

Tulsa County Public Facilities Authority

Financial Statements
and
Independent Auditor's Reports

December 31, 2022

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Independent Auditor's Report

To the Board of Trustees
Tulsa, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary fund information of Tulsa County Public Facilities Authority (the Authority), a component unit of Tulsa County, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Error

As discussed in Note 1 to the financial statements, an error resulting in improper presentation of fiduciary funds for horse racing funds of December 31, 2021, were discovered by management of the Authority during the current year. Accordingly, a restatement has been made to present the fund with a beginning fiduciary net position of \$398,916 as of January 1, 2022, to correct the error. Our opinions are not modified with respect to that matter.

Relationship with Tulsa County, Oklahoma

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position, and cash flows of only the activities of the Authority. They do not purport to, and do not, present fairly the financial position of Tulsa County, Oklahoma as of December 31, 2022, and the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Authority has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended December 31, 2022. No restatements were necessary with regards to this new standard. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.
- Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Authority’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Authority’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedule of the Authority’s proportionate share of the net pension liability, schedule of the Authority’s pension contributions, and the schedule of the Authority’s proportionate share of the total OPEB liability on pages 4 through 7 and 27 through 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2023, on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority’s internal control over financial reporting and compliance.



Tulsa, Oklahoma
June 23, 2023

**Management Discussion
and Analysis**

Management Discussion and Analysis

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 year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Facility and Ground 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 completed in 2001 and consisted of renovating the historic pavilion, an esplanade, and construction of a new livestock arena and stalling barn. The second phase was completed in 2003 and consisted of two new free span livestock barns, improvements to the Expo building, the beginning of Central Park Hall and a new RV park. The third phase was completed in 2006 and included two livestock barns and exhibit hall, a central plant and improvements to the Expo building. The fourth phase was completed in 2008 and included the Exchange Center, armory kitchen and improvements to the Expo building.

The Authority is part of a city-wide vision package approved in 2016. The total funding allocated to the Authority was \$30 million. The authorized projects are an additional barn which was completed in 2019, permanent outdoor stage and gate entrances which were completed in 2018 and pavilion roof repairs also completed in 2019.

Overview of the Financial Statements

The Authority is charged with establishing, promoting, maintaining and operating agricultural and industrial expositions, fairs, trade shows, pari-mutuel horse racing, simulcast 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 Annual Comprehensive Financial Report (ACFR) as an enterprise fund.

Using This Annual Report

The following summarizes the content of the Authority's financial statements and related support:

- Management Discussion and Analysis.
- Statement of Net Position, Statement of Revenues, Expenditures, and Changes in Net Position, Statement of Cash Flows, Statement of Fiduciary Net Position, and Statement of Changes in Fiduciary Net Position.
- Notes to 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. These statements show liquidity, debt level and areas in which revenues are generated and expenses are incurred. The statements also reflect the master plan activity.

Statement of Net Position

Net position is an important indicator of the Authority's overall financial position. The Authority's net position increased approximately \$3.7 million to \$99.5 million on December 31, 2022, from \$95.7 million on December 31, 2021. The Authority's net position as a percentage of total assets plus deferred outflows of resources was 86% and 94%, as of December 31, 2022, and 2021, respectively. The Authority implemented GASB Statement No. 87 – Leases during the year. As such, see additional information in Note 1 under the New Accounting Standard heading.

The following is a condensed summary of the Statement of Net Position for the years ending December 31, 2022 and 2021:

Condensed Statements of Net Position As of December 31 (in thousands):

	2022	2021*
Current assets	\$ 23,222	\$ 12,791
Restricted assets	6,254	2,156
Capital assets, net	82,387	86,318
Total assets	111,863	101,265
Total deferred outflows of resources	3,209	1,119
Current liabilities	2,019	1,776
Non-current liabilities	7,525	3,790
Total liabilities	9,544	5,566
Total deferred inflows of resources	6,071	1,087
Net position		
Net investment in capital assets	81,725	85,816
restricted	6,254	1,757
unrestricted	11,478	8,158
Total net position	\$ 99,457	\$ 95,731

*The 2021 amounts do not reflect any effects of GASB 87.

