

**Tulsa County Public Facilities Authority**

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

**December 31, 2012 and 2011**

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## **Independent Auditor's Report**

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 December 31, 2012 and 2011 and for the years then ended, 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the basic financial statements of the Authority as of December 31, 2012 and 2011, 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**

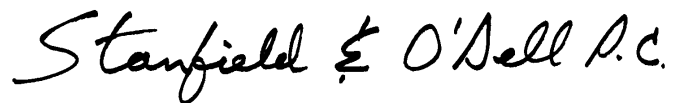
As discussed in Note K to the financial statements, the Authority adopted the provisions of GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Other Matters**

In accordance with *Government Auditing Standards*, we have issued our report dated September 3, 2013 on our consideration of Tulsa County Public Facilities 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 8 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 evidence sufficient to express an opinion or provide any assurance.

Tulsa, Oklahoma  
September 3, 2013



**Tulsa County Public Facilities Authority  
Management's Discussion and Analysis  
December 31, 2012 and 2011**

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, 2012 and 2011. 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 adopted the provisions of GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*.

Investments were liquidated during the current year and the proceeds were used to purchase fair tents and picnic tables, central plant upgrades, and energy efficient lighting for the livestock barns.

**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 position, statement of revenues, expenses and changes in net position 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 \$658,000 for master plan improvements for the year ended December 31, 2012.

### Net Position

Net position is an important indicator of the Authority's overall financial position. The Authority's net position decreased approximately \$3.8 million and \$2.6 million for the years ended December 31, 2012 and 2011, respectively. The Authority's net position as a percentage of total assets and deferred outflows increased between December 31, 2011 and 2012, from 72% to 73%.

#### Condensed Statements of Net Position

	December 31,		
	2012	2011	2010
Current assets	\$ 6,292,658	\$ 5,891,271	\$ 6,735,141
Restricted assets	3,477,432	4,661,375	3,069,821
Capital assets, net	109,675,472	116,104,846	122,155,325
Refundings of debt	1,142,611	1,343,985	-
<b>Total assets and deferred outflows of resources</b>	<b>120,588,173</b>	<b>128,001,477</b>	<b>131,960,287</b>
Current liabilities	5,113,325	5,079,807	5,197,728
Liabilities payable from restricted assets	788,547	903,316	908,382
Noncurrent liabilities	26,547,977	30,106,440	31,325,730
<b>Total liabilities</b>	<b>32,449,849</b>	<b>36,089,563</b>	<b>37,431,840</b>
Invested in capital assets, net of related debt	80,711,643	84,265,340	87,214,579
Restricted for debt service and capital projects	2,688,885	3,758,059	2,161,438
Unrestricted	4,737,796	3,888,515	5,152,430
<b>Total net position</b>	<b>\$ 88,138,324</b>	<b>\$ 91,911,914</b>	<b>\$ 94,528,447</b>

At December 31, 2012 and 2011, total assets and deferred outflows decreased approximately \$7.4 million and \$4.0 million, respectively, due to depreciation of assets and reduction of restricted assets. At December 31, 2012 and 2011, total liabilities decreased approximately \$3.6 million and \$1.3 million, respectively, primarily due to the payment of principal on revenue bonds.

	2012	2011	2010
Operating revenues	\$ 21,468,968	\$ 21,534,162	\$ 21,437,868
Nonoperating revenues	349	16,514	37,383
Total revenues	21,469,317	21,550,676	21,475,251
Depreciation and amortization	7,675,545	7,892,166	7,817,186
Other operating expenses	20,584,632	21,097,378	20,168,837
Nonoperating expenses	1,429,898	1,872,688	1,765,759
Total expenses	29,690,075	30,862,232	29,751,782
Loss before transfers	(8,220,758)	(9,311,556)	(8,276,531)
Transfers	4,447,168	6,695,023	5,564,106
Change in net position	(3,773,590)	(2,616,533)	(2,712,425)
Net position:			
Beginning of year	91,911,914	94,528,447	97,240,872
End of year	\$ 88,138,324	\$ 91,911,914	\$ 94,528,447

State Fair admission revenue decreased approximately \$114,000 during 2012 due to a decrease in attendance. State Fair admission revenue increased approximately \$39,000 during 2011 due to an increase in attendance.

### 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 \$1.2 million and \$1.9 million in 2012 and 2011, respectively.

