)
Total	<u>\$ 408,695</u>	<u>\$ (303,940)</u>

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

<b>Year ended June 30:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2017	\$ 111,743	\$ (82,642)
2018	111,743	(82,642)
2019	111,743	(82,642)
2020	73,466	(56,014)
	<u>\$ 408,695</u>	<u>\$ (303,940)</u>

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note G – Retirement Plan and Pension - Continued**

*5. Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of 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	7.50 percent compounded annually, net of investment expense and including inflation

Mortality rates were based on the 2014 Group Annuity Mortality Tables, set forward 2 years for males and one year for females.

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 arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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**

June 30, 2016 and 2015

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**Note G – Retirement Plan and Pension - Continued**

*6. Discount Rate*

The discount rate used to measure the total pension liability was 7.50 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 Authority will be made as specified in the MERP funding policy. Based on those assumptions, the pension plan’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 projected benefit payments to determine the total pension liability.

*7. 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Authority's proportionate share of the net pension liability	\$ 1,406,489	\$ 1,046,521	\$ 744,901

*8. Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in the City of Tulsa’s Comprehensive Annual Financial Report, which can be located at [www.cityoftulsa.org](http://www.cityoftulsa.org).

**Note H – Other Post-Employment Benefits**

The City provides post-employment health care benefits for retired employees and their dependents through the City of Tulsa Post-Retirement Medical Plan (the “Plan”), a single-employer 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. River Parks Authority retirees who elect to participate in post-retirement benefits pay 100% of the cost.

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 when the sum of an employee’s age and years of service is 80 or more. 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**

June 30, 2016 and 2015

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**Note H – Other Post-Employment Benefits - Continued**

The actuarial valuation of liabilities under the Plan is calculated using the entry age normal cost method as of the July 1, 2014 and 2013 actuarial valuations. This method requires the calculation of an unfunded actuarially accrued liability, which was approximately \$9,713,000 and \$12,180,000 for the City as of June 30, 2016 and 2015, respectively. The Authority's portion of the unfunded actuarially accrued liability is not separately determinable.

The City's actuarially determined annual required contributions (ARC) for fiscal years ending June 30, 2016 and 2015 were \$977,000 and \$1,207,000, respectively, of which \$796,000 and \$618,000 were paid on a pay-as-you-go basis in 2016 and 2015, respectively. The Authority was allocated \$162,948 and \$138,138 of the net OPEB obligation for the fiscal years ending June 30, 2016 and 2015, which has been reflected in the financial statements. 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.

**Note I – Related Parties**

The Authority leases certain property from the City and third parties on an annual basis for nominal amounts.

The Authority receives a large portion of its funding from grants given by the City, County, and the City of Sand Springs. The Authority submits a line item budget request and grants are awarded based on need and the available financial resources of the granting entities. Total grants received by the Authority for the years ended June 30, 2016 and 2015 were \$9,264,524 and \$1,313,798, respectively. The 2016 grant from the City of Tulsa includes \$7,940,615, which is the value of the one-time River West Festival Park and west bank trail renovations that were financed by the 2006 City of Tulsa 3<sup>rd</sup> Penny Sales Tax Program.

**Note J – Commitments and Contingencies**

The Authority leases administrative office space in a building located at 2424 East 21<sup>st</sup> Street, Suite 300. A four-year lease was signed with the building's owner, Acron 21 Lewis Plaza Limited Partnership, effective April 1, 2013. The lease term provides for monthly payments of \$2,958 for a term of four years. The building was sold in August, 2016, and the new owner is 21 LP LLC. The new owner agreed to extend the lease term without modification to June 30, 2017 at which time the Authority expects the lease to be renewed for an additional term.

**Notes to Financial Statements**June 30, 2016 and 2015

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**Note K – Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; employee dishonesty; injuries to employees and natural disasters. The Authority manages these various risks as follows:

<b>Type of Loss</b>	<b>Method Managed</b>	<b>Risk Retained</b>
Tort Claims	Purchased insurance covering: general liability, automobile liability and liquor liability	No deductibles
Railroad Liability	Purchased general liability specific to location on Turkey Mountain where active rail line crosses recreation trail	\$5,000 deductible
Physical Property Loss and Natural Disasters	Purchased casualty loss covering: playgrounds, buildings and contents	\$50,000 deductible, per occurrence
	Equipment	\$500 deductible
	Purchased flood insurance covering: buildings and contents	\$5,000 deductible
	Self-insurance for the Pedestrian Bridge and Zink Dam	Estimated pooled cash for self-insurance at 6-30-16 - \$250,000
Injuries to Employees	Purchased automobile comprehensive and collision coverage	\$500/\$1,000 deductible
	Purchased workers compensation insurance	No deductible
Employee Dishonesty	Purchased employee dishonesty policy covering staff, Board of Trustees	\$500 deductible
Employee Life, Health, Dental Etc.	Purchased insurance providing life, health, dental, and similar benefits to qualified employees through group policies of the City of Tulsa. The Authority shares the cost of these benefits with its employees.	None

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note K – Risk Management - Continued**

Management believes that coverage is sufficient to preclude any significant uninsured losses to the Authority. The Authority's inclusion under the Oklahoma Political Subdivisions Tort Claims Liability Act limits its liability to \$1 million per occurrence.

