

**Tulsa County Public Facilities Authority**

**Financial Statements**

and

Report of Independent Certified Public Accountants

**December 31, 2011 and 2010**

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## Report of Independent Certified Public Accountants

The Board of Trustees  
Tulsa County Public Facilities Authority

We have audited the accompanying basic financial statements of Tulsa County Public Facilities Authority, (the Authority), a component unit of Tulsa County, Oklahoma, as of and for the year then ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Tulsa County Public Facilities Authority as of December 31, 2010 were audited by other auditors whose report date of July 21, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulsa County Public Facilities Authority as of December 31, 2011 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The management's discussion and analysis on pages 4 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tulsa, Oklahoma  
August 20, 2012

**Tulsa County Public Facilities Authority  
Management's Discussion and Analysis  
December 31, 2011 and 2010**

As management of Tulsa County Public Facilities Authority (the Authority), a public trust created for the use and benefit of the County of Tulsa (the County), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

**Master Plan Improvements**

In 1999, the Authority began implementing a master plan to revamp the 240 acres referred to as the Tulsa County Fairgrounds. The first phase was funded by the issuance of a \$21.5 million revenue bond. This bond was funded by an excise tax levied by the County and an event surcharge implemented by the Authority. Phase I consisted of renovating the historic pavilion, construction of a new livestock arena and stalling barn, and an esplanade. Phase I was completed in September 2001.

The second phase was fully funded by a five-year, two-twelfths of a percent county sales tax. Phase II cost approximately \$20 million. This phase consisted of two new free span livestock barns, improvements to the expo building including new paint, the beginning of a central park and a new RV park. Phase II was completed in September 2003.

The third phase began in 2004. This phase cost approximately \$40 million and was funded through bond issuances, which will be repaid by a county sales tax increase. Projects in the third phase include two livestock barns, an exhibit hall, a central plant and improvements to the expo building, including a new roof, remodeling of two concession/bathrooms and updating the building's air handling system. The livestock barns, the central plant and the expo building improvements were completed in May 2006. The exhibit hall was completed in March 2008.

The fourth phase began during 2006. This phase cost approximately \$38.5 million. Projects in the fourth phase included an exchange center, armory kitchen, improvements to the expo building and parking lot repavement. The projects were completed in October 2008.

**Financial Highlights**

The Authority changed its fiscal year from July-June to January-December, effective July 1, 2008. Calendar year 2009 was the first full year after making this change.

Investments were liquidated during the current year and the proceeds were used to purchase horse stalls for the livestock barns and energy efficient lighting for the expo building.

**Overview of the Financial Statements**

The Authority is charged with establishing, promoting, maintaining and operating agricultural and industrial expositions and fairs, trade shows, pari-mutuel horse racing and simulcasts and other recreational facilities, including the annual Tulsa State Fair and Tulsa County Fair on the Tulsa State Fairgrounds located in Tulsa County, Oklahoma. The Authority currently operates and maintains the Tulsa State Fairgrounds pursuant to a lease agreement, dated as of February 22, 1983, as amended, by and between the Authority and the County. The Authority is included in the County's comprehensive annual financial report as an enterprise fund.

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. This report consists of two parts: 1) management's discussion and analysis, and 2) financial statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### Required Financial Statements

The Authority's financial statements conform to generally accepted accounting principles for units of local government as promulgated by the Government Accounting Standards Board.

The financial statements of the Authority are similar to those used by private sector companies. Financial statements consist of a statement of net assets, statement of revenues, expenses and changes in fund net assets and a statement of cash flows. These statements show our liquidity, debt level and areas in which revenues are generated and expenses are incurred. The statements also reflect our master plan activity; we have capitalized approximately \$540,000 for master plan improvements for the year ended December 31, 2011.

### Net Assets

Net Assets are an important indicator of the Authority's overall financial position. The Authority's net assets decreased approximately \$2.5 million and \$2.9 million for the years ended December 31, 2011 and 2010, respectively. The Authority's net assets as a percentage of total assets increased between December 31, 2010 and 2011, from 72% to 73%, respectively, and between December 31, 2009 to 2010 from 70% to 72%, respectively.

#### Condensed Statements of Net Assets

	December 31,		
	2011	2010	2009
Current assets	\$ 5,891,271	\$ 6,735,141	\$ 6,520,349
Restricted assets	4,661,375	3,069,821	4,238,627
Capital assets, net	116,104,846	122,155,325	127,892,199
Other assets	783,716	930,983	1,121,679
<b>Total assets</b>	<b>127,441,208</b>	<b>132,891,270</b>	<b>139,772,854</b>
Current liabilities	4,840,893	5,197,728	5,995,779
Liabilities payable from restricted assets	903,316	908,382	608,581
Noncurrent liabilities	28,782,372	31,325,730	34,805,943
<b>Total liabilities</b>	<b>34,526,581</b>	<b>37,431,840</b>	<b>41,410,303</b>
Invested in capital assets, net of related debt	84,484,337	87,214,579	89,628,012
Restricted for debt service and capital projects	3,758,059	2,161,438	3,653,202
Unrestricted	4,672,231	6,083,413	5,081,337
<b>Total net assets</b>	<b>\$ 92,914,627</b>	<b>\$ 95,459,430</b>	<b>\$ 98,362,551</b>

At December 31, 2011 and 2010, total assets decreased approximately \$5.5 million and \$6.9 million, respectively, due to depreciation of assets and reduction of current assets. At December 31, 2011 and 2010, total liabilities decreased approximately \$2.9 million and \$4.0 million, respectively, primarily due to the payment of principal on revenue bonds.