At December 31, 2022, total assets and deferred outflows increased approximately \$12.7 million due to an increase in current and restricted assets of approximately \$14.5 million, primarily due to an influx of cash, with \$5.3 million in current cash and cash equivalents and \$4.5 in restricted cash and cash equivalents. The other significant reason for the noted change was the recognition of lease receivable due to the implementation of GASB 87 of \$6.1 million which was partially offset by a \$1 million decrease in accounts receivable.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenditures, and Changes in Net Position shows the financial activity that occurred during the year ending December 31, 2022. Revenue is compared to operating expenses to determine the operating income or loss for the year. This balance is then compared with non-operating revenues and expenses to arrive at the change in net position. The following is a condensed summary of the Statement of Revenues, Expenditures, and Changes in Net Position for the years ending December 31, 2022 and 2021:

Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31 (in thousands):

	<u>2022</u>	<u>2021*</u>
Revenues		
Operating	\$ 27,689	\$ 26,294
Nonoperating	<u>10,403</u>	<u>9,183</u>
Total revenues	38,092	35,478
Expenses		
Operating - Depreciation & amortization	9,023	8,496
Other operating expenses	25,328	21,532
Nonoperating expenses and losses	<u>15</u>	<u>19</u>
Total expenses	34,366	30,047
Change in net position	3,726	5,431
Net position, beginning of year	<u>95,731</u>	<u>90,300</u>
Net position, end of year	<u>\$ 99,457</u>	<u>\$ 95,731</u>

*The 2021 amounts do not reflect any effects of GASB 87.

Total revenue increased approximately \$2.6 million from December 31, 2021 to December 31, 2022, due largely to continued increases in state fair and event revenue as a result of the ongoing economic recovery after COVID-19. Additionally, the increase of \$3.8 million in contributions from Tulsa County from CARES and ARP-related funding more than offset the lack of other contributions during the year. Total expenses also increased year-over-year by \$4.3 million, largely for the same reason of the ongoing economic recovery. Expenses directly related to the fair and other major events, include employee labor, catering and concessions and other miscellaneous costs, were increased approximately \$3.8 million.

Capital Assets

As of December 31st the Authority had the following capital asset balances:

Capital Assets As of December 31 (in thousands):

	2022	2021*
Land	\$ 1,146	\$ 1,146
Construction in progress	2,204	3,752
Buildings and systems	202,372	198,617
Machinery and equipment	17,678	15,757
Leased assets - equipment	940	940
	<hr/>	<hr/>
Total	224,340	220,212
Accumulated depreciation/amortization	<u>(141,953)</u>	<u>(132,954)</u>
Capital assets, net	<u>\$ 82,387</u>	<u>\$ 87,258</u>

*The 2021 balances have been restated per the implementation of GASB 87.

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 increased by approximately \$4.1 million from December 31, 2021, to December 31, 2022, due to ongoing capital expenditures that were not offset in the current year by the disposal of old assets.

See additional discussion in Note 3 of the financial statements.

Long-term Debt

Outstanding long-term debt of the note payable decreased approximately \$502 thousand during calendar year 2022, due to the Authority electing to pay off the remaining balance of its note. Outstanding long-term debt related to the lease obligation decreased \$278 thousand during calendar year 2022, due to payments occurring as scheduled.

See additional discussion in Note 5 to the financial statements.

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

Financial Statements

Tulsa County Public Facilities Authority

Statement of Net Position

December 31, 2022

Assets

Current assets

Cash and cash equivalents	\$	16,381,304
Accounts receivable		361,641
Lease receivable		6,078,844
Prepaid and other expenses		216,110
Inventories		184,433
Total current assets		<u>23,222,332</u>

Restricted assets

Cash and cash equivalents		<u>6,254,136</u>
Total restricted assets		<u>6,254,136</u>

Non-current assets

Nondepreciable capital assets		3,350,014
Depreciable capital assets, net of depreciation/amortization		<u>79,036,836</u>
Total non-current assets		<u>82,386,850</u>

Total assets 111,863,318

Deferred outflows of resources

Pension		<u>3,209,025</u>
Total deferred outflows		<u>3,209,025</u>

Total assets and deferred outflows of resources \$ 115,072,343

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

Tulsa County Public Facilities Authority

Statement of Net Position

December 31, 2022

Liabilities

Current liabilities

Accounts payable	\$	1,047,140
Other accrued expenses		324,570
Unearned credits and event revenue		359,774
Lease obligation liability, current portion		288,043
Total current liabilities		<u>2,019,527</u>

Non-current liabilities

Net pension liability		7,151,330
Lease obligation liability		374,007
Total non-current liabilities		<u>7,525,337</u>

Total liabilities		<u>9,544,864</u>
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Deferred inflows of resources

Pension		62,825
Leases		6,007,765
Total deferred inflows		<u>6,070,590</u>

Net position

Net investment in capital assets		81,724,800
Restricted for capital projects		6,254,136
Unrestricted		11,477,953
Total net position		<u>99,456,889</u>

Total liabilities, deferred inflows, and net position	\$	<u>115,072,343</u>
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The accompanying notes are an integral part of these financial statements.