	December 31,		
	2012	2011	2010
Land	\$ 96,000	\$ 96,000	\$ 96,000
Buildings and systems	175,490,156	174,622,722	173,832,265
Machinery and equipment	14,252,422	13,873,685	12,719,097
	189,838,578	188,592,407	186,647,362
Less accumulated depreciation	(80,163,106)	(72,487,561)	(64,595,395)
Construction-in-progress	-	-	103,358
Capital assets, net	\$ 109,675,472	\$ 116,104,846	\$ 122,155,325

**Revenue Bonds**

Outstanding long-term debt decreased approximately \$3.1 million and \$2.9 million during 2012 and 2011, respectively, due to the payment of principal on revenue bonds.

	December 31,		
	2012	2011	2010
Revenue bonds	\$ 30,106,440	\$ 33,183,491	\$ 36,064,199

**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 Brandy Okey, Accounting Supervisor at Expo Square, 4145 East 21<sup>st</sup> Street, Tulsa, Oklahoma 74114.



Tulsa County Public Facilities Authority

**Statements of Net Position**

December 31,

<b>Assets</b>	<u>2012</u>	<u>2011</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,786,749	\$ 3,406,015
Accounts receivable	2,265,006	2,195,414
Prepaid event expenses	121,360	84,881
Prepaid and other expenses	-	55,171
Inventories	119,543	149,790
Total current assets	<u>6,292,658</u>	<u>5,891,271</u>
<b>Restricted assets</b>		
Cash and cash equivalents	2,688,885	3,758,059
Amounts held for others	788,547	903,316
Total restricted assets	<u>3,477,432</u>	<u>4,661,375</u>
<b>Capital assets, net</b>	109,675,472	116,104,846
Total assets	<u>119,445,562</u>	<u>126,657,492</u>
<b>Deferred outflows of resources</b>		
Refundings of debt	<u>1,142,611</u>	<u>1,343,985</u>
Total assets and deferred outflows of resources	<u>\$ 120,588,173</u>	<u>\$ 128,001,477</u>
<b>Liabilities and Net Position</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 712,922	\$ 871,926
Accrued interest payable	178,318	237,138
Other accrued expenses	207,158	562,386
Unearned credits and event revenue	456,464	331,306
Current portion of revenue bonds	<u>3,558,463</u>	<u>3,077,051</u>
Total current liabilities	<u>5,113,325</u>	<u>5,079,807</u>
<b>Liabilities payable from restricted assets</b>		
Trust fund liabilities	788,547	903,316
Revenue bonds, less current portion	<u>26,547,977</u>	<u>30,106,440</u>
Total liabilities	<u>32,449,849</u>	<u>36,089,563</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	80,711,643	84,265,340
Restricted for debt service	2,052,627	2,009,385
Restricted for capital projects	636,258	1,748,674
Unrestricted	<u>4,737,796</u>	<u>3,888,515</u>
Total net position	<u>88,138,324</u>	<u>91,911,914</u>
Total liabilities and net position	<u>\$ 120,588,173</u>	<u>\$ 128,001,477</u>

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

Tulsa County Public Facilities Authority

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

Years ended December 31,

	2012	2011
<b>Operating Revenues</b>		
State Fair admission	\$ 2,987,996	\$ 3,102,100
Space rental	5,287,802	5,364,837
Deferred expenses	1,340,740	1,453,882
Entries and premium contributions	601,357	569,090
Other non-racing revenue	5,227,969	4,870,505
Racing commissions	1,835,122	1,968,119
Other racing revenue	157,938	180,777
Food and beverage	4,030,044	4,024,852
Total operating revenues	<u>21,468,968</u>	<u>21,534,162</u>
<b>Operating Expenses</b>		
Personnel	8,517,674	8,682,610
Utilities and telephone	1,841,956	2,444,127
Advertising, promotion and entertainment	1,323,965	1,421,433
Premiums, ribbons and awards	575,175	468,712
Supplies and printing	1,578,745	1,554,962
Outside services	3,800,583	3,353,010
Maintenance and repairs	192,332	419,584
Insurance	546,632	458,835
Administrative	624,251	724,326
Equipment rental	409,228	345,149
Food and beverage	1,174,091	1,224,630
Total operating expenses	<u>20,584,632</u>	<u>21,097,378</u>
Operating income before depreciation and amortization	884,336	436,784
Depreciation and amortization	<u>(7,675,545)</u>	<u>(7,892,166)</u>
Operating loss	(6,791,209)	(7,455,382)
Nonoperating revenues (expenses):		
Interest expense	(1,429,898)	(1,630,337)
Interest income	349	16,514
Debt issuance costs	-	(242,351)
Loss before transfers	<u>(8,220,758)</u>	<u>(9,311,556)</u>
Transfers	<u>4,447,168</u>	<u>6,695,023</u>
Change in net position	(3,773,590)	(2,616,533)
Net position, beginning of year (restated)	<u>91,911,914</u>	<u>94,528,447</u>
Net position, end of year	<u>\$ 88,138,324</u>	<u>\$ 91,911,914</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,

