TULSA COUNTY PUBLIC FACILITIES AUTHORITY

FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

WITH

INDEPENDENT AUDITORS' REPORT

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HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Tulsa County Public Facilities Authority

We have audited the accompanying basic financial statements of Tulsa County Public Facilities Authority (the Authority), a component unit of Tulsa County, Oklahoma, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2010 and 2009, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hogan Taylor LLP

July 21, 2011

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Tulsa County Public Facilities Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

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, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Master Plan Improvements

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

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

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

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

Financial Highlights

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

Current assets at December 31, 2010 and 2009, were consistent with the decrease in accounts receivable being offset by an increase in cash.

Overview of the Financial Statements

The Authority is charged with establishing, promoting, maintaining and operating agricultural and industrial expositions and fairs, trade shows, pari-mutuel horse racing and simulcasts and other recreational facilities, including the annual Tulsa State Fair and Tulsa County Fair on the Tulsa State Fairgrounds located in Tulsa County, Oklahoma. The Authority currently operates and maintains the

Tulsa State Fairgrounds pursuant to a lease agreement, dated as of February 22, 1983, as amended, by and between the Authority and the County. The Authority is included in the County's comprehensive annual financial report as an enterprise fund.

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

Required Financial Statements

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

The financial statements of the Authority are similar to those used by private sector companies. Financial statements consist of a statement of net assets, statement of revenues, expenses and changes in fund net assets and a statement of cash flows. These statements show our liquidity, debt level and areas in which revenues are generated and expenses are incurred. The statements also reflect our master plan activity; we have capitalized approximately $1.5 million for master plan improvements for the year ended December 31, 2010.

Net Assets

Net Assets are an important indicator of the Authority's overall financial position. The Authority's net assets decreased approximately $2.9 million for each of the years ended December 31, 2010 and 2009. The Authority's net assets as a percentage of total assets increased between December 31, 2009 to 2010, from 70% to 72%, respectively, and between December 31, 2008 to 2009 from 69% to 70%, respectively.

Condensed Statements of Net Assets

	December 31,		
	2010	2009	2008
Current assets	$ 6,516,351	$ 6,520,349	$ 5,211,764
Restricted assets	3,069,821	4,238,627	7,228,258
Capital assets, net	122,155,325	127,892,199	132,245,662
Other assets	930,983	1,121,679	1,332,092
Total assets	132,672,480	139,772,854	146,017,776
Current liabilities	4,905,157	5,995,779	5,994,700
Liabilities payable from restricted assets	835,047	608,581	690,305
Noncurrent liabilities	31,472,846	34,805,943	38,120,220
Total liabilities	37,213,050	41,410,303	44,805,225
Invested in capital assets, net of related debt	87,214,579	89,628,012	90,811,539
Restricted for debt service and capital projects	2,161,438	3,653,202	6,570,834
Unrestricted	6,083,413	5,081,337	3,830,178
Total net assets	$ 95,459,430	$ 98,362,551	$ 101,212,551

At December 31, 2010 and 2009, total assets decreased approximately $7.1 million and $6.2 million, respectively, due to depreciation of assets and reduction of restricted assets. At December 31, 2010 and 2009, total liabilities decreased approximately $4.2 million and $3.4 million, respectively, primarily due to the payment of principal on revenue bonds.

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

	December 31, 2010	December 31, 2009	Six Months Ended December 31, 2008
Operating revenues	$ 21,437,868	$ 20,758,790	$ 14,698,417
Nonoperating revenues	37,383	45,070	107,088
Total revenues	21,475,251	20,803,860	14,805,505
Depreciation and amortization	8,007,882	7,355,994	2,997,712
Other operating expenses	20,168,837	20,637,138	16,668,313
Nonoperating expenses	1,765,759	1,900,778	1,140,986
Total expenses	29,942,478	29,893,910	20,807,011
Loss before transfers	(8,467,227)	(9,090,050)	(6,001,506)
Transfers	5,564,106	6,240,050	14,867,885
Change in net assets	(2,903,121)	(2,850,000)	8,866,379
Net assets:			
Beginning of year	98,362,551	101,212,551	91,347,373
Restatement of prior period retained earnings	-	-	998,799
End of year	$ 95,459,430	$ 98,362,551	$ 101,212,551

State Fair admission revenue increased approximately $405,000 during 2010 due to an increase in ticket prices and good weather and decreased approximately $490,000 during 2009 due to bad weather.