Condensed Statements of Revenues  
Expenses and Changes in Fund Net Assets

	December 31, 2011	December 31, 2010	December 31, 2009
Operating revenues	\$ 21,534,164	\$ 21,437,868	\$ 20,758,790
Nonoperating revenues	16,514	37,383	45,070
Total revenues	21,550,678	21,475,251	20,803,860
Depreciation and amortization	8,062,788	8,007,882	7,355,994
Other operating expenses	21,097,379	20,168,837	20,637,138
Nonoperating expenses	1,630,337	1,765,759	1,900,778
Total expenses	30,790,504	29,942,478	29,893,910
Loss before transfers	(9,239,826)	(8,467,227)	(9,090,050)
Transfers	6,695,023	5,564,106	6,240,050
Change in net assets	(2,544,803)	(2,903,121)	(2,850,000)
Net assets:			
Beginning of year	95,459,430	98,362,551	101,212,551
End of year	\$ 92,914,627	\$ 95,459,430	\$ 98,362,551

State Fair admission revenue increased approximately \$39,000 during 2011 due to an increase in attendance. State Fair admission revenue increased approximately \$405,000 during 2010 due to an increase in ticket prices and good weather.

**Capital Assets**

As discussed earlier, the Authority completed a master plan which was set up in phases. The first phase was completed in September 2001, the second phase was completed in September 2003, the third phase was completed in March 2008, and the fourth phase was completed in October 2008.

Capital assets before depreciation and construction-in-progress increased approximately \$1.9 million and \$2.1 million in 2011 and 2010, respectively.

	December 31,		
	2011	2010	2009
Land	\$ 96,000	\$ 96,000	\$ 96,000
Buildings and systems	174,622,722	173,832,265	172,378,269
Machinery and equipment	13,873,685	12,719,097	12,090,023
	188,592,407	186,647,362	184,564,292
Less accumulated depreciation	(72,487,561)	(64,595,395)	(56,779,177)
Construction-in-progress	-	103,358	107,084
Capital assets, net	<u>\$ 116,104,846</u>	<u>\$ 122,155,325</u>	<u>\$ 127,892,199</u>

### Revenue Bonds

Outstanding long-term debt decreased approximately \$3.3 million during 2011 and 2010, due to the payment of principal on revenue bonds.

	December 31,		
	2011	2010	2009
Revenue bonds	<u>\$ 31,620,509</u>	<u>\$ 34,940,746</u>	<u>\$ 38,264,187</u>

### Request for Information

This financial report is designed to give the reader a general overview of the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Preston Jackson, Controller at Expo Square, 4145 East 21<sup>st</sup> Street, Tulsa, Oklahoma 74114.

Tulsa County Public Facilities Authority

**Statements of Net Assets**

December 31,

	2011	2010
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,406,015	\$ 3,117,057
Investments	-	1,412,835
Accounts receivable	2,195,414	1,972,916
Deferred expenses	84,881	5,650
Prepaid and other expenses	55,171	68,020
Inventories	149,790	158,663
Total current assets	5,891,271	6,735,141
<b>Restricted assets</b>		
Cash and cash equivalents	3,758,059	2,161,439
Amounts held for others	903,316	908,382
Total restricted assets	4,661,375	3,069,821
<b>Capital assets, net</b>	116,104,846	122,155,325
<b>Bond issuance costs, net</b>	783,716	930,983
Total assets	\$ 127,441,208	\$ 132,891,270
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 871,926	\$ 629,532
Accrued interest payable	237,138	258,358
Other accrued expenses	562,386	379,505
Deferred credits and event revenue	331,306	315,317
Current portion of revenue bonds	2,838,137	3,615,016
Total current liabilities	4,840,893	5,197,728
<b>Liabilities payable from restricted assets</b>		
Trust fund liabilities	903,316	908,382
Revenue bonds, less current portion	28,782,372	31,325,730
Total liabilities	34,526,581	37,431,840
<b>Net Assets</b>		
Invested in capital assets, net of related debt	84,484,337	87,214,579
Restricted for debt service	2,009,385	2,009,103
Restricted for capital projects	1,748,674	152,335
Unrestricted	4,672,231	6,083,413
Total net assets	92,914,627	95,459,430
Total liabilities and net assets	\$ 127,441,208	\$ 132,891,270

