

TULSA COUNTY PUBLIC FACILITIES AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2009
WITH
INDEPENDENT AUDITORS' REPORT

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Tulsa County Public Facilities Authority

Management's Discussion and Analysis

December 31, 2009 and 2008

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, 2009, and the six months ended December 31, 2008. 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 Country 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 has 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 increased approximately \$1.3 million during the year ended December 31, 2009, primarily due to an increase of cash and accounts receivable.

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 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 \$2.9 million for master plan improvements for the year ended December 31, 2009.

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 the year ended December 31, 2009. The Authority's net assets as a percentage of total assets increased between December 31, 2008 and December 31, 2009, from 69% to 70%, respectively.

Condensed Statements of Net Assets December 31, 2009 and 2008

	December 31, 2009	December 31, 2008	Dollar Change	% Change
Current assets	\$ 6,520,349	\$ 5,211,764	\$ 1,308,585	25%
Restricted assets	4,238,627	7,228,258	(2,989,631)	-41%
Capital assets, net	127,892,199	132,245,662	(4,353,463)	-3%
Other assets	1,121,679	1,332,092	(210,413)	-16%
Total assets	139,772,854	146,017,776	(6,244,922)	-4%
Current liabilities	5,995,779	5,994,700	1,079	0%
Liabilities payable from restricted assets	608,581	690,305	(81,724)	-12%
Noncurrent liabilities	34,805,943	38,120,220	(3,314,277)	-9%
Total liabilities	41,410,303	44,805,225	(3,394,922)	-8%
Invested in capital assets, net of related debt	89,628,012	90,811,539	(1,183,527)	-1%
Restricted for debt service and capital projects	3,653,202	6,570,834	(2,917,632)	-44%
Unrestricted	5,081,337	3,830,178	1,251,159	33%
Total net assets	\$ 98,362,551	\$ 101,212,551	\$ (2,850,000)	-3%

Total assets decreased approximately \$6.2 million resulting from the depreciation of assets and the reduction of restricted assets. Total liabilities decreased approximately \$3.4 million due to the payment of principal on capital revenue bonds during the year.

Condensed Statements of Revenues,
Expenses and Changes in Net Assets
Year ended December 31, 2009
and six months ended December 31, 2008

	Year Ended December 31, 2009	Six Months Ended December 31, 2008	Dollar Change	% Change
Operating revenues	\$ 20,758,790	\$ 14,698,417	\$ 6,060,373	41%
Nonoperating revenues	45,070	107,088	(62,018)	-58%
Total revenues	20,803,860	14,805,505	5,998,355	41%
Depreciation and amortization	7,355,994	2,997,712	4,358,282	145%
Other operating expenses	20,637,138	16,668,313	3,968,825	24%
Nonoperating expenses	1,900,778	1,140,986	759,792	67%
Total expenses	29,893,910	20,807,011	9,086,899	44%
Loss before transfers	(9,090,050)	(6,001,506)	(3,088,544)	51%
Transfers	6,240,050	14,867,885	(8,627,835)	-58%
Change in net assets	(2,850,000)	8,866,379	(11,716,379)	-132%
Net assets:				
Beginning of year	101,212,551	91,347,373	9,865,178	11%
Restatement of prior period retained earnings	-	998,799	(998,799)	100%
End of year	\$ 98,362,551	\$ 101,212,551	\$ (2,850,000)	-3%

State Fair admission revenue decreased approximately \$490,000 due to bad weather during the 2009 fair.

Capital Assets

As discussed earlier, the Authority is in the process of implementing a master plan which is 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. As a result of master plan implementation, capital assets before depreciation and construction-in-progress have increased approximately \$3.3 million.

Capital Assets
December 31, 2009 2008

	December 31, 2009	December 31, 2008	Dollar Change	% Change
Land	\$ 96,000	\$ 96,000	\$ -	0%
Buildings and systems	172,378,269	169,506,414	2,871,855	2%
Machinery and equipment	12,090,023	11,706,123	383,900	3%
	184,564,292	181,308,537	3,255,755	2%
Less accumulated depreciation	(56,779,177)	(49,660,235)	(7,118,942)	14%
Construction-in-progress	107,084	597,360	(490,276)	-82%
Capital assets, net	<u>\$ 127,892,199</u>	<u>\$ 132,245,662</u>	<u>\$ (4,353,463)</u>	<u>-3%</u>

Noncurrent Liabilities

Outstanding long-term debt decreased approximately \$3.3 million during the year ended December 31, 2009, due to the payment of principal on capital revenue bonds.