The Authority's general and automobile liability, its automobile comprehensive and collision coverage, its casualty loss coverage for park buildings and structures and its equipment coverage are with the Oklahoma Municipal Assurance Group (OMAG), a risk entity pool for political subdivisions of the State of Oklahoma. Coverage on park playgrounds, buildings, structures and applicable contents is also with OMAG. Flood insurance coverage on park restroom buildings and the Authority's maintenance facility is provided through the National Flood Insurance Program and other companies. The Authority's workers compensation insurance is provided by CompSource Mutual Insurance Company. An employee dishonesty policy is written by The Ohio Casualty Insurance Company. A railroad liability is written through Liberty Surplus Insurance Corporation and a commercial property policy covering the Authority's leased administrative office space is written by Foremost Insurance.

*1. Risk Entity Pool*

The Authority participates in the Oklahoma Municipal Assurance Group (OMAG) Liability Protection Plan which offers insurance agreements covering claims against municipalities and other qualified governmental entities for all government functions, utilities and services covered in the Plan. These include bodily injury, property damage, wrongful acts, and personal injury and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services and municipal functions are covered unless they are specifically listed as exclusions in the Plan. The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then-members of the Group in equal shares. Each participating entity pays all costs, premiums or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred, but not reported, limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement. The Plan's insurance agreements are reinsured for excess losses based upon the contract year.

*2. Employee Benefit Plans*

The Authority offers health, dental, life and disability insurance coverage to its eligible employees. For the health insurance, the bulk of the premium is paid by the Authority and the employee pays a portion of the premium cost by payroll deduction for either single or family coverage. For dental coverage, the Authority pays all the employee's premium and the employee pays all the dependent coverage premium. The Authority pays a life insurance premium for coverage equal to twice the employee's annual salary. Supplemental life insurance may be obtained by employees at their own expense. The Authority pays a

## Notes to Financial Statements

June 30, 2016 and 2015

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### Note K – Risk Management - Continued

#### 2. *Employee Benefit Plans - Continued*

disability insurance premium for coverage based upon each employee's annual salary and the employee contributes a small percentage toward the premium as well. The supplemental life insurance and disability premiums are also paid by payroll deduction. The Authority offers its employees health, dental, life and disability insurance through participation in the group insurance programs of the City of Tulsa. The Authority has no financial exposure for the provision of these benefits beyond the premiums established by contracts awarded to the providers by the City.

#### 3. *Self-Insurance Coverage*

Due to the high premium costs associated with providing all-risk casualty loss coverage for the Pedestrian Bridge and Zink Dam, the Authority elected in the 1980's to reserve unexpended cash, which remained at the close of each fiscal year, for the purpose of self-insuring these structures against damage caused by fire, storms, vandalism, etc. These funds are pooled with the City's Pooled Investment (see Note B). A portion of the funds, \$132,669, are held in a separate account and the remaining available funds of \$317,331, are held in the Authority's general cash account. The sum of these amounts, adjusted for estimated liabilities, is the basis for the estimate of available self-insurance funds noted in the chart on Page 31.

### Note L – Recent Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and RSI are also addressed. The Statement replaces Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

### Note M – Subsequent Events

Subsequent to year-end, the Authority purchased land on Turkey Mountain for \$2,161,055, excluding earnest money of \$50,100, using funds obtained from the line of credit.

**Notes to Financial Statements**

June 30, 2016 and 2015

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**Note N – Change in Presentation**

During 2016 the Authority expanded the use of the Tulsa’s Gathering Place LLC fund to account for all activity related to the park (note A2). In 2015 the LLC fund only accounted for the activity within the LLC. This change in presentation resulted in the cash, construction payables, contributions and expenditures previously reported under the Authority to be reported within the Tulsa’s Gathering Place Fund. The net effect of the change was to transfer \$2,194,063 of restricted – expendable equity. This change was made to match the current year presentation which more accurately presents the financial activity related to the construction of the park.



**REQUIRED  
SUPPLEMENTAL INFORMATION**

River Parks Authority

**Required Supplemental Information**

**Schedule of Proportionate Share of the Net Pension Liability - last 10 fiscal years\***

As of Plan Year-end of June 30,

	2016	2015	2014
Authority's proportion of the net pension liability	0.4838%	0.4929%	0.5480%
Authority's proportionate share of the net pension liability	\$ 1,046,521	\$ 617,378	\$ 612,229
Authority's covered-employee payroll	\$ 568,017	\$ 537,223	\$ 617,106
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.2%	114.9%	99.2%
Plan fiduciary net position as a percentage of the total pension liability	65.6%	77.1%	79.3%

\* Note - Only the current and two prior fiscal years are presented because 10-year data is not available.

River Parks Authority

**Required Supplemental Information**

**Schedule of Contributions - last 10 fiscal years\***

June 30,

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	2016	2015	2014
Contractually required contribution	\$ 65,538	\$ 61,781	\$ 61,711
Contribution in relation to contractually required contribution	\$ 65,538	\$ 61,781	\$ 61,711
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 568,017	\$ 537,223	\$ 617,106
Contributions as a percentage of covered-employee payroll	11.5%	11.5%	10.0%

\* Note - Only the current and two prior fiscal years are presented because 10-year data is not available.



**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 of  
River Parks Authority

We have audited, 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, the financial statements of the business-type activities and each major fund of the River Parks Authority (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 14, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tulsa, Oklahoma  
March 14, 2017

*Stanfield & O'Dell P.C.*