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



Tulsa County Public Facilities Authority

**Statements of Revenues, Expenses and Changes in Fund Net Assets**

Years ended December 31,

	2011	2010
<b>Operating Revenues</b>		
State Fair admission	\$ 3,102,100	\$ 3,063,543
Space rental	5,364,837	5,058,924
Commissions	1,453,882	1,329,217
Entries and premium contributions	569,090	555,949
Other non-racing revenue	4,870,505	4,810,826
Racing commissions	1,968,119	2,047,662
Other racing revenue	180,779	220,767
Food and beverage	4,024,852	4,350,980
Total operating revenues	<u>21,534,164</u>	<u>21,437,868</u>
<b>Operating Expenses</b>		
Personnel	8,682,610	8,778,802
Utilities and telephone	2,444,127	1,687,209
Advertising, promotion and entertainment	1,421,433	1,365,339
Premiums, ribbons and awards	468,712	556,510
Supplies and printing	1,554,962	1,335,828
Outside services	3,353,010	3,323,362
Maintenance and repairs	419,584	370,389
Insurance	458,835	465,864
Administrative	724,326	693,967
Equipment rental	345,149	316,160
Food and beverage	1,224,631	1,275,407
Total operating expenses	<u>21,097,379</u>	<u>20,168,837</u>
Operating income before depreciation and amortization	436,785	1,269,031
Depreciation and amortization	(8,062,788)	(8,020,973)
Amortization of deferred credits	-	13,091
Operating loss	(7,626,003)	(6,738,851)
Nonoperating revenues (expenses):		
Interest expense	(1,630,337)	(1,765,759)
Interest income	16,514	37,383
Loss before transfers	(9,239,826)	(8,467,227)
Transfers	6,695,023	5,564,106
Change in net assets	(2,544,803)	(2,903,121)
Net assets, beginning of year	<u>95,459,430</u>	<u>98,362,551</u>
Net assets, end of year	<u>\$ 92,914,627</u>	<u>\$ 95,459,430</u>

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

Tulsa County Public Facilities Authority

**Statements of Cash Flows**

Years ended December 31,

	2011	2010
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 21,327,655	\$ 22,101,342
Cash paid to suppliers	(12,052,069)	(12,067,382)
Cash paid to employees	(8,682,610)	(8,778,802)
Net cash provided by operating activities	<u>592,976</u>	<u>1,255,158</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from debt	9,860,000	-
Capital expenditures	(1,876,117)	(2,116,646)
Principal payments on revenue bonds	(12,740,708)	(3,481,145)
Deferred loss on advance refunding of bonds	(586,646)	-
Interest paid on revenue bonds	(1,504,438)	(1,628,866)
Debt issue costs	(23,355)	-
Transfers in from County	6,695,023	5,564,106
Net cash used in capital and related financing activities	<u>(176,241)</u>	<u>(1,662,551)</u>
<b>Cash flows from investing activities</b>		
Interest received on cash and investments	16,514	37,383
Proceeds from maturity of investments	1,412,835	1,119
Payments for the purchase of investments	-	(7,481)
Proceeds from the sale of equipment	34,428	9,460
Net cash provided by investing activities	<u>1,463,777</u>	<u>40,481</u>
<b>Net change in cash and cash equivalents</b>	1,880,512	(366,912)
<b>Cash and cash equivalents, beginning of year</b>	<u>6,186,878</u>	<u>6,553,790</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 8,067,390</u>	<u>\$ 6,186,878</u>

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

Tulsa County Public Facilities Authority

**Statements of Cash Flows - Continued**

Years ended December 31,

	2011	2010
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>		
Operating loss	\$ (7,626,003)	\$ (6,738,851)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,062,788	8,020,972
Amortization of deferred credits	-	(13,091)
Loss on sale of equipment	-	13,784
Changes in operating assets and liabilities:		
Accounts receivable	(222,498)	801,743
Prepaid and other expenses	12,849	(57,857)
Inventories	8,873	47,083
Deferred expenses	(79,231)	21,285
Accounts payable	242,394	(980,994)
Other accrued expenses	182,881	52,886
Deferred credits and event revenue	15,989	(138,268)
Liability to Horsemen	(5,066)	226,466
<b>Net cash provided by operating activities</b>	<b>\$ 592,976</b>	<b>\$ 1,255,158</b>
<b>Cash and cash equivalents consist of the following at December 31:</b>		
Cash and cash equivalents	\$ 3,406,015	\$ 3,117,057
Restricted cash and cash equivalents	3,758,059	2,161,439
Horsemen's Trust Account	903,316	908,382
<b>Total cash and cash equivalents</b>	<b>\$ 8,067,390</b>	<b>\$ 6,186,878</b>

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

**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note A – Summary of Significant Accounting Policies**

*1. Summary of Significant Accounting Policies*

The accounting and reporting policies of Tulsa County Public Facilities Authority (the Authority) conform to generally accepted accounting principles for units of local government as promulgated by the Governmental Accounting Standards Board (GASB). The Authority has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The Authority has elected to apply all applicable GASB pronouncements as well as all private-sector standards of accounting and financial reporting issued prior to December 1, 1989.

