Tulsa County Public Facilities Authority

Financial Statements and
Independent Auditor's Report

December 31, 2016 and 2015

Stanfield + O'Dell
CPAs & ADVISORS

Contents

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, 2016 and 2015 and for the years then ended, and the related notes to the financial statements, which collectively comprise of 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 an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the basic financial statements of the Authority as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 8 and the schedules of proportionate share of the net pension liability and contributions on pages 27 and 28 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.

Other Information

In accordance with *Government Auditing Standards*, we have issued our report dated June 19, 2017 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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
June 19, 2017

Tulsa County Public Facilities Authority
Management's Discussion and Analysis
December 31, 2016 and 2015

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, 2016 and 2015. 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.

The Authority is part of a city-wide vision package approved in 2017. The total funding awarded to the Authority is $30 million. The authorized projects included in Phase I are an additional barn, permanent outdoor stage, gate entrances and wayfinding, storage and dirt facilities. Phase II projects are identified and will be accomplished as funding permits.

Financial Highlights

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions* as of December 31, 2013.

Investments were liquidated and the proceeds were used to remodel the box office and the simulcast 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 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 $20,000 for master plan improvements for the year ended December 31, 2016.

Net Position

Net position is an important indicator of the Authority's overall financial position. The Authority's net position increased approximately $869,000 and $747,000 for the years ended December 31, 2016 and 2015, respectively. The Authority's net position as a percentage of total assets and deferred outflows increased between December 31, 2015 and 2016, from 79% to 82%.

Condensed Statements of Net Position

	December 31, 2016	December 31, 2015	December 31, 2014
Current assets	$ 7,439,827	$ 6,729,221	$ 6,714,133
Restricted assets	12,598,831	10,381,063	7,056,681
Capital assets, net	85,392,249	91,527,832	97,648,968
Deferred outflows of resources	1,320,067	932,480	939,343
Total assets and deferred outflows of resources	106,750,974	109,570,596	112,359,125
Current liabilities	5,488,584	5,503,228	4,923,994
Liabilities payable from restricted assets	487,146	1,005,510	891,975
Net pension liability	2,168,576	1,113,629	563,443
Noncurrent liabilities	10,585,000	14,410,000	19,242,949
Deferred inflows of resources	333,275	718,618	663,706
Total liabilities and deferred inflows of resources	19,062,581	22,750,985	26,286,067
Invested in capital assets, net of related debt	70,894,332	72,693,866	75,435,579
Restricted for debt service and capital projects	11,501,466	8,511,418	6,164,705
Unrestricted	5,292,595	5,614,327	4,472,774
Total net position	$ 87,688,393	$ 86,819,611	$ 86,073,058

At December 31, 2016 and 2015, total assets and deferred outflows decreased approximately $2.8 million and $2.7 million, respectively, due to depreciation of assets and reduction of restricted assets. At December 31, 2016 and 2015, total liabilities and deferred inflows of resources decreased approximately $3.7 million and $3.5 million, respectively, primarily due to the payment of principal on revenue bonds.

Condensed Statements of Revenues
Expenses and Changes in Net Position

	December 31, 2016	2015	2014
Operating revenues	$ 23,970,605	$ 23,879,123	$ 22,513,756
Nonoperating revenues	5,060	265	187,238
Total revenues	23,975,665	23,879,388	22,700,994
Depreciation and amortization	7,589,815	7,792,953	7,330,303
Other operating expenses	22,643,274	22,247,627	21,802,076
Nonoperating expenses	515,950	774,807	1,102,624
Total expenses	30,749,039	30,815,387	30,235,003
Loss before transfers	(6,773,374)	(6,935,999)	(7,534,009)
Transfers	7,642,156	7,682,552	7,636,361
Change in net position	868,782	746,553	102,352
Net position:			
Beginning of year, as restated	86,819,611	86,073,058	85,970,706
End of year	$ 87,688,393	$ 86,819,611	$ 86,073,058

State Fair admission revenue decreased approximately $177,000 and increased $21,000 during 2016 and 2015, respectively, due to the success of Disney on Ice: Frozen. Disney tickets include free gate admission. (Disney sales decreased approximately $540,000).