Tulsa County Public Facilities Authority

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

Year Ended December 31, 2022

Operating revenues

State fair revenue	
Admissions	\$ 3,359,077
Midway commissions	2,258,970
Third party concessions	148,500
Third party vendor	2,164,540
Parking	1,242,775
Food and beverage	1,035,314
Ticketed shows	439,533
Livestock	725,093
Fair sponsorships	248,038
Other state fair revenue	<u>18,056</u>
Total state fair revenue	<u>11,639,896</u>
Event revenue	
Building rental	3,037,391
Equipment rental	1,361,499
Catering and concessions	4,083,777
Security	378,028
Box office fees	142,416
Facilities surcharges	230,486
Telecommunication and utilities	279,069
Other event revenue	<u>248,165</u>
Total event revenue	<u>9,760,831</u>
Fair meadows revenue	
Mutuel commissions	1,531,128
Sports grill revenue	162,962
Program sales	81,640
Tribal gaming revenue	2,000,164
Other fair meadows revenue	<u>12,761</u>
Total fair meadows revenue	<u>3,788,655</u>
Other revenue	
Exposerve royalties	144,426
RV park revenue	1,363,593
Hotel and waterpark revenue	226,675
Sponsorship revenue	428,707
Other operating revenue	<u>336,112</u>
Total other revenue	<u>2,499,513</u>
Total operating revenue	<u>\$ 27,688,895</u>

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

Tulsa County Public Facilities Authority

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

Year Ended December 31, 2022

Operating expenses

Direct expenses	
Direct employee costs	\$ 2,454,990
Temporary personnel - events	1,201,589
Catering and concessions	2,626,288
Simulcast and racing expenses	1,106,335
Sports grill expenses	166,426
Other event expenses	3,634,594
Total direct expenses	<u>11,190,222</u>

Other expenses	
Personnel	6,167,051
Depreciation and amortization	9,022,570
Utilities and telephone	3,183,996
Supplies and printing	319,312
Professional services	541,974
Maintenance and repairs	1,231,359
Insurance	868,505
Equipment rental	372,191
Food and beverage	1,001,125
Vehicle expenses	223,273
Other expenses	229,262
Total management and general	<u>23,160,618</u>
Total operating expenses	<u>34,350,840</u>

Operating loss (6,661,945)

Non-operating revenues (expenses)

Contributions from Tulsa County	10,264,597
Interest expense	(14,911)
Interest income	94,036
Gain on capital asset retirements	43,690
Net non-operating revenues	<u>10,387,412</u>

Change in net position 3,725,467

Net position at beginning of the year 95,731,422

Net position at end of the year \$ 99,456,889

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

Tulsa County Public Facilities Authority

Statement of Cash Flows

Year Ended December 31, 2022

OPERATING ACTIVITIES

Cash received from customers	\$ 28,564,087
Cash paid to suppliers	(15,403,728)
Cash paid for salaries, employee benefits and taxes	(8,845,060)
Interest received related to leases	92,040
Net cash provided by operating activities	<u>4,407,339</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(4,151,205)
Proceeds from the sale of capital assets	43,690
Principal payments on note payable	(502,355)
Principal payments on lease obligation payable	(278,335)
Interest payments on note payable	(34,974)
Contributions from Tulsa County	10,264,597
Net cash provided by financing activities	<u>5,341,418</u>

INVESTING ACTIVITIES

Interest received on cash	1,996
Net cash provided by investing activities	<u>1,996</u>

Net increase in cash and cash equivalents 9,750,753

Balances - beginning of year	13,283,603
Adjustments to beginning cash due to fiduciary recognition	(398,916)
Balances - beginning of year, restated	<u>12,884,687</u>

Balances - end of year \$ 22,635,440

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

Tulsa County Public Facilities Authority

Statement of Cash Flows

Year Ended December 31, 2022

Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 16,381,304
Restricted cash and cash equivalents	<u>6,254,136</u>
Total cash and cash equivalents, end of year	<u><u>22,635,440</u></u>

**Reconciliation of operating loss to net cash provided
by (used in) operating activities:**

Operating loss	(6,661,945)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	9,022,570
Change in assets, liabilities, liabilities, deferred inflows and outflows:	
Accounts receivable	1,006,585
Prepaid event and other expenses	(60,314)
Lease receivable	(6,078,844)
Inventories	(45,179)
Deferred outflows of resources	(2,089,955)
Accounts payable	(136,465)
Other accrued expenses	132,416
Net pension liability	4,229,953
Unearned credits and event revenue	(7,203)
Deferred inflows of resources	5,003,680
Interest received related to leases	<u>92,040</u>
Net cash provided by operating activities	\$ <u>4,407,339</u>