*2. Organization and Purpose*

The Authority is a public trust established under the provisions of the Oklahoma Trust Act on January 17, 1983. The Authority commenced operations on March 1, 1983, and, as successor to the Tulsa County Fairgrounds Trust Authority, operates and manages certain properties owned by Tulsa County, Oklahoma (the County), commonly referred to as the Tulsa County Fairgrounds located at Expo Square. The Authority is included in the County's comprehensive annual financial report as an enterprise fund.

*3. Basis of Accounting*

Accrual basis accounting is used by the Authority. Under this method 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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*5. Cash and Cash Equivalents*

The Authority includes as cash equivalents all investments which are readily convertible into known amounts of cash with a maturity date at the time of purchase of three months or less.

*6. Restricted Assets*

Certain assets of the Authority are restricted for payment of horse racing meet purses, capital expenditures and retirement of long-term debt.

**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note A – Summary of Significant Accounting Policies - Continued**

*7. Accounts Receivable*

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Accounts receivable are written-off when deemed uncollectible. Recoveries of accounts receivable previously written-off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding past the terms of the specific sales contract. The Authority does not charge interest on outstanding accounts receivable.

*8. Inventories*

Inventories consist of food, beverage and sundry items and are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

*9. Capital Assets*

The Authority's property, plant and equipment with useful lives of more than one year are stated at cost or estimated fair market value if acquired by gift. The excess of interest cost related to borrowings for financing capital assets over interest earned on the proceeds from such borrowings are capitalized during the construction period. For the years ended December 31, 2011 and 2010, there was no interest capitalized. Fixed assets which are sold or retired have their cost and related accumulated depreciation removed from the records. The related gain or loss is recorded in the period of sale or retirement. Repairs and maintenance are charged to expense as incurred. Major renewals or betterments are capitalized.

*10. Depreciation*

Property, plant and equipment placed in service are depreciated over their estimated useful lives on a straight-line basis: buildings and improvements from 5 to 45 years and equipment and vehicles from 3 to 20 years.

*11. Bond Issuance Costs*

Bond issuance costs are amortized over the life of the bonds based on the weighted average amount of bonds outstanding.

*12. Deferred Revenue and Expenses*

Revenue from events, such as the annual State Fair and horse racing meet events, and the related expenses are deferred until occurrence of the event, at which time the deferred revenue and any expenses are recognized.

**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note A – Summary of Significant Accounting Policies - Continued**

*13. Deferred Credits*

Deferred credits arising from capitalization of improvements donated by a tenant are amortized over the remaining life of the related sublease (see Note C).

*14. Facilities Surcharge and Excise Tax Revenue*

As of July 1999, the Authority implemented an event surcharge of \$1.00 per person on each admission to certain events held at the Tulsa State Fairgrounds. Such event surcharge is earmarked for capital improvements at the Tulsa State Fairgrounds as described in the Expo Square Master Plan. Also, an excise tax was levied by the County, which may be used for the purpose of making capital improvements at Expo Square and/or pledged and applied toward the payment of principal, premium and interest on indebtedness. For the years ending December 31, 2011 and 2010, the Authority received \$6,695,023 and \$5,564,106 in excise tax revenue from the County, respectively. These amounts are included in transfers on the statement of revenue, expenses and changes in fund net assets.

*15. Income Taxes*

As a political subdivision, the Authority is exempt from federal income taxes under Section 115(1) of the Internal Revenue Code. As a result, as long as the Authority maintains its tax exemption, it will not be subject to income tax.

*16. Reclassifications*

Certain amounts have been reclassified in the 2010 financial statements to conform to the 2011 financial statement presentation. Their reclassifications had no effect on previously reported net assets.

*17. Subsequent Events*

Subsequent events have been evaluated through August 20, 2012, the date the financial statements were available to be issued.

**Note B – Cash and Investments**

*1. Unrestricted Investments*

Unrestricted investments consist of certificates of deposit which are not rated.

*2. Amounts Held for Others*

Included in the Amounts Held for Others is the Horsemen's Trust Account which is cash held in a custodial capacity for the payment of purses during the live racing meet and the Junior Auction Scholarship Fund which is cash held in a custodial capacity for the payment of scholarships. A liability for these amounts has been recorded as Trust Fund Liabilities.

Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2011 and 2010

**Note B – Cash and Investments - Continued**

3. *Restricted Cash*

Restricted assets consist primarily of cash held by a bank trustee for debt service payments and managed pursuant to the bond indenture. In accordance with the bond indentures and state statutes, authorized investments consist of obligations of the U.S. Treasury, agencies and instrumentalities, investment contracts, commercial paper, repurchase agreements and money market accounts.

The carrying amounts of the Authority's investments in money market accounts reported as cash equivalents at December 31, 2011 and 2010 were and \$3,758,059 and \$2,161,438, respectively, and are included in restricted cash. Carrying amounts approximate fair value for the Authority's investments.

4. *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy to limit custodial credit risk and has balances that regularly exceed FDIC limits.