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 $1.4 million and decreased approximately $2.4 million in 2016 and 2015, respectively.

	December 31, 2016	2015	2014
Land	$ 96,000	$ 96,000	$ 96,000
Buildings and systems	172,965,151	172,888,174	175,998,959
Machinery and equipment	18,010,007	16,632,752	15,916,881
	191,071,158	189,616,926	192,011,840
Less accumulated depreciation	(105,678,909)	(98,089,094)	(94,362,872)
Capital assets, net	$ 85,392,249	$ 91,527,832	$ 97,648,968

Revenue Bonds

Outstanding long-term debt decreased approximately $4.4 million and $4.2 million during 2016 and 2015, respectively, due to the payment of principal on revenue bonds.

	December 31,		
	2016	2015	2014
Revenue bonds	$ 14,410,000	$ 18,785,000	$ 22,966,189

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, Chief Financial Officer, at Expo Square, 4145 East 21st Street, Tulsa, Oklahoma 74114.

Tulsa County Public Facilities Authority

Statements of Net Position

December 31,

	2016	2015
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	$ 4,579,205	$ 3,959,711
Accounts receivable	2,552,777	2,386,142
Prepaid event expenses	71,877	143,780
Prepaid and other expenses	46,885	66,140
Inventories	189,083	173,448
Total current assets	7,439,827	6,729,221
Restricted assets		
Cash and cash equivalents	12,111,685	9,375,553
Amounts held for others	487,146	1,005,510
Total restricted assets	12,598,831	10,381,063
Capital assets, net	85,392,249	91,527,832
Total assets	105,430,907	108,638,116
Deferred outflows of resources		
Refundings of debt	52,521	115,547
Pension	1,267,546	816,933
Total deferred outflows	1,320,067	932,480
Total assets and deferred outflows of resources	$ 106,750,974	$ 109,570,596
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities		
Accounts payable	$ 352,305	$ 581,255
Accrued interest payable	73,937	80,613
Other accrued expenses	312,803	303,700
Unearned credits and event revenue	924,539	162,660
Current portion of revenue bonds	3,825,000	4,375,000
Total current liabilities	5,488,584	5,503,228
Non-current liabilities		
Trust fund liabilities (payable from restricted assets)	487,146	1,005,510
Net pension liability	2,168,576	1,113,629
Revenue bonds, less current portion	10,585,000	14,410,000
Total non-current liabilities	13,240,722	16,529,139
Total liabilities	18,729,306	22,032,367
Deferred inflows of resources		
Pension	192,837	554,105
Refundings of debt	140,438	164,513
Total deferred inflows	333,275	718,618
Net Position		
Net investment in capital assets	70,894,332	72,693,866
Restricted for debt service	1,538,104	1,542,721
Restricted for capital projects	9,963,362	6,968,697
Unrestricted	5,292,595	5,614,327
Total net position	87,688,393	86,819,611
Total liabilities, deferred inflows, and net position	$ 106,750,974	$ 109,570,596

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,

	2016	2015
Operating Revenues		
State Fair admission	$ 3,386,415	$ 3,563,850
Space rental	6,253,291	5,908,167
Deferred expenses	1,747,973	1,563,454
Entries and premium contributions	628,869	707,193
Other non-racing revenue	6,185,335	6,034,219
Racing commissions	1,623,769	1,798,270
Other racing revenue	153,225	158,146
Food and beverage	3,991,728	4,145,824
Total operating revenues	23,970,605	23,879,123
Operating Expenses		
Personnel	8,476,158	7,860,571
Utilities and telephone	1,969,878	2,104,167
Advertising, promotion and entertainment	1,700,115	1,886,513
Premiums, ribbons and awards	505,695	639,716
Supplies and printing	1,557,092	1,542,794
Outside services	4,097,064	3,843,916
Maintenance and repairs	188,238	492,801
Insurance	741,992	855,336
Administrative	1,501,859	1,257,375
Equipment rental	624,544	530,540
Food and beverage	1,280,639	1,233,898
Total operating expenses	22,643,274	22,247,627
Operating income before depreciation and amortization	1,327,331	1,631,496
Depreciation and amortization	(7,589,815)	(7,792,953)
Operating loss	(6,262,484)	(6,161,457)
Nonoperating revenues (expenses):		
Interest expense	(515,950)	(774,807)
Interest income	5,060	265
Loss before transfers	(6,773,374)	(6,935,999)
Transfers	7,642,156	7,682,552
Change in net position	868,782	746,553
Net position, beginning of year	86,819,611	86,073,058
Net position, end of year	$ 87,688,393	$ 86,819,611