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

Tulsa County Public Facilities Authority

Statement of Fiduciary Net Position

December 31, 2022

	<u>Horse Racing Funds</u>
Assets	
Cash and cash equivalents	\$ 417,590
Total assets	<u>417,590</u>
Net position	
Restricted for individuals and organizations	<u>417,590</u>
Total net position	<u>417,590</u>
Total liabilities and net position	<u>\$ 417,590</u>

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

Tulsa County Public Facilities Authority

Statement of Changes in Fiduciary Net Position

For the year ended December 31, 2022

	<u>Horse Racing Funds</u>
Additions:	
Contributions	
Individuals and organizations	<u>\$ 3,752,310</u>
Total contributions	<u>3,752,310</u>
Investment Income	
Interest	<u>6,057</u>
Net investment income	<u>6,057</u>
Total additions	<u>3,758,367</u>
Deductions:	
Payments to individuals and organizations	<u>3,739,693</u>
Total deductions	<u>3,739,693</u>
Net increase	<u>18,674</u>
Net position, restricted	
Beginning of Year, restated	<u>398,916</u>
End of Year	<u>\$ 417,590</u>

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

Notes to Financial Statements

December 31, 2022

Note 1 - Significant Accounting Policies

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).

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 annual comprehensive financial report as an enterprise fund.

The financial statements of the Authority are intended to present the financial position and changes in financial position of only that portion of the enterprise fund information of the County that is attributable to the transactions of the Authority, and not those of the entire County. The fiduciary fund statements consist of funds collected and disbursed by the Horsemen's Bookkeeper per Title 3A OS Section 208.13 of the Oklahoma Statutes. The year-end balance reflected consists of simulcast monies received outside of the racing meet that will be used as future purses.

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.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to facility surcharges or other long-term purposes are excluded from this definition.

Restricted Assets

Certain assets of the Authority are restricted for payment of capital expenditures.

Accounts Receivable

Accounts receivable are short-term, non-interest bearing and uncollateralized and carried at original invoice amount.

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. An allowance for doubtful accounts is established by management, based on past experience and analysis of current receivable collectability.

Notes to Financial Statements

December 31, 2022

The Authority considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Inventories

Inventories consist of food, beverage and sundry items and are stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value.

Capital Assets

The Authority's capital assets with useful lives of more than one year are stated at cost or acquisition value if acquired by gift. Capital 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.

Depreciation is provided using the straight-line method, based on the estimated useful lives of the assets which range from 3 to 45 years. Intangible leased assets are amortized over the life of the associated contract.

The Authority records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended December 31, 2022.

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.

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. The 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 year ending December 31, 2022, the Authority received approximately \$3,240,000 in excise tax revenue from the County. These amounts are included in nonoperating revenues (expenses) on the statements of revenue, expenses and changes in net position.

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, if the Authority maintains its tax exemption, it will not be subject to income tax.

Notes to Financial Statements

December 31, 2022

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.

New Accounting Standard

During the calendar year the Authority implemented GASB Statement No. 87 – Leases. This statement increases the usefulness of a governments' financial statements by requiring, among other things, recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract, which established criteria for identifying and reporting financing activities. Although this implementation resulted in a restatement of capital assets to reflect the applicable leased assets, it did not result in an impact on net position since a corresponding lease liability was also recorded.

In instances where the government is the lessor, the present value of the lease is now recognized as a receivable with an offset to a related deferred inflow, and this balance is then amortized in accordance with the applicable lease terms. Also, as payments are received by the government, the revenue is now recognized as a split between lease revenue and interest.

Change in Accounting Principle for Horse Racing Funds

During the calendar year, it was noted that the Horse Racing Funds, which were previously disclosed as restricted asset amounts held for others that were then offset by an equal amount of trust fund liabilities, operated as a fiduciary. As such, this resulted in a restatement of the beginning balance of cash on the Statement of Cash Flows in the form of a reduction of \$398,916, the prior year ending balance of the Horse Racing Funds. This change also resulted in the preparation of two additional financial statements, the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position. The \$398,916, as previously referenced, also serves as the restated beginning balance of net position, as reflected on the Statement of Changes in Fiduciary Net Position.

Subsequent Events

The Authority has evaluated subsequent events through June 23, 2023, the date on which the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

Current Cash and Cash Equivalents – Balances

Current cash and cash equivalents of \$16,381,304 consists of various demand accounts that collectively totaled \$10,175,245 on December 31, 2022, and a capital expenditures and contingency account that totaled \$6,206,059.

Notes to Financial Statements

December 31, 2022

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist primarily of facility surcharges. In accordance with state statutes, authorized cash equivalents consist of obligations of the U.S. Treasury, agencies and instrumentalities, investment contracts, commercial paper, repurchase agreements and money market accounts. The balance of restricted cash and cash equivalents on December 31, 2022, was \$6,254,136.