Capital Assets

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

Capital assets before depreciation and construction-in-progress increased approximately $2.1 million and $3.3 million in 2010 and 2009, respectively.

	December 31,		
	2010	2009	2008
Land	$ 96,000	$ 96,000	$ 96,000
Buildings and systems	173,832,265	172,378,269	169,506,414
Machinery and equipment	12,719,097	12,090,023	11,706,123
	186,647,362	184,564,292	181,308,537
Less accumulated depreciation	(64,595,395)	(56,779,177)	(49,660,235)
Construction-in-progress	103,358	107,084	597,360
Capital assets, net	$ 122,155,325	$ 127,892,199	$ 132,245,662

Revenue Bonds

Outstanding long-term debt decreased approximately $3.3 million and $3.2 million during 2010 and 2009, respectively, due to the payment of principal on revenue bonds.

	December 31,		
	2010	2009	2008
Revenue bonds	$ 34,940,746	$ 38,264,187	$ 41,434,123

TULSA COUNTY PUBLIC FACILITIES AUTHORITY

STATEMENTS OF NET ASSETS

December 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 3,117,057	$ 2,315,163
Investments	1,412,835	1,406,473
Accounts receivable	1,754,126	2,555,869
Deferred expenses	5,650	26,935
Prepaid and other expenses	68,020	10,163
Inventories	158,663	205,746
Total current assets	6,516,351	6,520,349
Restricted assets:		
Cash and cash equivalents	2,264,597	3,653,202
Horsemen's Trust Account	805,224	585,425
Total restricted assets	3,069,821	4,238,627
Capital assets, net	122,155,325	127,892,199
Bond issuance costs, net	930,983	1,121,679
Total assets	$ 132,672,480	$ 139,772,854
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 459,739	$ 1,440,733
Accrued interest payable	258,358	279,169
Other accrued expenses	403,843	350,957
Deferred credits and event revenue	315,317	466,676
Current portion of 2003, 2005 and 2007 revenue bonds	3,467,900	3,458,244
Total current liabilities	4,905,157	5,995,779
Liabilities payable from restricted assets:		
Liability to Horsemen	835,047	608,581
2003, 2005 and 2007 revenue bonds, less current portion	31,472,846	34,805,943
Total liabilities	37,213,050	41,410,303
Net assets:		
Invested in capital assets, net of related debt	87,214,579	89,628,012
Restricted for debt service	2,009,103	2,996,493
Restricted for capital projects	152,335	656,709
Unrestricted	6,083,413	5,081,337
Total net assets	95,459,430	98,362,551
Total liabilities and net assets	$ 132,672,480	$ 139,772,854

See notes to financial statements.

TULSA COUNTY PUBLIC FACILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Years ended December 31, 2010 and 2009

	2010	2009
Operating Revenues		
State Fair admission	$ 3,063,543	$ 2,658,915
Space rental	5,058,924	4,906,480
Commissions	1,329,217	1,160,242
Entries and premium contributions	555,949	558,011
Other non-racing revenue	4,810,826	4,864,496
Racing commissions	2,047,662	2,250,470
Other racing revenue	220,767	202,958
Food and beverage	4,350,980	4,157,218
Total operating revenues	21,437,868	20,758,790
Operating Expenses		
Personnel	8,778,802	9,566,048
Utilities and telephone	1,687,209	1,968,773
Advertising, promotion and entertainment	1,365,339	1,363,234
Premiums, ribbons and awards	556,510	636,552
Supplies and printing	1,335,828	1,270,139
Outside services	3,323,362	3,196,330
Maintenance and repairs	370,389	192,675
Insurance	465,864	446,679
Administrative	693,967	499,388
Equipment rental	316,160	303,738
Food and beverage	1,275,407	1,193,582
Total operating expenses	20,168,837	20,637,138
Operating income before depreciation and amortization	1,269,031	121,652
Depreciation and amortization	(8,020,973)	(7,488,100)
Amortization of deferred credits	13,091	132,106
Operating loss	(6,738,851)	(7,234,342)
Nonoperating revenues (expenses):		
Interest expense	(1,765,759)	(1,900,778)
Interest income	37,383	45,070
Loss before transfers	(8,467,227)	(9,090,050)
Transfers	5,564,106	6,240,050
Change in net assets	(2,903,121)	(2,850,000)
Net assets, beginning of year	98,362,551	101,212,551
Net assets, end of year	$ 95,459,430	$ 98,362,551