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

Statements of Cash Flows

Years ended December 31,

	2016	2015
Cash flows from operating activities		
Cash received from customers	$ 24,565,849	$ 23,737,273
Cash paid to suppliers	(14,829,804)	(14,279,565)
Cash payments to employees	(8,233,092)	(8,050,376)
Net cash provided by operating activities	1,502,953	1,407,332
Cash flows from capital and related financing activities		
Purchases of capital assets	(1,454,232)	(1,389,751)
Principal payments on revenue bonds	(4,375,000)	(3,930,471)
Interest paid on revenue bonds	(483,675)	(570,013)
Transfers in from County	7,642,156	7,682,552
Net cash provided by capital and related financing activities	1,329,249	1,792,317
Cash flows from investing activities		
Interest received on cash and investments	5,060	265
Net cash provided by investing activities	5,060	265
Net change in cash and cash equivalents	2,837,262	3,199,914
Cash and cash equivalents, beginning of year	14,340,774	11,140,860
Cash and cash equivalents, end of year	$ 17,178,036	$ 14,340,774

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,

	2016	2015
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (6,262,484)	$ (6,161,457)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,589,815	7,792,953
Changes in operating assets and liabilities:		
Accounts receivable	(166,635)	(19,308)
Prepaid event expenses	71,903	(38,029)
Prepaid and other expenses	19,255	(62,740)
Inventories	(15,635)	(19,479)
Pension payments in excess of expense	243,066	(189,805)
Accounts payable	(228,950)	(17,310)
Other accrued expenses	9,103	35,999
Deferred credits and event revenue	761,879	(27,027)
Trust fund liabilities	(518,364)	113,535
Net cash provided by operating activities	$ 1,502,953	$ 1,407,332
Cash and cash equivalents consist of the following at December 31:		
Cash and cash equivalents	$ 4,579,205	$ 3,959,711
Restricted cash and cash equivalents	12,111,685	9,375,553
Horsemen's Trust Account	487,146	1,005,510
Total cash and cash equivalents	$ 17,178,036	$ 14,340,774

Non-Cash Transaction

During 2015 $16,790,000 of bonds were refunded using the issuance of $14,745,000 of new bonds.

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

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.

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, 2016 and 2015, 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.

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).

Note A – Summary of Significant Accounting Policies - Continued

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, 2016 and 2015, the Authority received $7,642,156 and $7,682,552 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 June 19, 2017, 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. 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.

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, 2016 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	172,888,174	76,977	-	172,965,151
Machinery and equipment	16,632,752	1,410,405	(33,150)	18,010,007
Total capital assets, being depreciated	189,520,926	1,487,382	(33,150)	190,975,158
Total capital assets	189,616,926	1,487,382	(33,150)	191,071,158
Less accumulated depreciation for:				
Buildings and systems	84,873,222	6,794,445	-	91,667,667
Machinery and equipment	13,215,872	795,370	-	14,011,242
Total accumulated depreciation	98,089,094	7,589,815	-	105,678,909
Capital assets, net	$ 91,527,832	$ (6,102,433)	$ (33,150)	$ 85,392,249