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. However, the Authority obtained adequate pledged securities for all account balances excluding the amounts deemed fiduciary in the Horse Racing Funds, which were exposed to a credit risk of \$167,590 at calendar year-end.

Note 3 - Capital Assets

Capital assets activity for the year ended December 31, 2022, was as follows:

	Balance at January 1, 2022, Restated	Additions	Transfers	Disposals	Balance at December 31, 2022
Capital assets not being depreciated:					
Land	\$ 1,146,200	\$ -	\$ -	\$ -	\$ 1,146,200
Construction in progress	3,751,506	2,215,745	(3,763,437)	-	2,203,814
Total capital assets not being depreciated	<u>4,897,706</u>	<u>2,215,745</u>	<u>(3,763,437)</u>	<u>-</u>	<u>3,350,014</u>
Depreciable capital assets:					
Buildings and systems	198,617,354		3,763,437	(9,762)	202,371,029
Machinery and equipment	15,756,829	1,935,621	-	(14,168)	17,678,282
Total depreciable capital assets	<u>214,374,183</u>	<u>1,935,621</u>	<u>3,763,437</u>	<u>(23,930)</u>	<u>220,049,311</u>
Less accumulated depreciation for:					
Buildings and systems	(121,740,545)	(7,738,853)	-	9,762	(129,469,636)
Machinery and equipment	(11,213,675)	(994,368)	-	14,168	(12,193,875)
Total accumulated depreciation	<u>(132,954,220)</u>	<u>(8,733,221)</u>	<u>-</u>	<u>23,930</u>	<u>(141,663,511)</u>
Other assets:					
Leased assets - equipment	940,385	-	-	-	940,385
Total other assets	<u>940,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>940,385</u>
Less accumulated amortization					
Leased assets - equipment	-	(289,349)	-	-	(289,349)
Total accumulated amortization	<u>-</u>	<u>(289,349)</u>	<u>-</u>	<u>-</u>	<u>(289,349)</u>
Depreciable and other capital assets, net	<u>82,360,348</u>	<u>(7,086,949)</u>	<u>3,763,437</u>	<u>-</u>	<u>79,036,836</u>
Total capital assets, net	<u>\$ 87,258,054</u>	<u>\$ (4,871,204)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,386,850</u>

Depreciation expense was \$8,733,221 and amortization expense was \$289,349 for the year ended December 31, 2022.

Notes to Financial StatementsDecember 31, 2022

All capital assets are subject to an agreement dated February 22, 1983, with the Board of Commissioners of Tulsa County which, as amended, extends to March 1, 2043. The 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 requires 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 4 - Leases Receivable

The Authority as a lessor, has entered into lease agreements involving land, buildings, and a water park. The total amount of inflows of resources, including lease revenue of \$257,439 and interest revenue of \$92,040 recognized during the calendar year totaled \$349,479.

Lease receivables balances at December 31, 2022 for the related contracts consisted of the following:

EXPO Invest - hotel	\$ 3,624,469
SBA Communications - tower	222,670
Splash Action - water park	1,753,711
U.S. Cellular - tower	<u>477,994</u>
 Total lease receivable	 <u>\$ 6,078,844</u>

The remaining lease receipts as split between lease and interest revenue are as follows:

<u>Year Ended December 31</u>	<u>Lease Revenue</u>	<u>Interest Revenue</u>	<u>Total</u>
2023	\$ 184,695	\$ 95,705	\$ 280,400
2024	189,296	93,104	282,400
2025	194,102	90,438	284,540
2026	200,889	87,691	288,580
2027	206,735	84,850	291,585
2028-2032	1,128,607	378,598	1,507,205
2033-2037	771,171	300,334	1,071,505
2038-2042	452,405	256,027	708,432
2043-2047	520,264	214,980	735,244
2048-2052	549,372	167,647	717,019
2053-2057	548,755	121,900	670,655
2058-2062	633,653	71,211	704,864
2063-2066	498,900	15,604	514,504
	<u>\$ 6,078,844</u>	<u>\$ 1,978,089</u>	<u>\$ 8,056,933</u>

The discount rates used for the above calculations ranged from 1.29% to 1.72%.