**Note C – Capital Assets**

Capital assets activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 96,000	\$ -	\$ -	\$ 96,000
Construction-in-progress	103,358	1,792,162	1,895,520	-
Total capital assets, not being depreciated	199,358	1,792,162	1,895,520	96,000
Capital assets, being depreciated:				
Buildings and systems	173,832,265	824,885	34,428	174,622,722
Machinery and equipment	12,719,097	1,154,588	-	13,873,685
Total capital assets, being depreciated	186,551,362	1,979,473	34,428	188,496,407
Total capital assets	186,750,720	3,771,635	1,929,948	188,592,407
Less accumulated depreciation for:				
Buildings and systems	55,823,859	6,727,826	-	62,551,685
Machinery and equipment	8,771,536	1,164,340	-	9,935,876
Total accumulated depreciation	64,595,395	7,892,166	-	72,487,561
Capital assets, net	\$ 122,155,325	\$ (4,120,531)	\$ 1,929,948	\$ 116,104,846

Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2011 and 2010

**Note C – Capital Assets - Continued**

Capital assets activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 96,000	\$ -	\$ -	\$ 96,000
Construction-in-progress	107,084	2,037,455	2,041,181	103,358
Total capital assets, not being depreciated	203,084	2,037,455	2,041,181	199,358
Capital assets, being depreciated:				
Buildings and systems	172,378,269	1,453,996	-	173,832,265
Machinery and equipment	12,090,023	666,374	37,300	12,719,097
Total capital assets, being depreciated	184,468,292	2,120,370	37,300	186,551,362
Total capital assets	184,671,376	4,157,825	2,078,481	186,750,720
Less accumulated depreciation for:				
Buildings and systems	49,112,258	6,711,601	-	55,823,859
Machinery and equipment	7,666,919	1,118,672	14,055	8,771,536
Total accumulated depreciation	56,779,177	7,830,273	14,055	64,595,395
Capital assets, net	\$ 127,892,199	\$ (3,672,448)	\$ 2,064,426	\$ 122,155,325

Depreciation expense was \$7,892,166 and \$7,830,273 for the years ended December 31, 2011 and 2010, respectively.

All property and equipment is subject to a lease agreement dated February 22, 1983, with the Board of Commissioners of Tulsa County which, as amended, extends to March 1, 2043. The lease agreement covers all land, buildings, equipment and other properties.

The terms of the agreement provide that the Authority will manage and use the property in exchange for utilizing the property for purposes which are in the best interest of the citizens of Tulsa County. The agreement required County Commissioner approval for capital expenditures in excess of \$100,000, any sublease of the property for a term exceeding two years, and the issuance of any revenue bonds. At the termination of the lease, ownership of all assets used or acquired in connection with the leased premises reverts to the County.



Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note C – Capital Assets - Continued**

The above capital assets do not include the facility known as Big Splash Waterpark (Big Splash), which operates under a long-term ground sublease for which the Authority receives rentals based on percentages of revenues subject to certain minimums. During the years ended December 31, 2011 and 2010, the Authority recorded \$131,521 and \$138,453, respectively, of rental income from Big Splash.

The Authority also has a percentage rental contract, extending to 2015, with a midway operator to provide and operate amusements during the annual State Fair. During the years ended December 31, 2011 and 2010, the Authority received \$1,267,980 and \$1,132,474, respectively, of rental income under this contract.

The Authority entered into an agreement to sublease the Tulsa County Stadium to a sublessee for the period from January 1, 2011 through December 31, 2011 for \$5,000 a month plus a \$1 surcharge for each paid admission to special events.

The Authority leases certain property to a third party under a Ground Sublease Agreement. The sublessee of the property constructed a 100-room hotel facility (the Hotel Facility) on the subleased property. The third party is required to pay annual rental equal to the greater of \$42,200 or 5 percent of gross room revenue. In addition to the annual rental, the third party is also required to pay a facility surcharge equal to 5 percent of gross room revenue.

**Note D – Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Series 2003 revenue bonds	\$ 2,450,000	\$ -	\$ 650,000	\$ 1,800,000	\$ 800,000
Series 2005 revenue bonds	22,600,000	-	1,325,000	21,275,000	1,400,000
Series 2005 bond premium	294,199	-	45,708	248,491	42,051
Series 2005 deferred refunding	(1,123,453)	-	147,116	(976,337)	(138,346)
Series 2007 revenue bonds	10,720,000	-	10,720,000	-	-
Series 2011 revenue bonds	-	9,860,000	-	9,860,000	835,000
Series 2011 deferred refunding	-	(586,645)	-	(586,645)	(100,568)
<b>Total bonds payable</b>	<b>\$ 34,940,746</b>	<b>\$ 9,273,355</b>	<b>\$ 12,887,824</b>	<b>\$ 31,620,509</b>	<b>\$ 2,838,137</b>

Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2011 and 2010

**Note D – Long-Term Liabilities - Continued**

Long-term liability activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Series 2003 revenue bonds	\$ 3,075,000	\$ -	\$ 625,000	\$ 2,450,000	\$ 650,000
Series 2005 revenue bonds	23,860,000	-	1,260,000	22,600,000	1,325,000
Series 2005 bond premium	340,344	-	46,145	294,199	22,900
Series 2005 deferred refunding	(1,281,157)		(157,704)	(1,123,453)	147,116
Series 2007 revenue bonds	12,270,000	-	1,550,000	10,720,000	1,470,000
Total bonds payable	\$ 38,264,187	\$ -	\$ 3,323,441	\$ 34,940,746	\$ 3,615,016

Additional information regarding revenue bonds is included in the following Note E.