See notes to financial statements.

TULSA COUNTY PUBLIC FACILITIES AUTHORITY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Cash received from customers	$ 22,101,342	$ 20,218,786
Cash paid to suppliers	(12,067,382)	(11,119,963)
Cash paid to employees	(8,778,802)	(9,566,048)
Net cash provided by (used in) operating activities	1,255,158	(467,225)
Cash Flows from Capital and Related Financing Activities		
Capital expenditures	(2,116,646)	(2,790,549)
Principal payments on 2003, 2005 and 2007 revenue bonds	(3,481,145)	(3,337,147)
Interest paid on revenue bonds	(1,628,866)	(1,754,707)
Transfers in from County	5,564,106	6,076,156
Net cash used in capital and related financing activities	(1,662,551)	(1,806,247)
Cash Flows from Investing Activities		
Interest received on cash and investments	37,383	44,952
Proceeds from maturity of investments	1,119	73,733
Payments for the purchase of investments	(7,481)	(104,838)
Proceeds from the sale of equipment	9,460	24,480
Net cash provided by investing activities	40,481	38,327
Net change in cash and cash equivalents	(366,912)	(2,235,145)
Cash and cash equivalents, beginning of year	6,553,790	8,788,935
Cash and cash equivalents, end of year	$ 6,186,878	$ 6,553,790
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	$ (6,738,851)	$ (7,234,342)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,020,972	7,488,100
Amortization of deferred credits	(13,091)	(132,106)
Loss on sale of equipment	13,784	5,740
Changes in operating assets and liabilities:		
Accounts receivable	801,743	(488,015)
Prepaid and other expenses	(57,857)	65,922
Inventories	47,083	(79,031)
Deferred expenses	21,285	(21,752)
Accounts payable	(980,994)	(42,746)
Other accrued expenses	52,886	104,718
Deferred credits and event revenue	(138,268)	(51,989)
Liability to Horsemen	226,466	(81,724)
Net cash provided by (used in) operating activities	$ 1,255,158	$ (467,225)
Noncash Investing, Capital and Financing Activities		
Contributions of capital assets	$ -	$ 163,894
Cash and cash equivalents consist of the following at December 31:		
Cash and cash equivalents	$ 3,117,057	$ 2,315,163
Restricted cash and cash equivalents	2,264,597	3,653,202
Horsemen's Trust Account	805,224	585,425
Total cash and cash equivalents	$ 6,186,878	$ 6,553,790

See notes to financial statements.

Note 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.

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.

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.

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.

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.

Restricted assets

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

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.

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.

Capital assets

Capital assets 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, 2010 and 2009, 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.

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.

Bond issuance costs

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

Deferred revenue and expenses

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

Deferred credits

Deferred credits arising from capitalization of improvements donated by a tenant are amortized over the remaining life of the related sublease (see Note 3).

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. During 2010 the Authority received $5,564,106 in excise tax revenue from the County. These amounts are included in transfers on the statement of revenue, expenses and changes in fund net assets.

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.

Reclassifications

Certain amounts have been reclassified in the 2009 financial statements to conform to the 2010 financial statement presentation. Their reclassifications had no affect on previously reported net assets.

Note 2 – Cash and Investments

Unrestricted investments

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

Horsemen's Trust Account

Included in the Horsemen's Trust Account 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 and is included in liability to Horsemen.