Notes to Financial Statements

December 31, 2022

Note 5 - Long-term Liabilities

Long-term liability for the year ended December 31, 2022, consists of the following:

	January 1, 2022, Restated	Reductions	December 31, 2022	Amount Due Within One Year
Note payable with bank	\$ 502,355	\$ 502,355	\$ -	\$ -
Lease obligation	940,385	278,335	662,050	288,043
Total long-term debt liabilities	<u>\$ 1,442,740</u>	<u>\$ 780,690</u>	<u>\$ 662,050</u>	<u>\$ 288,043</u>

Note Payable with Bank

In November 2019, the Authority entered a promissory note with a local financial institution at a 3.3% interest rate. The amounts were due in 180 payments of \$4,146 per month and the note was scheduled to mature on November 12, 2034. However, during the year the Authority opted to pay off the note in its entirety. The collateral on the note was the real property, fixtures, improvements, and personal property located at 7041 East 15th Street, Tulsa, Oklahoma 74112.

Lease Obligation

The Authority as a lessee, has entered into a lease agreement for terminals and equipment relating to racing with United Tote. The lease is paid monthly at a rate of \$23,735 at the beginning of 2023 with 3% annual increases occurring each April. The current term of the lease is set to expire in 2025. At the end of calendar year 2022, the remaining balance on the lease obligation was \$662,050.

Future minimal lease payments as calculated based upon a discount rate of 0.60% are as follows:

Year Ended December 31	Expense	Interest	Total
2023	\$ 288,043	\$ 3,191	\$ 291,234
2024	298,540	1,431	299,971
2025	75,467	76	75,543
	<u>\$ 662,050</u>	<u>\$ 4,698</u>	<u>\$ 666,748</u>

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). 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 the calendar year ended December 31, 2015. See note below on 2015 bonds.

On 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

Notes to Financial Statements

December 31, 2022

\$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 was reported as a deferred inflow of resources with the balance equaling \$0 as of December 31, 2022. This reduction was amortized to interest expense utilizing the effective interest method.

On December 20, 2019, the Authority deposited \$6,821,133 in cash in an irrevocable trust with an escrow agent to refund the 2015 bonds. This resulted in an in-substance defeasance and the Authority has no further liability on the 2015 bonds. The difference between the reacquisition price (funds required to refund the 2015 Series revenue bonds) and the net carrying amount of the 2015 Series revenue bonds of approximately \$6.6 million was reported as a loss on defeasance of \$128,206 for the year ended December 31, 2019. The remaining balance owed on these defeased bonds was \$0 as of December 31, 2022.

Note 6 - Racing Operations

The Authority must apply to the Oklahoma Horse Racing Commission annually to be awarded racing days. For the year ended December 31, 2022, the Authority was awarded and held 34 days. The Authority also held simulcast races throughout the 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 2022 was approximately \$643,000. The total amount wagered during 2022 from simulcasting was approximately \$16,746,000.

Note 7 - Related Party Transactions

The County provides, at its cost, certain printing and office supplies to the Authority, which are used for administrative purposes. During the year ending December 31, 2022, the Authority paid the County approximately \$26,000 for these items.

Note 8 - Retirement Plan

The Authority accounts for pensions in accordance with GASB 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 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 218 West 6th Street, Tulsa, Oklahoma 74119, or online at www.tulsacounty.org.

Notes to Financial Statements

December 31, 2022

The System and Tulsa County have a June 30 year end. The System's pension liability was based on actuarial valuations as of June 30, 2022. 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, 2022. Pension payments by the Authority from the measurement date and the Authority's year-end are reported as deferred outflows of resources.

Employer contributions between the measurement date of June 30 and the Authority's year-end are reported as deferred outflows of resources. On December 31, 2022, these payments amounted to \$186,233.

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 December 31, 2022, the Authority's covered payroll was \$2,136,377, and total payroll for all covered employees of the plan amounted to \$85,455,087. The Authority's share (2.50%) of the net pension liability was determined based on this ratio.

Normal Retirement Benefits

Benefits are determined by multiplying the average of the highest paid three years of annual salary times a percentage based on the years of credited service at the date of retirement. A member is fully vested after five years of full-time service as a regular employee. The five-year period is not required to be continuous. Unreduced benefits may be received at age 62. A member may also be eligible for full benefits under the "Rule of 80" in which the total service time and the employee's age equals 80. The System allows an employee who has attained age 55 with at least five years of credited service the opportunity to draw retirement benefits at an actuarially reduced percentage from the normal rate at age 62.

Contributions

Title 19 OSA 954 of the Oklahoma Statutes provides for annual contributions to be made by Tulsa County (including the Authority) for amortizing any net pension liability. The Board of Trustees of the System recommends to the Board of County Commissioners (BOCC), the percentage of the employer and employees' contribution level to be contributed to the System. The BOCC, within the limits allowed by law, establishes both the employer and employee levels of contributions to support the System.

Beginning July 1, 2019, the total employer and employee contributions shall not exceed 18.5% of the monthly compensation of each member.