Note C – Capital Assets - Continued

Capital assets activity for the year ended December 31, 2015 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	175,998,959	602,368	(3,713,153)	172,888,174
Machinery and equipment	15,916,881	787,383	(71,512)	16,632,752
Total capital assets, being depreciated	191,915,840	1,389,751	(3,784,665)	189,520,926
Total capital assets	192,011,840	1,389,751	(3,784,665)	189,616,926
Less accumulated depreciation for:				
Buildings and systems	81,844,495	6,741,880	(3,713,153)	84,873,222
Machinery and equipment	12,518,377	769,007	(71,512)	13,215,872
Total accumulated depreciation	94,362,872	7,510,887	(3,784,665)	98,089,094
Capital assets, net	$ 97,648,968	$ (6,121,136)	$ -	$ 91,527,832

Depreciation expense was $7,589,815 and $7,510,887 for the years ended December 31, 2016 and 2015, 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.

Note C – Capital Assets - Continued

The above capital assets do not include the facility known as Safari Joe's H2O and formerly known as Big Splash. The facility was purchased by Splash Action and the Authority entered into a new contract with Splash Action as of September 2015. The facility 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, 2016 and 2015, the Authority recorded $134,000 and $132,000, respectively, of rental income from Safari Joe's.

The Authority also has a percentage rental contract, extending to 2018, with a midway operator to provide and operate amusements during the annual State Fair. During the years ended December 31, 2016 and 2015, the Authority received $1,128,823 and $1,098,163, respectively, of rental income under this contract.

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 following: (a) $46,000 payable in equal monthly installments from July 1, 2016 through December 31, 2016. (b) From January 1, 2017 through the earlier of the termination of the sublease or the first of the month, following the opening of a second hotel, at the annual rate of $100,000.

Note D – Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Series 2011 revenue bonds	$ 4,040,000	$ -	$ 2,020,000	$ 2,020,000	$ 2,020,000
Series 2015 revenue bonds	14,745,000	-	2,355,000	12,390,000	1,805,000
Total bonds payable	$ 18,785,000	$ -	$ 4,375,000	$ 14,410,000	$ 3,825,000

Note D – Long-Term Liabilities – Continued

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Series 2005 revenue bonds	$ 16,790,000	$ -	$ 16,790,000	$ -	$ -
Series 2005 bond premium	141,189	-	141,189	-	-
Series 2011 revenue bonds	6,035,000	-	1,995,000	4,040,000	2,020,000
Series 2015 revenue bonds	-	14,745,000	-	14,745,000	2,355,000
Total bonds payable	$ 22,966,189	$ 14,745,000	$ 18,926,189	$ 18,785,000	$ 4,375,000

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

Note E – Bonds Payable

In October 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. The premium was 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 had 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 was being amortized to interest expense utilizing the effective interest method. These bonds were refunded during fiscal year ended December 31, 2015. See note below on 2015 bonds.

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 previously 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 of $586,645 is reported as a deferred outflow of resources. This reduction is being amortized to interest expense utilizing the effective interest method.

Note E – Bonds Payable – Continued

Interest on the 2011 Series revenue bonds is due semi-annually. The 2011 Series revenue bonds outstanding at December 31, 2016 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, 2017	$ -	$ 16,160	1.600%
November 1, 2017	2,020,000	16,160	1.600%
	$ 2,020,000	$ 32,320	

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.

As of August 4, 2015, the Authority issued $14,745,000 of its Capital Improvement and Refunding Revenue Bonds, Series 2015 (2015 Series revenue bonds) (average interest rate of 3.5 percent) principally to refund $16,790,000 of outstanding 2005 Series revenue bonds (average interest rate of 4.3 percent). The net proceeds of $15,246,165 (after underwriting fees and other issuance costs of $282,065) plus $1,935,471 of cash was deposited in an irrevocable trust with an escrow agent to refund the 2005 bonds. As a result, the 2005 Series revenue bonds were defeased, and the Authority has no further liability on the 2005 bonds. The difference between the reacquisition price (funds required to refund the 2005 Series revenue bonds) and the net carrying amount of the 2005 Series revenue bonds of $174,544 is reported as a deferred inflow of resources. This reduction is being amortized to interest expense utilizing the effective interest method.

