

**Tulsa County Public Facilities Authority**

Financial Statements and  
Independent Auditor's Report

**December 31, 2017 and 2016**

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## **Independent Auditor's Report**

The Board of Trustees  
Tulsa County Public Facilities Authority

We have audited the accompanying basic financial statements of Tulsa County Public Facilities Authority, (the Authority), a component unit of Tulsa County, Oklahoma, as of December 31, 2017 and 2016 and for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the basic financial statements of the Authority as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

As discussed in Note I to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 75 "Accounting and Reporting for Post Employment Benefits Other Than Pensions." Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 8 and the schedules of proportionate share of the net pension liability, contributions and proportionate share of the total OPEB liability on pages 32 to 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### *Other Information*

In accordance with *Government Auditing Standards*, we have issued our report dated June 27, 2018 on our consideration of Tulsa County Public Facilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Stanfield + O'Dell, P.C.*

Tulsa, Oklahoma  
June 27, 2018

**Tulsa County Public Facilities Authority  
Management's Discussion and Analysis  
December 31, 2017 and 2016**

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, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

**Master Plan Improvements**

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

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

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

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

The Authority is part of a city-wide vision package approved in 2017. The total funding awarded to the Authority is \$30 million. The authorized projects included in Phase I are an additional barn, permanent outdoor stage, gate entrances and wayfinding, storage and dirt facilities. Several projects are currently in progress, which include the barn, permanent stage and gate entrances, these have an anticipated final completion in September 2018. Additional projects with the remaining approved funding will be ongoing in 2019.

**Financial Highlights**

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions* as of December 31, 2017.

**Overview of the Financial Statements**

The Authority is charged with establishing, promoting, maintaining and operating agricultural and industrial expositions and fairs, trade shows, pari-mutuel horse racing and simulcasts and other recreational facilities, including the annual Tulsa State Fair and Tulsa County Fair on the Tulsa State Fairgrounds located in Tulsa County, Oklahoma. The Authority currently operates and maintains the Tulsa State Fairgrounds pursuant to a lease agreement, dated as of February 22, 1983, as amended, by and between the Authority and the County. The Authority is included in the County's comprehensive annual financial report as an enterprise fund.

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

### Required Financial Statements

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

The financial statements of the Authority are similar to those used by private sector companies. Financial statements consist of a statement of net position, statement of revenues, expenses and changes in net position and a statement of cash flows. These statements show our liquidity, debt level and areas in which revenues are generated and expenses are incurred. The statements also reflect our master plan activity.

### Net Position

Net position is an important indicator of the Authority's overall financial position. The Authority's net position decreased approximately \$4,170,000 and increased approximately \$869,000 for the years ended December 31, 2017 and 2016, respectively. The Authority's net position as a percentage of total assets and deferred outflows increased between December 31, 2016 and 2017, from 82% to 83%.

#### Condensed Statements of Net Position

	December 31,		
	2017	2016	2015
Current assets	\$ 4,734,047	\$ 6,297,466	\$ 5,957,420
Restricted assets	12,670,200	13,741,192	11,248,379
Capital assets, net	82,022,459	85,392,249	91,527,832
Deferred outflows of resources	1,016,491	1,320,067	932,480
<b>Total assets and deferred outflows of resources</b>	<b>100,443,197</b>	<b>106,750,974</b>	<b>109,666,111</b>
Current liabilities	4,749,974	5,488,584	5,598,743
Liabilities payable from restricted assets	1,272,338	487,146	1,005,510
Net pension liability	1,972,036	2,168,576	1,113,629
Other post-employment benefits liability	139,144	-	-
Noncurrent liabilities	8,655,000	10,585,000	14,410,000
Deferred inflows of resources	275,322	333,275	718,618
<b>Total liabilities and deferred inflows of resources</b>	<b>17,063,814</b>	<b>19,062,581</b>	<b>22,846,500</b>
Invested in capital assets, net of related debt	71,321,096	70,894,332	72,858,379
Restricted for debt service and capital projects	9,679,568	11,501,466	8,511,418
Unrestricted	2,378,719	5,292,595	5,449,814
<b>Total net position</b>	<b>\$ 83,379,383</b>	<b>\$ 87,688,393</b>	<b>\$ 86,819,611</b>

At December 31, 2017 and 2016, total assets and deferred outflows decreased approximately \$6.3 million and \$2.8 million, respectively, due to depreciation of assets and reduction of restricted assets. At December 31, 2017 and 2016, total liabilities and deferred inflows of resources decreased approximately \$3.7 million and \$3.5 million, respectively, primarily due to the payment of principal on revenue bonds.