	2012	2011
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 21,524,534	\$ 21,327,655
Cash paid to suppliers	(12,647,021)	(12,052,069)
Deferred expenses	(8,517,674)	(8,682,610)
Net cash provided by operating activities	<u>359,839</u>	<u>592,976</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from debt	-	9,860,000
Capital expenditures	(1,246,171)	(1,876,117)
Principal payments on revenue bonds	(3,035,000)	(12,740,708)
Deferred loss on advance refunding of bonds	-	(586,646)
Interest paid on revenue bonds	(1,329,394)	(1,504,438)
Debt issue costs	-	(23,355)
Transfers in from County	4,447,168	6,695,023
Net cash used in capital and related financing activities	<u>(1,163,397)</u>	<u>(176,241)</u>
<b>Cash flows from investing activities</b>		
Interest received on cash and investments	349	16,514
Proceeds from maturity of investments	-	1,412,835
Proceeds from the sale of equipment	-	34,428
Net cash provided by investing activities	<u>349</u>	<u>1,463,777</u>
<b>Net change in cash and cash equivalents</b>	(803,209)	1,880,512
<b>Cash and cash equivalents, beginning of year</b>	<u>8,067,390</u>	<u>6,186,878</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 7,264,181</u>	<u>\$ 8,067,390</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,

	2012	2011
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>		
Operating loss	\$ (6,791,209)	\$ (7,455,382)
Adjusted Deferred expenses provided by (used in) operating activities:		
Depreciation and amortization	7,675,545	7,892,166
Changes in operating assets and liabilities:		
Accounts receivable	(69,592)	(222,498)
Prepaid and other expenses	55,171	12,850
Inventories	30,247	8,873
Deferred expenses	(36,479)	(79,231)
Accounts payable	(159,005)	242,394
Other accrued expenses	(355,228)	182,881
Deferred credits and event revenue	125,158	15,989
Liability to Horsemen	(114,769)	(5,066)
<b>Net cash provided by operating activities</b>	<b>\$ 359,839</b>	<b>\$ 592,976</b>
<b>Cash and cash equivalents consist of the following at December 31:</b>		
Cash and cash equivalents	\$ 3,786,749	\$ 3,406,015
Restricted cash and cash equivalents	2,688,885	3,758,059
Horsemen's Trust Account	788,547	903,316
Total cash and cash equivalents	<b>\$ 7,264,181</b>	<b>\$ 8,067,390</b>

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

**Notes to Financial Statements**

December 31, 2012 and 2011

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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, 2012 and 2011

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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, 2012 and 2011, 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. Prepaid Event Expenses and Unearned Revenue*

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 related revenue and any expenses are recognized.

**Notes to Financial Statements**

December 31, 2012 and 2011

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

*12. Unearned Credits*

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

*13. 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, 2012 and 2011, the Authority received \$4,447,168 and \$6,695,023 in excise tax revenue from the County, respectively. These amounts are included in transfers on the statement of revenue, expenses and changes in net position.

*14. 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.

*15. Subsequent Events*

Subsequent events have been evaluated through September 3, 2013, the date the financial statements were available to be issued.

**Note B – Cash and Investments**

*1. 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.

*2. 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.

**Notes to Financial Statements**

December 31, 2012 and 2011

**Note B – Cash and Investments - Continued***3. 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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 96,000	\$ -	\$ -	\$ 96,000
Capital assets, being depreciated:				
Buildings and systems	174,622,722	867,434	-	175,490,156
Machinery and equipment	13,873,685	378,737	-	14,252,422
Total capital assets, being depreciated	188,496,407	1,246,171	-	189,742,578
Total capital assets	188,592,407	1,246,171	-	189,838,578
Less accumulated depreciation for:				
Buildings and systems	62,551,685	6,649,686	-	69,201,371
Machinery and equipment	9,935,876	1,025,859	-	10,961,735
Total accumulated depreciation	72,487,561	7,675,545	-	80,163,106
Capital assets, net	\$ 116,104,846	\$ (6,429,374)	\$ -	\$ 109,675,472



Tulsa County Public Facilities Authority

**Notes to Financial Statements**

December 31, 2012 and 2011

**Note C – Capital Assets - Continued**

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

Depreciation expense was \$7,675,545 and \$7,892,166 for the years ended December 31, 2012 and 2011, 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.