Interest on the 2015 Series revenue bonds is due semi-annually. The 2015 Series revenue bonds outstanding at December 31, 2016 mature or have mandatory redemption in the amounts and bear interest at the rates indicated below (excluding bond premium amortization):

Note E – Bonds Payable – Continued

Dates of Maturity or Redemption	Principal	Interest	Annual Interest Rate
May 1, 2017	$ -	$ 205,650	3.000%
November 1, 2017	1,805,000	205,650	3.000%
May 1, 2018	-	178,575	4.000%
November 1, 2018	1,930,000	178,575	4.000%
May 1, 2019	-	139,975	4.000%
November 1, 2019	2,030,000	139,975	4.000%
May 1, 2020	-	99,375	4.000%
November 1, 2020	2,110,000	99,375	4.000%
May 1, 2021	-	67,725	3.000%
November 1, 2021	2,225,000	67,725	3.000%
May 1, 2022	-	34,350	3.000%
November 1, 2022	2,290,000	34,350	3.000%
	$ 12,390,000	$ 1,451,300	

The 2011 and 2015 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 2011 and 2015 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

The Authority must apply to the Oklahoma Horse Racing Commission annually to be awarded racing days. For the fiscal years ended December 31, 2016 and 2015, 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 2016 and 2015 was $673,285 and $840,042, respectively. The total amount wagered during 2016 and 2015 from simulcasting was approximately $14,906,000 and $20,689,000, respectively.

Note F – Racing Operations – Continued

The Authority has requested a total of 34 racing days to be held during the calendar year ending December 31, 2017. The Authority has also requested to air simulcast races during the entire fiscal year.

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 2016 and 2015, the Authority paid the County $48,041 and $61,684, respectively, for these items.

Note H – Retirement Plan

The authority accounts for pensions in accordance with Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The Authority provides all full-time employees retirement benefits through participation in the Tulsa County Employees' Retirement System (the System), a single-employer defined benefit contributory pension plan, which covers participants with retirement, death and disability benefits. A nine-member Board of Trustees administers the System. Benefit terms are established and can be amended by the Systems Board of Trustees. The System issues stand-alone financial statements, which can be obtained from Tulsa County at 500 South Denver, Tulsa, Oklahoma 74103.

The System and Tulsa County have a June 30th year-end. The System's pension liability was based on an actuarial valuation as of June 30, 2016. Tulsa County has elected to use the preceding year-end of the System as its measurement date, net pension liability and related deferred outflows and inflows are reported as of June 30, 2016. Pension payments by the Authority from the measurement date to December 31, 2016 are reported as deferred outflows.

Employer contribution between the measurement date of June 30th and the Authority's year-end are reported as deferred outflows. At December 31, 2016 and 2015, these payments amount to $187,548 and $188,741, respectively.

Note H – Retirement Plan - Continued

The changes in the Authority's net pension liability consisted of:

	2016	2015
Net pension liability at beginning of year	$ 1,113,629	$ 563,443
Pension expense	428,416	174,126
Contribution	(186,543)	(361,733)
Deferred outflows arising from:		
Difference in expected and actual return on investments	58,127	460,074
Change in assumptions	393,679	168,118
	451,806	628,192
Deferred inflows arising from:		
Difference in expected and actual return on investments	435,232	152,778
Change in assumptions	16,105	16,106
Change in proportionate share	(103,031)	-
Difference between expected and actual experience	12,962	(59,283)
Deferred inflows	361,268	109,601
Net pension liability at end of year	$ 2,168,576	$ 1,113,629

Plan Description and Provisions

Membership in the System is mandatory for all eligible employees. An employee becomes eligible on the first day of employment as a regular, full-time employee. Oklahoma Statutes include elected and appointed salaried County officials as employees for retirement system purposes. Seasonal, temporary, hourly, part-time or contracted workers are not considered to be eligible employees. Full-time employees of the Authority, along with other employees of the County and certain related agencies, participate in this plan.

For the plan year ended June 30, 2016, the Authority's covered payroll was $2,143,706 and total payroll for all covered employees of the plan amounts to $76,560,913. The Authority's share (2.80%) of the net pension liability was determined based on this ratio. The Authority's total payroll was approximately $5,800,000.