Noncurrent Liabilities
December 31, 2009 and 2008

	December 31, 2009	December 31, 2008	Dollar Change	% Change
Revenue bonds	<u>\$ 34,805,943</u>	<u>\$38,120,220</u>	<u>\$ (3,314,277)</u>	<u>-9%</u>

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Tulsa County Public Facilities Authority

We have audited the accompanying basic financial statements of Tulsa County Public Facilities Authority (the Authority), a component unit of Tulsa County, Oklahoma, as of and for the year ended December 31, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages i through iv 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

August 20, 2010

TULSA COUNTY PUBLIC FACILITIES AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2009

Assets

Current assets:

Cash and cash equivalents	\$ 2,315,163
Investments	1,406,473
Accounts receivable	2,555,869
Deferred expenses	26,935
Prepaid and other expenses	10,163
Inventories	<u>205,746</u>

Total current assets 6,520,349

Restricted assets:

Cash and cash equivalents	3,653,202
Horsemen's Trust Account	<u>585,425</u>

Total restricted assets 4,238,627

Capital assets, net 127,892,199

Bond issuance costs, net 1,121,679

Total assets \$ 139,772,854

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 1,440,733
Accrued interest payable	279,169
Other accrued expenses	350,957
Deferred credits and event revenue	466,676
Current portion of 2003, 2005 and 2007 revenue bonds	<u>3,458,244</u>

Total current liabilities 5,995,779

Liabilities payable from restricted assets:

Liability to Horsemen 608,581

2003, 2005 and 2007 revenue bonds, less current portion 34,805,943

Total liabilities 41,410,303

Net assets:

Invested in capital assets, net of related debt	89,628,012
Restricted for debt service	2,996,493
Restricted for capital projects	656,709
Unrestricted	<u>5,081,337</u>

Total net assets 98,362,551

Total liabilities and net assets \$ 139,772,854

TULSA COUNTY PUBLIC FACILITIES AUTHORITY

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

Year ended December 31, 2009

Operating Revenues	
State Fair admission	\$ 2,658,915
Space rental	4,906,480
Commissions	1,160,242
Entries and premium contributions	558,011
Other non-racing revenue	4,864,496
Racing commissions	2,250,470
Other racing revenue	202,958
Food and beverage	4,157,218
	<hr/>
Total operating revenues	20,758,790
Operating Expenses	
Personnel	9,566,048
Utilities and telephone	1,968,773
Advertising, promotion and entertainment	1,363,234
Premiums, ribbons and awards	636,552
Supplies and printing	1,270,139
Outside services	3,196,330
Maintenance and repairs	192,675
Insurance	446,679
Administrative	499,388
Equipment rental	303,738
Food and beverage	1,193,582
	<hr/>
Total operating expenses	20,637,138
Operating income before depreciation and amortization	121,652
Depreciation and amortization	(7,488,100)
Amortization of deferred credits	132,106
	<hr/>
Operating loss	(7,234,342)
Nonoperating revenues (expenses):	
Interest expense	(1,900,778)
Interest income	45,070
	<hr/>
Loss before transfers	(9,090,050)
Transfers	6,240,050
	<hr/>
Change in net assets	(2,850,000)
Net assets, beginning of year	101,212,551
	<hr/>
Net assets, end of year	\$ 98,362,551

TULSA COUNTY PUBLIC FACILITIES AUTHORITY

STATEMENT OF CASH FLOWS

Year ended December 31, 2009

Cash Flows from Operating Activities	
Cash received from customers	\$ 20,218,786
Cash paid to suppliers	(11,125,703)
Cash paid to employees	(9,566,048)
Gain on sale of equipment	5,740
	<hr/>
Net cash used in operating activities	(467,225)
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Capital expenditures	(2,790,549)
Principal payments on 2003, 2005 and 2007 revenue bonds	(3,337,147)
Interest paid on revenue bonds	(1,754,707)
Transfers in from County	6,076,156
	<hr/>
Net cash used in capital and related financing activities	(1,806,247)
	<hr/>
Cash Flows from Investing Activities	
Interest received on restricted cash and investments	44,952
Proceeds from maturity of investments	73,733
Payments for the purchase of investments	(104,838)
Proceeds from the sale of equipment	24,480
	<hr/>
Net cash provided by investing activities	38,327
	<hr/>
Net change in cash and cash equivalents	(2,235,145)
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Cash and cash equivalents, beginning of year	8,788,935
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Cash and cash equivalents, end of year	<u>\$ 6,553,790</u>
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Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	\$ (7,234,342)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation and amortization	7,488,100
Amortization of deferred credits	(132,106)
Changes in operating assets and liabilities:	
Accounts receivable	(488,015)
Prepaid and other expenses	65,922
Inventories	(79,031)
Deferred expenses	(21,752)
Accounts payable	(42,746)
Other accrued expenses	104,718
Deferred credits and event revenue	(46,249)
Liability to Horsemen	(81,724)
	<hr/>
Net cash used in operating activities	<u>\$ (467,225)</u>
	<hr/>
Noncash Investing, Capital and Financing Activities	
Contributions of capital assets	<u>\$ 163,894</u>
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Cash and cash equivalents consist of the following at December 31:	
Cash and cash equivalents	\$ 2,315,163
Restricted cash and cash equivalents	3,653,202
Horsemen's Trust Account	585,425
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Total cash and cash equivalents	<u>\$ 6,553,790</u>
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See notes to financial statements.