Condensed Statements of Revenues  
Expenses and Changes in Net Position

	December 31,		
	2017	2016	2015
Operating revenues	\$ 23,662,413	\$ 23,970,605	\$ 23,879,123
Nonoperating revenues	23,809	5,060	265
Total revenues	23,686,222	23,975,665	23,879,388
Depreciation and amortization	7,767,293	7,589,815	7,792,953
Other operating expenses	23,140,201	22,643,274	22,247,627
Nonoperating expenses	457,654	515,950	774,807
Total expenses	31,365,148	30,749,039	30,815,387
Loss before transfers	(7,678,926)	(6,773,374)	(6,935,999)
Transfers	3,509,271	7,642,156	7,682,552
Change in net position	(4,169,655)	868,782	746,553
Net position:			
Beginning of year, as restated	87,549,038	86,819,611	86,073,058
End of year	\$ 83,379,383	\$ 87,688,393	\$ 86,819,611

Total Revenue has remained relatively stable but the State Fair admission revenue decreased approximately \$216,000 and \$177,000 during 2017 and 2016, respectively, due to the weather and success of Disney on Ice. Disney tickets include free gate admission.

**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 \$4.3 million and approximately \$1.4 million in 2017 and 2016, respectively.

	December 31,		
	2017	2016	2015
Land	\$ 2,361,499	\$ 96,000	\$ 96,000
Buildings and systems	173,410,824	172,965,151	172,888,174
Machinery and equipment	19,549,904	18,010,007	16,632,752
	195,322,227	191,071,158	189,616,926
Less accumulated depreciation	(113,299,768)	(105,678,909)	(98,089,094)
Capital assets, net	\$ 82,022,459	\$ 85,392,249	\$ 91,527,832

**Revenue Bonds**

Outstanding long-term debt decreased approximately \$3.8 million and \$4.4 million during 2017 and 2016, respectively, due to the payment of principal on revenue bonds.

	December 31,		
	2017	2016	2015
Revenue bonds	<u>\$ 10,585,000</u>	<u>\$ 14,410,000</u>	<u>\$ 18,785,000</u>

**Request for Information**

This financial report is designed to give the reader a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Brandy Okey, Controller, at Expo Square, 4145 East 21<sup>st</sup> Street, Tulsa, Oklahoma 74114.



**Statements of Net Position**

December 31,

	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,661,762	\$ 3,436,844
Accounts receivable	1,641,197	2,552,777
Accounts receivable - City of Tulsa	1,057,309	-
Prepaid event expenses	186,988	71,877
Prepaid and other expenses	-	46,885
Inventories	186,791	189,083
Total current assets	<u>4,734,047</u>	<u>6,297,466</u>
<b>Restricted assets</b>		
Cash and cash equivalents	11,397,862	13,254,046
Amounts held for others	1,272,338	487,146
Total restricted assets	<u>12,670,200</u>	<u>13,741,192</u>
<b>Capital assets, net</b>	82,022,459	85,392,249
Total assets	<u>99,426,706</u>	<u>105,430,907</u>
<b>Deferred outflows of resources</b>		
Refundings of debt	-	52,521
Pension	1,013,252	1,267,546
Other post-employment benefits	3,239	-
Total deferred outflows	<u>1,016,491</u>	<u>1,320,067</u>
Total assets and deferred outflows of resources	<u>\$ 100,443,197</u>	<u>\$ 106,750,974</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 583,405	\$ 352,305
Accounts payable - City of Tulsa	1,057,309	-
Accrued interest payable	59,525	73,937
Other accrued expenses	481,903	312,803
Unearned credits and event revenue	637,832	924,539
Current portion of revenue bonds	1,930,000	3,825,000
Total current liabilities	<u>4,749,974</u>	<u>5,488,584</u>
<b>Non-current liabilities</b>		
Trust fund liabilities (payable from restricted assets)	1,272,338	487,146
Net pension liability	1,972,036	2,168,576
Other post-employment benefits liability	139,144	-
Revenue bonds, less current portion	8,655,000	10,585,000
Total non-current liabilities	<u>12,038,518</u>	<u>13,240,722</u>
Total liabilities	<u>16,788,492</u>	<u>18,729,306</u>
<b>Deferred inflows of resources</b>		
Pension	148,086	192,837
Refundings of debt	116,363	140,438
Other post-employment benefits	10,873	-
Total deferred inflows	<u>275,322</u>	<u>333,275</u>
<b>Net Position</b>		
Net investment in capital assets	71,321,096	70,894,332
Restricted for debt service	1,176,508	1,538,104
Restricted for capital projects	8,503,060	9,963,362
Unrestricted	2,378,719	5,292,595
Total net position	<u>83,379,383</u>	<u>87,688,393</u>
Total liabilities, deferred inflows, and net position	<u>\$ 100,443,197</u>	<u>\$ 106,750,974</u>