Restricted cash

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

The carrying amounts of the Authority's investments in money market accounts reported as cash equivalents at December 31, 2010 and 2009, were $2,161,438 and $3,593,397, respectively, and are included in restricted cash. Carrying amounts approximate fair value for the Authority's investments.

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. As of December 31, 2010, $579,748 of the Authority's bank balance of $4,291,211 was uninsured and uncollateralized, resulting in exposure to custodial credit risk.

Note 3 – Capital Assets

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

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

Capital assets activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 96,000	$ -	$ -	$ 96,000
Construction-in-progress	597,360	2,626,189	3,116,465	107,084
Total capital assets, not being depreciated	693,360	2,626,189	3,116,465	203,084
Capital assets, being depreciated:				
Buildings and systems	169,506,414	2,871,855	-	172,378,269
Machinery and equipment	11,706,123	572,867	188,967	12,090,023
Total capital assets, being depreciated	181,212,537	3,444,722	188,967	184,468,292
Total capital assets	181,905,897	6,070,911	3,305,432	184,671,376
Less accumulated depreciation for:				
Buildings and systems	42,717,918	6,394,340	-	49,112,258
Machinery and equipment	6,942,317	883,356	158,754	7,666,919
Total accumulated depreciation	49,660,235	7,277,696	158,754	56,779,177
Capital assets, net	$ 132,245,662	$ (1,206,785)	$ 3,146,678	$ 127,892,199

Depreciation expense was $7,830,273 and $7,277,696 for the years ended December 31, 2010 and 2009, 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 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.

The above capital assets do not include the facility known as Big Splash Waterpark (Big Splash), which operates under a long-term ground sublease for which the Authority receives rentals based on percentages of revenues subject to certain minimums. During the years ended December 31, 2010 and 2009, the Authority recorded $138,453 and $134,589, respectively, of rental income from Big Splash.

The Authority also has a percentage rental contract, extending to 2015, with a midway operator to provide and operate amusements during the annual State Fair. During the years ended December 31, 2010 and 2009, the Authority received $1,132,474 and $960,932, respectively, of rental income under this contract.

During 2009, the Authority subleased certain property known as the Tulsa County Stadium. The terms of the amended sublease required annual rental payments of $18,000 plus a percentage of concession revenue. Under the terms of the amended sublease agreement, the sublessee could recover qualifying expenditures for improvements to the stadium facilities from concession revenues, otherwise payable to the Authority through December 31, 2009, up until the time that the Authority contributed $450,000 for capital improvements. The sublease terminated December 31, 2009, and was not renewed. The sublessee paid for improvements relating to the expansion and renovation of the stadium facilities and donated the improvements to the Authority. At December 31, 2010 and 2009, improvements totaling $5,721,035 had been donated and are included in property and equipment. The resulting credits for the donated improvements have been deferred and were amortized to income over the lease period.

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

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

Note 4 – Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Series 2003 revenue bonds	$ 3,075,000	$ -	$ 625,000	$ 2,450,000	$ 650,000
Series 2005 revenue bonds	22,919,187	-	1,148,441	21,770,746	1,347,900
Series 2007 revenue bonds	12,270,000	-	1,550,000	10,720,000	1,470,000
Total bonds payable	$ 38,264,187	$ -	$ 3,323,441	$ 34,940,746	$ 3,467,900

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Series 2003 revenue bonds	$ 3,650,000	$ -	$ 575,000	$ 3,075,000	$ 625,000
Series 2005 revenue bonds	23,989,123	-	1,069,936	22,919,187	1,283,244
Series 2007 revenue bonds	13,795,000	-	1,525,000	12,270,000	1,550,000
Total bonds payable	$ 41,434,123	$ -	$ 3,169,936	$ 38,264,187	$ 3,458,244

Additional information regarding revenue bonds is included at Note 5.