Normal Retirement Benefits

An employee becomes eligible to receive benefits at age 62 with 5 years of service or he/she attains the "Rule of 80" retirement, where his/her age in years and months added to his/her years and months of participation in the System equal the sum of 80 years or more.

Note H – Retirement Plan - Continued

Normal Retirement Benefits - Continued

The monthly annuity payable to the employee is based on a percentage to be applied to the average compensation of the highest paid thirty-six (36) months of employment. The three highest years need not be contiguous, but each year must consist of twelve consecutive months. Benefits are calculated on the average base payroll earnings and do not include overtime, allowances, etc. The benefit percentages for years of credited service range from 10 at five years of credited service to 50 percent for twenty years of credited service. Beyond 20 years, there is a 1.5% increase in the percentage rate for each year of credited service, to a maximum of 100%.

Disability Benefits

Disability benefits are available to participants who have become permanently disabled as a direct result of the Authority employment. The employee must have the required eight years participation in the retirement system to receive benefits. Medical proof of disability, as well as a written statement of condition and cause from the employee's supervisor must accompany applications for disability. The System's Board of Trustees may require additional medical proof and makes the final determination of eligibility. There are no age requirements.

The percentage and base salary used to calculate benefits for employees who qualify for disability retirement is the same as that used in calculating "regular" retirement benefits except that the maximum percentage that may be applied is 40% (for a disability retiree having 15 or more credited years of service) if vested as of June 30, 2010. For anyone vested after June 30, 2010 or hired after June 30, 2010, the maximum percentage is 40% (for a disability retiree having 18 years or more of credited years of service).

A review of all disability retirees is conducted by the System Board of Trustees each August, at which time disability retirees must submit medical proof that they remain disabled. This requirement for the annual disability review ends when the retiree reaches age 62.

Death Benefits

As of November 1, 2000, a surviving spouse is eligible to receive 70% of the retirement benefit of a vested, deceased employee who was retired, or who had reached the Rule of 80. If the vested employee had not reached the age of 62 or attained the Rule of 80, the surviving spouse can either start receiving full retirement benefits when their spouse would have reached the age of 62 or attained the Rule of 80, or start receiving retirement benefits at a reduced percentage calculated by an actuarial formula when their spouse would have reached the age of 55.

As of July 1, 2010, a surviving spouse of a member who was not vested as of June 30, 2010 or was hired after June 30, 2010 is eligible to receive 67% of the retirement benefit to which the employee/retiree was entitled.

Note H – Retirement Plan - Continued

Reduced Benefits

There is a reduced benefit available to employees who have attained age 55 with at least five years of credited service (the last two years must be consecutive), at an actuarially reduced percentage from the normal rate at age 62.

Contributions

In accordance with Title 19 OSA 953 of the Oklahoma Statutes, contribution rates as set by the Board are applied to all full-time base salaries and wages and the resulting contributions are credited to the pension fund on a monthly basis. The employer contribution rate is 14%. The employee contribution rate is 1.5% of the base salary as of January 1, 2016, 2.0% as of July 1, 2016, and 2.5% as of July 1, 2017.

Beginning July 1, 2007, the total employer and employee contributions shall not exceed sixteen and one-half percent (16.5%) of the monthly compensation of each member, as permitted by Title 19 O.S. 2007, Section 954, as amended. Contributions during the calendar year ended December 31, 2016 and 2015 were $326,832 and $334,992, respectively.

Actuarial Assumptions

Key assumptions used in the plans actuarial valuation were:

	June 30,	
	2015	**2016**
Discount rate	7.75%	7.25%
Long-term expected rate of return	7.75%	7.25%
Valuation date	July 1, 2015	July 1, 2016
Measurement date	June 30, 2015	June 30, 2016
Inflation	2.50%	2.50%
Salary increase including inflation	5% grade down to 2.5%	5% grade down to 2.5%
Mortality	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA for healthy participants	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA for healthy participants
Actuarial cost method	Entry Age Normal	Entry Age Normal

The actuarial assumptions that determined the total pension liability as of June 30, 2016 were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

Note H – Retirement Plan - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The net pension liability of the Authority is calculated using the discount rate of 7.75 percent. The Authority's net pension liability would increase to $3,347,334 if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) and would decrease to $1,187,374 if the rate were increased 1-percentage-point higher (8.75 percent) than the current rate.