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

Tulsa County Public Facilities Authority

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

Years ended December 31,

	2017	2016
<b>Operating Revenues</b>		
State Fair admission	\$ 3,170,737	\$ 3,386,415
Space rental	5,920,598	6,023,291
Deferred expenses	1,996,964	1,747,973
Entries and premium contributions	609,224	628,869
Other non-racing revenue	6,277,461	6,415,335
Racing commissions	1,640,241	1,623,769
Other racing revenue	146,705	153,225
Food and beverage	3,900,483	3,991,728
Total operating revenues	<u>23,662,413</u>	<u>23,970,605</u>
<b>Operating Expenses</b>		
Personnel	8,635,441	8,476,158
Utilities and telephone	2,143,746	1,969,878
Advertising, promotion and entertainment	1,743,254	1,700,115
Premiums, ribbons and awards	598,089	505,695
Supplies and printing	1,608,219	1,557,092
Outside services	4,076,655	4,097,064
Maintenance and repairs	85,701	188,238
Insurance	697,526	741,992
Administrative	1,514,784	1,501,859
Equipment rental	728,971	624,544
Food and beverage	1,307,815	1,280,639
Total operating expenses	<u>23,140,201</u>	<u>22,643,274</u>
Operating income before depreciation and amortization	522,212	1,327,331
Depreciation and amortization	<u>(7,767,293)</u>	<u>(7,589,815)</u>
Operating loss	(7,245,081)	(6,262,484)
Nonoperating revenues (expenses):		
Interest expense	(457,654)	(515,950)
Interest income	23,809	5,060
Loss before transfers	<u>(7,678,926)</u>	<u>(6,773,374)</u>
Transfers - Tulsa County	1,243,772	7,642,156
Contributions from the City of Tulsa	2,265,499	-
Total transfers	<u>3,509,271</u>	<u>7,642,156</u>
Change in net position	(4,169,655)	868,782
Net position, beginning of year, as restated in Note I	<u>87,549,038</u>	<u>86,819,611</u>
Net position, end of year	<u>\$ 83,379,383</u>	<u>\$ 87,688,393</u>

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

Tulsa County Public Facilities Authority

**Statements of Cash Flows**

Years ended December 31,

	2017	2016
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 24,287,286	\$ 24,565,849
Cash paid to suppliers	(13,385,302)	(14,829,804)
Cash payments to employees	(8,622,438)	(8,233,092)
Net cash provided by operating activities	<u>2,279,546</u>	<u>1,502,953</u>
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(4,397,503)	(1,454,232)
Principal payments on revenue bonds	(3,825,000)	(4,375,000)
Interest paid on revenue bonds	(436,197)	(483,675)
Transfers in from County	1,243,772	7,642,156
Contributions from the City of Tulsa	2,265,499	-
Net cash provided by capital and related financing activities	<u>(5,149,429)</u>	<u>1,329,249</u>
<b>Cash flows from investing activities</b>		
Interest received on cash and investments	23,809	5,060
Net cash provided by investing activities	<u>23,809</u>	<u>5,060</u>
<b>Net change in cash and cash equivalents</b>	(2,846,074)	2,837,262
<b>Cash and cash equivalents, beginning of year</b>	<u>17,178,036</u>	<u>14,340,774</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 14,331,962</u></u>	<u><u>\$ 17,178,036</u></u>