Note 5 – Bonds Payable

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

Interest on the 2003 Series revenue bonds is due semi-annually. The 2003 Series revenue bonds outstanding at December 31, 2010, mature or have mandatory redemption, in the amounts and bear interest at the rates indicated below:

Dates of Maturity or Redemptions	Principal	Interest	Annual Interest Rate
May 1, 2011	$ -	$ 38,850	2.80%
November 1, 2011	650,000	38,850	3.00%
May 1, 2012	-	29,100	3.00%
November 1, 2012	800,000	29,100	3.15%
May 1, 2013	-	16,500	3.15%
November 1, 2013	1,000,000	16,500	3.30%
	$ 2,450,000	$ 168,900	

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

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

As of October 1, 2005, the Authority issued $27,805,000 of its Capital Improvement and Refunding Revenue Bonds, Series 2005 (2005 Series revenue bonds) (average interest rate of 4.3%) principally to refund $22,228,368 of outstanding 1999 Series revenue bonds (average interest rate of 6.5%). The bond payable includes a bond issuance premium of $294,200, net of amortization of $255,353, as of December 31, 2010. The premium is being amortized utilizing the effective interest method. Of the net proceeds of $27,229,003 (after underwriting fees and other issuance costs of $1,125,550 and a premium on the bond issuance of $549,553), $22,228,368 was used to refund the outstanding 1999 Series revenue bonds, and $5,000,635 was deposited in an irrevocable trust with an escrow agent to finance certain additions and improvements. As a result, the 1999 Series revenue bonds were defeased, and the

Authority has no further liability on the 1999 bonds. The difference between the reacquisition price (funds required to refund the 1999 Series revenue bonds) and the net carrying amount of the 1999 Series revenue bonds is shown as a reduction of $2,049,217 in bonds payable. This reduction is being amortized to interest expense utilizing the effective interest method. Of this amount, $157,704 was amortized during the year ended December 31, 2010.

Interest on the 2005 Series revenue bonds is due semi-annually. The 2005 Series revenue bonds outstanding at December 31, 2010, mature or have mandatory redemption, in the amounts and bear interest at the rates indicated below (excluding bond premium amortization):

Dates of Maturity or Redemptions	Principal	Interest	Annual Interest Rate
May 1, 2011	$ -	$ 520,247	3.600%
November 1, 2011	1,325,000	520,247	3.700%
May 1, 2012	-	495,734	3.700%
November 1, 2012	1,400,000	495,734	5.000%
May 1, 2013	-	460,734	5.000%
November 1, 2013	1,480,000	460,734	5.000%
May 1, 2014	-	423,734	5.000%
November 1, 2014	1,605,000	423,734	4.000%
May 1, 2015	-	391,634	4.000%
November 1, 2015	1,705,000	391,634	5.000%
May 1, 2016	-	349,009	5.000%
November 1, 2016	1,810,000	349,009	4.125%
May 1, 2017	-	311,678	4.125%
November 1, 2017	1,890,000	311,678	4.250%
May 1, 2018	-	271,516	4.250%
November 1, 2018	2,040,000	271,516	4.375%
May 1, 2019	-	226,891	4.375%
November 1, 2019	2,155,000	226,891	4.375%
May 1, 2020	-	179,750	4.375%
November 1, 2020	2,250,000	179,750	5.000%
May 1, 2021	-	123,500	5.000%
November 1, 2021	2,410,000	123,500	5.000%
May 1, 2022	-	63,250	5.000%
November 1, 2022	2,530,000	63,250	5.000%
	$ 22,600,000	$ 7,635,354	

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

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

Interest on the 2007 Series revenue bonds is due semi-annually. The 2007 Series revenue bonds outstanding at December 31, 2010, mature or have mandatory redemption, in the amounts and bear interest at the rates indicated below:

Dates of Maturity or Redemptions	Principal	Interest	Annual Interest Rate
May 1, 2011	$ -	$ 215,978	4.00%
November 1, 2011	1,470,000	215,978	4.00%
May 1, 2012	-	186,578	4.00%
November 1, 2012	925,000	186,578	4.00%
May 1, 2013	-	168,078	4.00%
November 1, 2013	825,000	168,078	3.85%
May 1, 2014	-	152,197	3.85%
November 1, 2014	1,750,000	152,197	4.00%
May 1, 2015	-	117,197	4.00%
November 1, 2015	1,850,000	117,197	4.00%
May 1, 2016	-	80,197	4.00%
November 1, 2016	1,925,000	80,197	4.10%
May 1, 2017	-	40,734	4.10%
November 1, 2017	1,975,000	40,734	4.13%
	$ 10,720,000	$ 1,921,918	

The 2007 Series revenue bonds maturing on or after November 1, 2013, are subject to redemption at the option of the Authority on or after November 1, 2010, in whole or in part, in inverse order of maturity at par, with accrued interest.