**Note E – Bonds Payable**

As of December 1, 2003, the Authority issued \$5,800,000 of its Recreational Facility Refunding Revenue Bonds, Series 2003 (2003 Series revenue bonds) (average interest rate of 2.8 percent) principally to refund \$4,990,000 of outstanding 1992 Series revenue bonds (average interest rate of 6.2 percent). Of the net proceeds of \$5,522,002 (after underwriting fees and other issuance costs of \$210,300 and interest to call date on original issue of \$67,698), \$5,064,850 was used to refund the outstanding 1992 Series revenue bonds, including premium of \$74,850 and \$457,152, was used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to finance certain additions and improvements. As a result, the 1992 Series revenue bonds were defeased, and the Authority has no further liability on the 1992 bonds.

Interest on the 2003 Series revenue bonds is due semi-annually. The 2003 Series revenue bonds outstanding at December 31, 2011 mature or have mandatory redemption in the amounts and bear interest at the rates indicated below:

Dates of Maturity or Redemption	Principal	Interest	Annual Interest Rate
May 1, 2012	\$ -	\$ 29,100	
November 1, 2012	800,000	29,100	3.150%
May 1, 2013	-	16,500	
November 1, 2013	1,000,000	16,500	3.300%
	\$ 1,800,000	\$ 91,200	

**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note E – Bonds Payable - Continued**

The 2003 Series revenue bonds are subject to redemption, at the option of the Authority, in whole at any time, at a redemption price equal to the principal amount thereof plus accrued interest in the event of extraordinary events as stated in the bond indenture. All rights, title and interest of the Authority in leaseholds, property and equipment, accounts, intangibles and related revenues are pledged under the bond indenture.

The Authority is required under the 2003 Series bond indenture to maintain a series of funds for various purposes including unexpended construction funds, interest payments, principal repayments, bond reserve funds, renewals and replacements and contingencies.

As of October 1, 2005, the Authority issued \$27,805,000 of its Capital Improvement and Refunding Revenue Bonds, Series 2005 (2005 Series revenue bonds) (average interest rate of 4.3 percent) principally to refund \$22,228,368 of outstanding 1999 Series revenue bonds (average interest rate of 6.5 percent). The bond payable includes a bond issuance premium of \$294,200, net of amortization of \$255,353 as of December 31, 2010. The premium is being amortized utilizing the effective interest method. Of the net proceeds of \$27,229,003 (after underwriting fees and other issuance costs of \$1,125,550 and a premium on the bond issuance of \$549,553), \$22,228,368 was used to refund the outstanding 1999 Series revenue bonds, and \$5,000,635 was deposited in an irrevocable trust with an escrow agent to finance certain additions and improvements. As a result, the 1999 Series revenue bonds were defeased, and the Authority has no further liability on the 1999 bonds. The difference between the reacquisition price (funds required to refund the 1999 Series revenue bonds) and the net carrying amount of the 1999 Series revenue bonds is shown as a reduction of \$2,049,217 in bonds payable. This reduction is being amortized to interest expense utilizing the effective interest method. Of this amount, \$147,116 was amortized during the year ended December 31, 2011.

Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2011 and 2010

**Note E – Bonds Payable - Continued**

Interest on the 2005 Series revenue bonds is due semi-annually. The 2005 Series revenue bonds outstanding at December 31, 2011 mature or have mandatory redemption in the amounts and bear interest at the rates indicated below (excluding bond premium amortization):

Dates of Maturity or Redemption	Principal	Interest	Annual Interest Rate
May 1, 2012	\$ -	\$ 495,734	5.000%
November 1, 2012	1,400,000	495,734	5.000%
May 1, 2013	-	460,734	5.000%
November 1, 2013	1,480,000	460,734	5.000%
May 1, 2014	-	423,734	4.000%
November 1, 2014	1,605,000	423,734	4.000%
May 1, 2015	-	391,634	5.000%
November 1, 2015	1,705,000	391,634	5.000%
May 1, 2016	-	349,009	4.125%
November 1, 2016	1,810,000	349,009	4.125%
May 1, 2017	-	311,678	4.250%
November 1, 2017	1,890,000	311,678	4.250%
May 1, 2018	-	271,516	4.375%
November 1, 2018	2,040,000	271,516	4.375%
May 1, 2019	-	226,891	4.375%
November 1, 2019	2,155,000	226,891	4.375%
May 1, 2020	-	179,150	5.000%
November 1, 2020	2,250,000	179,150	5.000%
May 1, 2021	-	123,500	5.000%
November 1, 2021	2,410,000	123,500	5.000%
May 1, 2022	-	63,250	5.000%
November 1, 2022	2,530,000	63,250	5.000%
	<u>\$ 21,275,000</u>	<u>\$ 6,593,660</u>	

The 2005 Series revenue bonds maturing after November 1, 2016 are subject to redemption at the option of the Authority on or after November 1, 2015, in whole or in part, in inverse order of maturity at par, with accrued interest.

Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2011 and 2010

**Note E – Bonds Payable - Continued**

As of July 1, 2007, the Authority issued \$15,295,000 of its Capital Improvement Revenue Bonds, Series 2007 (2007 Series revenue bonds) (average interest rate of 4.2 percent). Net proceeds of \$14,688,844 (after underwriting fees and other issuance costs of \$606,156) were deposited in an irrevocable trust with an escrow agent to finance certain additions and improvements. These bonds were defeased during 2011 with the issuance of the 2011 Capital Improvement and Refunding Revenue Bonds, Series 2011.

As of December 31, 2011, the Authority issued \$9,860,000 of its Capital Improvement and Refunding Revenue Bonds, Series 2011 (2011 Series revenue bonds) (average interest rate of 1.2 percent) principally to refund \$9,031,023 of outstanding 2007 Series revenue bonds (average interest rate of 4.0 percent). Of the net proceeds of \$9,617,668 (after underwriting fees and other issuance costs of \$242,332), \$9,031,023 was used to refund the outstanding 2007 Series revenue bonds, and \$586,645 was deposited in an irrevocable trust with an escrow agent to finance certain additions and improvements. As a result, the 2007 Series revenue bonds were defeased, and the Authority has no further liability on the 2007 bonds. The difference between the reacquisition price (funds required to refund the 2007 Series revenue bonds) and the net carrying amount of the 2007 Series revenue bonds is shown as a reduction of \$586,645 in bonds payable. This reduction is being amortized to interest expense utilizing the effective interest method.

Interest on the 2011 Series revenue bonds is due semi-annually. The 2011 Series revenue bonds outstanding at December 31, 2011 mature or have mandatory redemption in the amounts and bear interest at the rates indicated below (excluding bond premium amortization):

Dates of Maturity or Redemption	Principal	Interest	Annual Interest Rate
May 1, 2012	\$ -	\$ 42,638	1.000%
November 1, 2012	835,000	61,894	1.000%
May 1, 2013	-	57,719	1.000%
November 1, 2013	1,045,000	57,719	1.000%
May 1, 2014	-	52,494	1.000%
November 1, 2014	1,945,000	52,494	1.000%
May 1, 2015	-	42,769	1.250%
November 1, 2015	1,995,000	42,769	1.250%
May 1, 2016	-	30,300	1.400%
November 1, 2016	2,020,000	30,300	1.400%
May 1, 2017	-	16,160	1.600%
November 1, 2017	2,020,000	16,160	1.600%
	<u>\$ 9,860,000</u>	<u>\$ 503,416</u>	

**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note E – Bonds Payable - Continued**

The 2011 Series revenue bonds are subject to redemption, at the option of the Authority, in whole at any time, at a redemption price equal to the principal amount thereof plus accrued interest in the event of extraordinary events as stated in the bond indenture.

The 2003, 2005 and 2011 Series bond indentures also provide that the Authority shall establish and collect such rates, fees and charges so as to render annual gross revenues (net of operating expenses), equal to at least 1.10 times the average annual principal of and interest on all bonds.

The Authority's 2003, 2005 and 2011 Series bonds are equally secured. Under the Indentures, the Authority grants a first lien on and pledge of a first security interest in the Gross Revenues derived from the ownership, existence and/or operation of the Tulsa State Fairgrounds and the Authority grants a first mortgage lien on its interest in the racing facilities.

**Note F – Racing Operations**

*1. Racing Meets and Commissions*

The Authority must apply to the Oklahoma Horse Racing Commission annually to be awarded racing days. For the fiscal year ended December 31, 2011 and 2010, the Authority was awarded and held 34 days. The Authority also held simulcast races throughout the fiscal year.

The Authority retains a pari-mutuel commission based on the total amount of pari-mutuel wagering during a racing meet. The percentages of the total wagered which can be retained by the Authority are set by Oklahoma law. The Authority must pay all purses and operating costs of the racing meet from the commission. The total amount wagered on live racing during 2011 and 2010 was \$1,230,749 and \$1,439,657, respectively. The total amount wagered during 2011 and 2010 from simulcasting was \$19,945,192 and \$20,347,438, respectively.

The Authority has requested a total of 34 racing days to be held during the calendar year ending December 31, 2012. The Authority has also requested to air simulcast races during the entire fiscal year.

Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note G – Related-Party Transactions**

The County provides, at its cost, certain printing and office supplies to the Authority, which are used for administrative purposes. During 2011 and 2010, the Authority paid the County \$33,932 and \$50,003, respectively, for these items.