Until June 30, 2019, the employer contribution rate was 14 percent. Effective July 1, 2020, the BOCC and the Board of Trustees of the System approved a resolution changing the employer contribution rate to 15%.

For the year ended December 31, 2022, the employee contribution rate was 3.5% of the base salary per month.

Notes to Financial Statements

December 31, 2022

There are no legally required reserve accounts for the System’s fiscal year ending June 30, 2022.

Actuarial Assumptions

The following are the key assumptions used in the System’s actuarial valuation as of June 30, 2022:

Discount rate	4.75%
Long-term expected rate of return	6.00%
Valuation date	July 1, 2022
Measurement date	June 30, 2022
Inflation	2.50%
Salary increase including inflation	5% grading down to 2.5%
Mortality	RP-2014 Mortality for Employees, Healthy Annuitants, and Disabled with generational projection from 2006 using Scale MP-2017 for healthy participants
Actuarial cost method	Entry Age Normal

The actuarial assumptions that determined the total pension liability as of December 31, 2022, were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

Long-Term Expected Rate of Return

The current asset allocation and the best estimates of the arithmetic expected real rates of return for each major asset class as of December 31, 2022, is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
US Core Fixed Income	18.75%	1.95%
US Intermediate Bonds	8.75%	1.48%
US High Yield Bonds	7.50%	4.24%
US Large Caps	17.50%	5.57%
US Mid-Caps	25.00%	5.95%
Foreign Developed Equity	12.50%	6.99%
Private Real Estate Property	5.00%	4.88%
Master Limited Partnerships	5.00%	6.71%

Notes to Financial Statements

December 31, 2022

Pension Liabilities, Pension Expense, and Deferred Outflow/Inflows of Resources

On December 31, 2022, the Authority reported a liability of \$7,151,330 for its proportionate share of the net pension liability. The Authority's proportion of the net pension liability was based on the Authority's covered payroll relative to total covered payroll for Tulsa County. Based upon this information, the Authority's proportion was 2.5% and for the year ended December 31, 2022.

For the year ended December 31, 2022, the Authority recognized pension expense of \$1,135,913. On December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 149,969	\$ 47,193
Changes of assumptions	2,211,403	-
Change in proportion	-	15,632
Contributions during the measurement period	38,966	-
Contributions subsequent to the measurement date	186,233	-
Net difference between projected and actual earnings on pension plan investments	622,454	-
Total	<u>\$ 3,209,025</u>	<u>\$ 62,825</u>

Deferred outflows of resources of \$186,233 were related to pensions resulting from Authority contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the years ended December 31, 2023.

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

<u>Year ended December 31:</u>	
2023	\$ 704,754
2024	704,754
2025	704,754
2026	704,754
2027	<u>140,951</u>
Total	<u>\$2,959,967</u>

Notes to Financial Statements

December 31, 2022

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

The net pension liability of the Authority for the year ended December 31, 2022, is calculated using the discount rate of 4.75%. The following presents what the Authority’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher than the current rate.

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Authority's net pension liability	<u>\$9,355,064</u>	<u>\$ 7,151,330</u>	<u>\$5,373,221</u>

Note 9 - Contingencies

The Authority is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the net position or changes in net position of the Authority.

**Tulsa County Public Facilities Authority
Required Supplementary Information
December 31, 2022**

Tulsa County Public Facilities Authority
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Authority's proportion of the net pension liability	3.17%	2.76%	2.80%	2.80%	3.20%
Authority's proportionate share of the net pension liability	\$ 563,443	\$1,113,629	\$ 2,168,576	\$1,972,036	\$2,807,622
Authority's covered payroll	\$2,296,768	\$2,121,982	\$ 2,331,204	\$2,150,288	\$2,447,991
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	24.53%	52.48%	93.02%	91.71%	114.69%
Measurement date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Plan fiduciary net position as a percentage of the total pension liability	94.00%	87.12%	77.49%	80.14%	76.86%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Authority's proportion of the net pension liability	3.20%	2.40%	2.20%	2.50%	
Authority's proportionate share of the net pension liability	\$3,956,664	\$4,070,127	\$ 2,921,377	\$7,151,330	
Authority's covered payroll	\$2,573,231	\$2,001,618	\$ 1,743,436	\$2,136,377	
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	153.76%	203.34%	167.56%	334.74%	
Measurement date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	
Plan fiduciary net position as a percentage of the total pension liability	70.04%	62.64%	72.20%	50.95%	

Notes to Schedule:

*Only nine years are presented because 10-year data is not yet available.

The discount rate decreased from 6.00% to 4.75% as of June 30, 2022.