TULSA COUNTY PUBLIC FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 Financial Accounting Standards Board pronouncements and Accounting Principle Board Opinions, issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

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. They 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 year ended December 31, 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, including the Tulsa State Fair. 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 2009 the Authority received \$6,076,156 in excise tax revenue from the County. These amounts are included in transfers on the statement of revenue, expenses and changes in 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.

Note 2 – Cash and Investments

Unrestricted investments

Unrestricted investments consist of certificates of deposit. The average maturity is 13 weeks. The investments 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 mutual funds.

The carrying amounts of the Authority's investments in money market mutual funds reported as cash equivalents at December 31, 2009, amounted to \$3,593,397 and is included in restricted cash. Carrying amounts approximate market value for the Authority's investments. The money market mutual funds are rated AAA and the average maturity is 52 days.

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, 2009, \$327,011 of the Authority's bank balance of \$2,961,075 was uninsured and uncollateralized, resulting in exposure to custodial credit risk.

Note 3 – Capital Assets

Capital assets consist of the following:

	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 \$7,277,696 for the year ended December 31, 2009.

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 year ended December 31, 2009, the Authority recorded \$134,589 of rental income from Big Splash.

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

The Authority subleases certain property known as the Tulsa County Stadium. The terms of the amended sublease require annual rental payments of \$18,000 plus a percentage of concession revenue through December 2009. Under the terms of the amended sublease agreement, the sublessee may 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 contributes \$450,000 for capital improvements. The sublease terminated December 31, 2009 and was not renewed.

The sublessee of the Tulsa County Stadium has paid for improvements relating to the expansion and renovation of the stadium facilities and donated the improvements to the Authority. At December 31, 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 are being amortized to income over the lease period. At December 31, 2009, \$13,091 of such deferred credits remains to be amortized.

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 six months 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	<u>\$ 41,434,123</u>	<u>\$ -</u>	<u>\$ 3,169,936</u>	<u>\$ 38,264,187</u>	<u>\$ 3,458,244</u>

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, 2009, 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, 2010	\$ -	\$ 47,600	2.55%
November 1, 2010	625,000	47,600	2.80%
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%
	<u>\$ 3,075,000</u>	<u>\$ 264,100</u>	

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 \$340,345, net of amortization of \$209,208, as of December 31, 2009. 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, \$167,211 was amortized during the year ended December 31, 2009.

Interest on the 2005 Series revenue bonds is due semi-annually. The 2005 Series revenue bonds outstanding at December 31, 2009, 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, 2010	\$ -	\$ 542,927	3.500%
November 1, 2010	1,260,000	542,927	3.600%
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%
	<u>\$ 23,860,000</u>	<u>\$ 8,721,208</u>	

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

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, 2009, 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, 2010	\$ -	\$ 246,978	4.63%
November 1, 2010	1,550,000	246,978	4.00%
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	1,825,000	80,197	4.10%
May 1, 2017	-	40,734	4.10%
November 1, 2017	1,975,000	40,734	4.13%
	<u>\$ 12,270,000</u>	<u>\$ 2,415,874</u>	

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 – Leases

The Authority leases certain equipment under noncancelable operating leases. As of December 31, 2009, the future minimum lease payments are as follows:

2010	\$ 124,113
2011	75,966
2012	28,734
2013	20,724
2014	5,297
	<u>\$ 254,834</u>

Rent expense under these lease agreements during the year ended December 31, 2009, is \$114,055.

Note 7 – 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, 2009, 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 the year ended December 31, 2009, was \$1,686,842. The total amount wagered in the year ended December 31, 2009, from simulcasting was \$22,075,092.

The Authority has requested a total of 34 racing days to be held during the calendar year ending December 31, 2010. The Authority has also requested to air simulcast races during the entire fiscal year.

Note 8 – 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 ended December 31, 2009, the Authority paid the County \$63,597 for these items.

During the year ended December 31, 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 net assets in the period in which they are received. Since the inception of the capital improvement projects, the Authority has received the following amounts from the County:

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

Note 9 – 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 ending December 31, 2009. 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. The benefit percentage becomes 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 one dollar to the retirement plan during the year ended December 31, 2009. The total annual contribution required by the Authority is actuarially determined and amounted to \$429,238 for the year ended December 31, 2009. It is the Authority's policy to provide for and to fund this expense. The Authority's covered payroll for the year ended December 31, 2009, was

\$1,718,758 and total payroll for all employees was \$7,228,465. The Authority's contribution for the year ended December 31, 2009, represented 3% of total contributions required of all participating entities for 2009, 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, 2009, comprehensive annual financial report.

During fiscal 2009, and as of December 31, 2009, 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 10 – 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 11 – Construction Commitments

As of December 31, 2009, the Authority has outstanding purchase commitments for Master Plan Phase IV capital improvements totaling approximately \$1,319,550.

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 year ended December 31, 2009, and have issued our report thereon dated August 20, 2010. 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 audit, 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*.

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

August 20, 2010