In the past, the County has paid for Phase IV capital improvements. These capital improvements are recorded as capital assets on the statement of net assets, and as transfers on the statement of changes in revenues, expenses and changes in fund net assets in the period in which they are received. No capital improvements were paid by the County during 2011 and 2010. Since the inception of the capital improvement projects, the Authority has received the following amounts from the County:

<u>Project</u>	<u>Amount</u>
4-to-Fix 1	\$ 23,431,370
4-to-Fix 2	25,368,000
Vision 2025	40,000,000

**Note H – Retirement Plan**

The Authority provides all full-time employees retirement benefits through participation in the Tulsa County Employees' Retirement System (the System), a contributory defined benefit plan. Information presented is for the year ended December 31, 2011. Full-time employees of the Authority, along with other employees of the County and certain related agencies, participate in this plan. Employees may qualify for the "Rule of 80" retirement if their age in years and months added to their years and months of participation in the System equal the sum of 80 years or more. For eligible employees who are not vested as of July 30, 2011, the benefit percentage is 10% percent after five years of credited service which increases up to 50% through 20 years of credit service. Beyond 20 years, there is a 1.5% increase in the percentage rate for each additional year. For eligible employees who are vested as of June 30, 2011, the benefit percentage is 12.5% after five years of credited service which increases up to 50% through 20 years of credited service. Beyond 20 years, there is a 1.5% increase in the percentage rate for each additional year.

Each participating employee contributed 0.05 percent of their base salary and \$1 to the retirement plan during the years ended December 31, 2011 and 2010, respectively. The total annual contribution required by the Authority is actuarially determined and amounted to \$404,345 and \$400,030 for the years ended December 31, 2011 and 2010, respectively. It is the Authority's policy to provide for and to fund this expense. The Authority's covered payroll for the years ended December 31, 2011 and 2010 was \$2,893,814 and \$3,085,520, respectively, and total payroll for all employees was \$6,708,352 and \$6,763,482, respectively.

Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note H – Retirement Plan - Continued**

Historical information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented with the Tulsa County's June 30, 2011 comprehensive annual financial report.

During 2011, and as of December 31, 2011, the System held no securities issued by the County or other related parties.

The System issues a stand-alone financial report, which can be obtained from Tulsa County at 500 South Denver, Tulsa, Oklahoma 74103.

**Note I – Contingencies**

The Authority is a defendant, with others, in certain litigation alleging personal injuries and seeking recovery of actual damages, interest, costs and punitive damages in some of the lawsuits. The liability of the Authority for personal injury claims is limited by the Oklahoma Governmental Torts Claims Act. That Act expressly precludes imposition of punitive damages and further limits tort liability for personal injury to \$100,000 per claimant. The Authority has denied any liability in these lawsuits and is also insured for all such losses.

Management intends to vigorously defend each of the above matters and is of the opinion that the eventual outcome will not have a material effect on the financial position of the Authority. Accordingly, although the ultimate outcome of these matters cannot presently be determined, no provision for any liability that may result has been made in the financial statements.

**Note J – Commitments**

As of December 31, 2011 and 2010, the Authority has outstanding purchase commitments for capital improvements totaling approximately \$146,900 and \$595,000, respectively.

**Note K – Recent Accounting Pronouncements**

In June 2011, The Governmental Accounts Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Statement 63 also specifies that the statement of net position should report the residual amount as net position rather than net assets. Under the Statement, net position should be displayed in three components similar to those currently required for net assets; net investment in capital assets, restricted, and unrestricted. The provisions of this Statement are effective for periods beginning after December 15, 2012 and will be applied on a prospective basis. The Authority is currently evaluating the effects that Statement No. 63 may have on their financial statements.



**Notes to Financial Statements**

December 31, 2011 and 2010

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**Note K – Recent Accounting Pronouncements - Continued**

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. One of the requirements is that debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The provisions of this Statement are effective for periods beginning after December 15, 2012, and will be applied on a prospective basis. The Authority is currently evaluating the effects that Statement No. 65 may have on their financial statements.

In June, 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which improves accounting and financial reporting of public employee pensions by state and local governments. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014. However, early application is encouraged. The Authority is currently evaluating the effects that Statement No. 68 will have on their financial statements.

**Note L – Subsequent Event**

In May, 2012, the Authority transferred approximately \$1.9 million in cash restricted for capital projects to the Tulsa County Industrial Authority.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Trustees of  
Tulsa County Public Facilities Authority

We have audited the financial statements of Tulsa County Public Facilities Authority (the Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated August 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

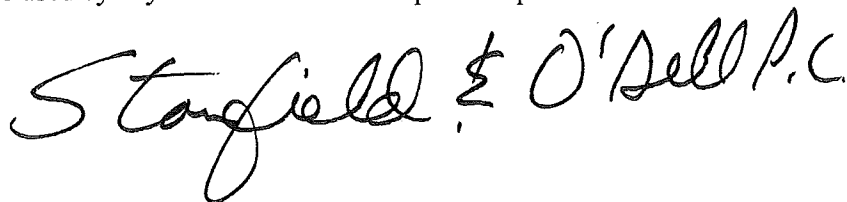
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the 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*.

We noted certain matters that we have reported to management of the Authority in a separate letter dated August 20, 2012.

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

Tulsa, Oklahoma  
August 20, 2012

A handwritten signature in black ink that reads "Stangfield & O'Dell P.C." The signature is written in a cursive, flowing style.