The 2003, 2005 and 2007 Series bond indentures also provide that the Authority shall establish and collect such rates, fees and charges so as to render annual gross revenues (net of operating expenses), equal to at least 1.10 times the average annual principal of and interest on all bonds.

The Authority's 2003, 2005 and 2007 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 6 – Racing Operations

Racing meets and commissions

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

The Authority retains a pari-mutuel commission based on the total amount of pari-mutuel wagering during a racing meet. The percentages of the total wagered which can be retained by the Authority are set by Oklahoma law. The Authority must pay all purses and operating costs of the racing meet from the commission. The total amount wagered on live racing during 2010 and 2009, was $1,439,657 and $1,686,842, respectively. The total amount wagered during 2010 and 2009, from simulcasting was $20,347,438 and $22,075,092, respectively.

The Authority has requested a total of 34 racing days to be held during the calendar year ending December 31, 2011. The Authority has also requested to air simulcast races during the entire fiscal year.

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 2010 and 2009, the Authority paid the County $50,003 and $63,597, respectively, for these items.

During 2009, the County paid for Phase IV capital improvements totaling $163,894. These capital improvements are recorded as capital assets on the statement of net assets, and as transfers on the statement of changes in revenues, expenses and changes in fund net assets in the period in which they are received. No capital improvements were paid by the County during 2010. Since the inception of the capital improvement projects, the Authority has received the following amounts from the County:

Project	Amount
4 – to – Fix 1	$ 23,431,370
4 – to – Fix 2	25,368,000
Vision 2025	40,000,000

Note 8 – Retirement Plan

The Authority provides all full-time employees retirement benefits through participation in the Tulsa County Employees' Retirement System (the System), a contributory defined benefit plan. Information presented is for the year ended December 31, 2010. Full-time employees of the Authority, along with other employees of the County and certain related agencies, participate in this plan. Employees may qualify for the "Rule of 80" retirement if their age in years and months added to their years and months of participation in the System equal the sum of 80 years or more. For eligible employees who are not vested as of June 30, 2010, the benefit percentage is 10.0% after five years of credited service which increases up to 50% through 20 years of credited service. Beyond 20 years, there is a 1.5% increase in the percentage rate for each additional year. For eligible employees who are vested as of June 30, 2010, the benefit percentage is 12.5% after five years of credited service which increases up to 50% through 20 years of credited service. Beyond 20 years, there is a 1.5% increase in the percentage rate for each additional year.

Each participating employee contributed .05% of their base salary and $1 to the retirement plan during the years ended December 31, 2010 and 2009, respectively. The total annual contribution required by the Authority is actuarially determined and amounted to $400,030 and $429,238 for the years ended December 31, 2010 and 2009, respectively. It is the Authority's policy to provide for and to fund this expense. The Authority's covered payroll for the years ended December 31, 2010 and 2009 was

$1,488,365 and $1,718,758, respectively, and total payroll for all employees was $ 6,763,482 and $7,228,465, respectively. The Authority's contribution for the year ended December 31, 2010, represented 3% of total contributions required of all participating entities for 2010, the most recent information available.

Historical information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented with the Tulsa County's June 30, 2010, comprehensive annual financial report.

During 2010, and as of December 31, 2010, the System held no securities issued by the County or other related parties.

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

Note 9 – Contingencies

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

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

Note 10 – Commitments

As of December 31, 2010 and 2009, the Authority has outstanding purchase commitments for capital improvements totaling approximately $595,000 and $1,319,550, respectively.

OTHER REPORT

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Tulsa County Public Facilities Authority

We have audited the financial statements of Tulsa County Public Facilities Authority (the Authority) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Hogan Taylor LLP

July 21, 2011