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. Detailed information about the pension plan's fiduciary net position and other information is available in the separately issued, stand-alone financial report of the System.

Asset Allocation

The Board has adopted the following Asset Allocation for 2016 and 2015 among stocks, bonds, and cash to serve as a general guideline in investing the Plan's assets:

	Minimum	Target	Maximum	Long-term Rate of Return
US Cash	0.00%	0.00%	5.00%	2.72%
US Core Fixed Income	8.50%	18.50%	28.50%	4.34%
US Intermediate Bonds	8.50%	18.50%	28.50%	3.95%
US High Yield Bonds	0.00%	9.50%	19.50%	6.64%
US Large Caps	19.25%	29.25%	39.25%	6.00%
US Mid Caps	19.25%	29.25%	39.25%	6.15%
Foreign Developed Equity	0.00%	9.25%	19.25%	6.60%
Master Limited Partnerships	0.00%	8.00%	18.00%	5.20%
Arithmetic mean return				2.50%
Long-term expected rate of Return				7.25%

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the System are prepared using the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

The System is considered a Pension Trust Fund (Fiduciary Fund) in Tulsa County's Financial Report. Copies of Tulsa County Employees' Retirement System's Comprehensive Annual Financial Report are available from the County Clerk's office or at www.tulsacounty.org

Note H – Retirement Plan - Continued

Deferred outflows and inflows will be amortized to net pension expense (income) in future years as follows:

	Deferred Inflows		
	Change in Proportion	Change in Assumptions	Experience Difference
Planning year June 30:			
2017	$ (22,896)	$ (9,663)	$ (10,294)
2018	(22,896)	(9,663)	(10,294)
2019	(22,896)	(9,663)	(10,294)
2020	(22,896)	(9,663)	(10,294)
2021	(11,447)	(4,833)	(5,145)
	$ (103,031)	$ (43,485)	$ (46,321)

	Deferred Outflows		
	Contributions	Investment Return	Change in Assumptions
Planning year June 30:			
2017	$ 187,548	$ 129,550	$ 124,844
2018	-	129,550	124,844
2019	-	129,550	124,844
2020	-	129,551	124,844
2021	-	-	62,421
	$ 187,548	$ 518,201	$ 561,797

Note I – Commitments

As of December 31, 2015, the Authority has outstanding purchase commitments for capital improvements totaling approximately $150,000. The Authority has operating lease commitments with future minimum payments of $70,657 in 2017, $62,241 in 2018, $62,241 in 2019, and $15,819 in 2020.

Tulsa County Public Facilities Authority

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

As of plan year end of June 30,

	2016	2015	2014
Authority's proportion of the net pension liability	2.80%	2.76%	3.17%
Authority's proportionate share of the net pension liability	$ 2,168,576	$ 1,113,629	$ 563,443
Authority's covered-employee payroll	$ 2,331,204	$ 2,121,982	$ 2,296,768
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	93.02%	52.48%	24.53%
Plan fiduciary net position as a percentage of the total pension liability	77.49%	87.12%	94.00%

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

Tulsa County Public Facilities Authority

Schedule of Contributions - last 10 fiscal years*

December 31,

	2016	2015	2014
Contractually required contribution	$ 326,369	$ 334,992	$ 346,483
Contribution in relation to the contractually required contribution	$ 326,369	$ 334,992	$ 325,340
Contribution deficiency (excess)	$ -	$ -	$ 21,143
Authority's covered-employee payroll	$ 2,331,204	$ 2,392,802	$ 2,474,881
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%

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

Stanfield + O'Dell
CPAs & ADVISORS

Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tulsa County Public Facilities Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Tulsa County Public Facilities Authority's basic financial statements, and have issued our report thereon dated June 19, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
June 19, 2017