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

Tulsa County Public Facilities Authority

**Statements of Cash Flows - Continued**

Years ended December 31,

	<u>2017</u>	<u>2016</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating loss	\$ (7,245,081)	\$ (6,262,484)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	7,767,293	7,589,815
Changes in operating assets and liabilities:		
Accounts receivable	911,580	(71,120)
Prepaid event expenses	(115,111)	71,903
Prepaid and other expenses	46,885	19,255
Inventories	2,292	(15,635)
Pension payments in excess of expense	13,003	243,066
Accounts payable	231,100	(324,465)
Other accrued expenses	169,100	9,103
Deferred credits and event revenue	(286,707)	761,879
Trust fund liabilities	785,192	(518,364)
<b>Net cash provided by operating activities</b>	<u>\$ 2,279,546</u>	<u>\$ 1,502,953</u>
<b>Cash and cash equivalents consist of the following at December 31:</b>		
Cash and cash equivalents	\$ 1,661,762	\$ 3,436,844
Restricted cash and cash equivalents	11,397,862	13,254,046
Horsemen's Trust Account	1,272,338	487,146
<b>Total cash and cash equivalents</b>	<u>\$ 14,331,962</u>	<u>\$ 17,178,036</u>

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

**Notes to Financial Statements**

December 31, 2017 and 2016

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

*1. Summary of Significant Accounting Policies*

The accounting and reporting policies of Tulsa County Public Facilities Authority (the Authority) conform to generally accepted accounting principles for units of local government as promulgated by the Governmental Accounting Standards Board (GASB). The Authority has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The Authority has elected to apply all applicable GASB pronouncements as well as all private-sector standards of accounting and financial reporting issued prior to December 1, 1989.

*2. Organization and Purpose*

The Authority is a public trust established under the provisions of the Oklahoma Trust Act on January 17, 1983. The Authority commenced operations on March 1, 1983, and, as successor to the Tulsa County Fairgrounds Trust Authority, operates and manages certain properties owned by Tulsa County, Oklahoma (the County), commonly referred to as the Tulsa County Fairgrounds located at Expo Square. The Authority is included in the County's comprehensive annual financial report as an enterprise fund.

*3. Basis of Accounting*

Accrual basis accounting is used by the Authority. Under this method of accounting, revenues are recognized when earned and expenses are recorded when incurred.

*4. Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*5. Cash and Cash Equivalents*

The Authority includes as cash equivalents all investments which are readily convertible into known amounts of cash with a maturity date at the time of purchase of three months or less.

*6. Restricted Assets*

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

**Notes to Financial Statements**

December 31, 2017 and 2016

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

*7. Accounts Receivable*

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding past the terms of the specific sales contract. The Authority does not charge interest on outstanding accounts receivable.

*8. Inventories*

Inventories consist of food, beverage and sundry items and are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

*9. Capital Assets*

The Authority's property, plant and equipment with useful lives of more than one year are stated at cost or estimated fair market value if acquired by gift. The excess of interest cost related to borrowings for financing capital assets over interest earned on the proceeds from such borrowings are capitalized during the construction period. For the years ended December 31, 2017 and 2016, there was no interest capitalized. Fixed assets which are sold or retired have their cost and related accumulated depreciation removed from the records. The related gain or loss is recorded in the period of sale or retirement. Repairs and maintenance are charged to expense as incurred. Major renewals or betterments are capitalized.

*10. Depreciation*

Property, plant and equipment placed in service are depreciated over their estimated useful lives on a straight-line basis: buildings and improvements from 5 to 45 years and equipment and vehicles from 3 to 20 years.

*11. Prepaid Event Expenses and Unearned Revenue*

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

*12. Unearned Credits*

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

**Notes to Financial Statements**

December 31, 2017 and 2016

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

*13. Facilities Surcharge and Excise Tax Revenue*

As of July 1999, the Authority implemented an event surcharge of \$1.00 per person on each admission to certain events held at the Tulsa State Fairgrounds. 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 years ending December 31, 2017 and 2016, the Authority received \$1,243,772 and \$7,642,156 in excise tax revenue from the County, respectively. These amounts are included in transfers on the statement of revenue, expenses and changes in net position.