Tulsa County Public Facilities Authority
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractual required contribution	\$ 346,483	\$ 334,992	\$ 326,369	\$ 342,470	\$ 342,719
Contributions in relation to the contractually required contribution	<u>325,340</u>	<u>334,992</u>	<u>326,369</u>	<u>342,470</u>	<u>342,719</u>
Contribution deficiency	<u>21,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Authority's covered payroll	\$2,296,768	\$2,121,982	\$ 2,331,204	\$ 2,150,288	\$2,447,991
Contributions as a percentage of covered payroll	15.09%	15.79%	14.00%	15.93%	14.00%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Contractual required contribution	\$ 389,170	\$ 313,252	\$ 309,612	\$ 344,548	
Contributions in relation to the contractually required contribution	<u>355,309</u>	<u>299,384</u>	<u>278,816</u>	<u>327,768</u>	
Contribution deficiency	<u>33,861</u>	<u>13,868</u>	<u>30,796</u>	<u>16,780</u>	
Authority's covered payroll	\$2,573,231	\$2,001,618	\$ 1,743,436	\$ 2,136,377	
Contributions as a percentage of covered payroll	15.12%	15.65%	17.76%	16.13%	

Notes to Schedule:

*Only nine years are presented because 10-year data is not yet available.

Tulsa County Public Facilities Authority
 Schedule of Proportionate Share of the Total OPEB Liability
 Last 10 Fiscal Years*

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Authority's proportion of the total OPEB liability	2.61%	2.61%	2.61%	2.77%
Authority's proportionate share of the total OPEB liability	\$ 142,557	\$ 139,144	\$ 147,958	\$ 131,931
Authority's covered payroll	\$2,078,531	\$2,127,256	\$2,118,046	\$2,268,426
Authority's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	6.86%	6.54%	6.99%	5.82%

Notes to Schedule:

*Only active years since implementation of GASB 75 through the termination of the plan are presented.

Effective July 1, 2020, the retirees in the Plan were transferred into a separate plan outside of the Authority and the County. The data above is related to the plan information through 2019.



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
Tulsa County Public Facilities Authority
Tulsa, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Tulsa County Public Facilities Authority (the Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Authority’s basic financial statements and have issued our report thereon dated June 23, 2023. Our report includes and emphasis of matter paragraph describing the acknowledgement that the Authority is a component unit of the Tulsa County, and these financial statements reflect only the assets, liabilities, and revenues and expense of the Authority and the Authority as a whole.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Tulsa, Oklahoma
June 23, 2023



June 23, 2023

To the Board of Directors
Tulsa County Public Facilities Authority
Tulsa, Oklahoma

We have audited the financial statements of Tulsa County Public Facilities Authority (the Authority), a component unit of Tulsa County (the County) as of and for the year ended December 31, 2022, and have issued our report thereon dated June 23, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated April 10, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor’s report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as “significant risks”. We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the organization may have the ability to override controls that the organization has implemented.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the organization to overstate revenue.
- Pension calculation – We identified the calculation and disclosures of the pension liability as a significant risk due to complexity of those calculations.
- GASB 87 Implementation – We identified the implementation of the new accounting standard as a significant risk due to this being the initial year of implementation.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. As described in Note 1, the Authority changed accounting policies related to accounting for leases to adopt the provisions of GASB 87, *Leases*. Accordingly, the accounting change has been applied to the financial statements beginning January 1, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments. The most sensitive accounting estimates affecting the financial statements are:

Management’s estimate of the net pension liability related to the GASB 68 for the Tulsa County Employees’ Retirement System (the System) reported in accordance with GASB 68 is based on actuary reports and employer allocations from the System to determine the net pension liability in accordance with the prescribed guidance from GASB. We evaluated the key factors and assumptions used to develop the pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the interest rates used in calculation of GASB 87 is based on the term of the leases and expected interest rates. We evaluated the key factors and assumptions used to develop the interest rates used in calculation of GASB 87 implementation and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to:

- The disclosure of the net pension liability in Note 8 to the financial statements' users. The disclosure includes significant assumptions used by the plans' actuaries to determine the related liabilities.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

As discussed in Note 1 to the financial statements, an error resulting in improper presentation of fiduciary funds for horse racing funds of December 31, 2021, were discovered by management of the Authority during the current year. Accordingly, a restatement has been made to present the fund with a beginning fiduciary net position of \$398,916 as of January 1, 2022, to correct the error. Our opinions are not modified with respect to that matter.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position, and cash flows of only the activities of the Authority. They do not purport to, and do not, present fairly the financial position of Tulsa County, Oklahoma as of December 31, 2022, and the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated June 23, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

This report is intended solely for the information and use of the Board of Directors, and management of Tulsa County Public Facilities Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Tulsa, Oklahoma