**Notes to Financial Statements**December 31, 2012 and 2011

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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, 2012 and 2011, the Authority recorded \$125,000 and \$131,521, 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, 2012 and 2011, the Authority received \$1,121,174 and \$1,267,980, 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, 2012 through December 31, 2012 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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Series 2003 revenue bonds	\$ 1,800,000	\$ -	\$ 800,000	\$ 1,000,000	\$ 1,000,000
Series 2005 revenue bonds	21,275,000	-	1,400,000	19,875,000	1,480,000
Series 2005 bond premium	248,491	-	42,051	206,440	33,463
Series 2011 revenue bonds	9,860,000	-	835,000	9,025,000	1,045,000
Total bonds payable	<u>\$ 33,183,491</u>	<u>\$ -</u>	<u>\$ 3,077,051</u>	<u>\$ 30,106,440</u>	<u>\$ 3,558,463</u>

**Notes to Financial Statements**

December 31, 2012 and 2011

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

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 2007 revenue bonds	10,720,000	-	10,720,000	-	-
Series 2011 revenue bonds	-	9,860,000	-	9,860,000	835,000
Total bonds payable	<u>\$ 36,064,199</u>	<u>\$ 9,860,000</u>	<u>\$ 12,740,708</u>	<u>\$ 33,183,491</u>	<u>\$ 3,077,051</u>

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 premiums 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, 2012 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, 2013	\$ -	\$ 16,500	
November 1, 2013	<u>1,000,000</u>	<u>16,500</u>	3.300%
	<u>\$ 1,000,000</u>	<u>\$ 33,000</u>	

**Notes to Financial Statements**

December 31, 2012 and 2011

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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 \$206,441 as of December 31, 2012. 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, \$138,349 was amortized during the year ended December 31, 2012.

**Notes to Financial Statements**

December 31, 2012 and 2011

**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, 2012 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, 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>\$ 19,875,000</u>	<u>\$ 5,602,192</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.

**Notes to Financial Statements**

December 31, 2012 and 2011

**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 21, 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, 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>\$ 9,025,000</u>	<u>\$ 398,884</u>	

**Notes to Financial Statements**

December 31, 2012 and 2011

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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, 2012 and 2011, 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 2012 and 2011 was \$1,230,749 and \$1,439,657, respectively. The total amount wagered during 2012 and 2011 from simulcasting was \$18,527,203 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, 2013. The Authority has also requested to air simulcast races during the entire fiscal year.

**Notes to Financial Statements**

December 31, 2012 and 2011

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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 2012 and 2011, the Authority paid the County \$42,885 and \$33,932, 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 position, and as transfers on the statement of changes in revenues, expenses and changes in net position in the period in which they are received. No capital improvements were paid by the County during 2012 and 2011. 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, 2012. 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, 2012, 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, 2012, 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, 2012 and 2011, respectively. The total annual contribution required by the Authority is actuarially determined and amounted to \$374,078 and \$404,345 for the years ended December 31, 2012 and 2011, 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, 2012 and 2011 was \$2,644,397 and \$2,893,814, respectively, and total payroll for all employees was \$6,566,441 and \$6,708,352, respectively.



**Notes to Financial Statements**

December 31, 2012 and 2011

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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, 2012 comprehensive annual financial report.

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, 2012 and 2011, the Authority has outstanding purchase commitments for capital improvements totaling approximately \$284,000 and \$146,900, respectively.

**Note K – Adoption of Governmental Accounting Standards Board (GASB) Statements No. 63 and 65**

In 2012, the Authority adopted GASB Statement No. 63 - *Financial Reporting of Deferred Outflows, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. Statement No. 63 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 this 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.

Statement No. 65 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 any expense in the period. The provisions of this Statement were applied retroactively.

**Notes to Financial Statements**

December 31, 2012 and 2011

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**Note K – Adoption of Governmental Accounting Standards Board (GASB) Statements No. 63 and 65 - Continued**

The implementation of these standards reduced previously reported net assets as of the beginning of the year ended December 31, 2011 by \$930,983 to eliminate unamortized bond issuance costs. In addition, 2011 previously reported expenses were increased by \$242,351 in bond issuance costs and 2011 amortization expense was reduced by \$170,621. This resulted in a reduction of the net assets previously reported at year-end December 31, 2011 by \$1,002,713. This restatement has been recorded in the statements of net position, revenue, expenses and changes in net positions and cash flows for the year ended December 31, 2011.

**Note L – Recent Accounting Pronouncements**

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 M – Subsequent Event**

The Board of Trustees authorized the issuance of \$22,000,000 in revenue bonds. The Authority would utilize the bonds to retire the 2003, 2005, and 2011 revenue bonds. The Authority is currently evaluating market interest rates and no decision regarding issuance has been finalized.



**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, 2012, and have issued our report thereon dated September 3, 2013. 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*.

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  
September 3, 2013

*Stanfield & O'Sell P.C.*