*14. Income Taxes*

As a political subdivision, the Authority is exempt from federal income taxes under Section 115(1) of the Internal Revenue Code. As a result, as long as the Authority maintains its tax exemption, it will not be subject to income tax.

*15. Reclassifications*

Certain prior year amounts have been reclassified to conform to current year's presentation. The reclassifications had no effect on the previously reported changes in net position.

*16. Subsequent Events*

Subsequent events have been evaluated through June 27, 2018, the date the financial statements were available to be issued.

**Note B – Cash and Investments**

*1. Amounts Held for Others*

Included in the Amounts Held for Others is the Horsemen's Trust Account which is cash held in a custodial capacity for the payment of purses during the live racing meet. A liability for these amounts has been recorded as Trust Fund Liabilities.

*2. Restricted Cash*

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

**Notes to Financial Statements**

December 31, 2017 and 2016

**Note B – Cash and Investments - Continued***3. Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy to limit custodial credit risk and has balances that regularly exceed FDIC limits.

**Note C – Capital Assets**

Capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 96,000	\$ 2,265,499	\$ -	\$ 2,361,499
Capital assets, being depreciated:				
Buildings and systems	172,965,151	445,673	-	173,410,824
Machinery and equipment	18,010,007	1,689,206	(149,309)	19,549,904
Total capital assets, being depreciated	190,975,158	2,134,879	(149,309)	192,960,728
Total capital assets	191,071,158	4,400,378	(149,309)	195,322,227
Less accumulated depreciation for:				
Buildings and systems	91,667,667	6,822,370	-	98,490,037
Machinery and equipment	14,011,242	944,923	(146,434)	14,809,731
Total accumulated depreciation	105,678,909	7,767,293	(146,434)	113,299,768
Capital assets, net	\$ 85,392,249	\$ (3,366,915)	\$ (2,875)	\$ 82,022,459



**Notes to Financial Statements**

December 31, 2017 and 2016

**Note C – Capital Assets - Continued**

Capital assets activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 96,000	\$ -	\$ -	\$ 96,000
Capital assets, being depreciated:				
Buildings and systems	172,888,174	76,977	-	172,965,151
Machinery and equipment	16,632,752	1,410,405	(33,150)	18,010,007
Total capital assets, being depreciated	189,520,926	1,487,382	(33,150)	190,975,158
Total capital assets	189,616,926	1,487,382	(33,150)	191,071,158
Less accumulated depreciation for:				
Buildings and systems	84,873,222	6,794,445	-	91,667,667
Machinery and equipment	13,215,872	795,370	-	14,011,242
Total accumulated depreciation	98,089,094	7,589,815	-	105,678,909
Capital assets, net	\$ 91,527,832	\$ (6,102,433)	\$ (33,150)	\$ 85,392,249

Depreciation expense was \$1,112,998 and \$7,589,815 for the years ended December 31, 2017 and 2016, respectively.

All property and equipment is subject to a lease agreement dated February 22, 1983, with the Board of Commissioners of Tulsa County which, as amended, extends to March 1, 2043. The lease agreement covers all land, buildings, equipment and other properties.

The terms of the agreement provide that the Authority will manage and use the property in exchange for utilizing the property for purposes which are in the best interest of the citizens of Tulsa County. The agreement required County Commissioner approval for capital expenditures in excess of \$100,000, any sublease of the property for a term exceeding two years, and the issuance of any revenue bonds. At the termination of the lease, ownership of all assets used or acquired in connection with the leased premises reverts to the County.

**Notes to Financial Statements**

December 31, 2017 and 2016

**Note C – Capital Assets - Continued**

The above capital assets do not include the facility known as Safari Joe's H2O and formerly known as Big Splash. The facility was purchased by Splash Action, and the Authority entered into a contract with Splash Action as of September 2015. The facility operates under a long-term ground sublease for which the Authority receives rentals based on percentages of revenues subject to certain minimums. During the years ended December 31, 2017 and 2016, the Authority recorded \$136,000 and \$134,000, respectively, of rental income from Safari Joe's.

The Authority also has a percentage rental contract, extending to 2018, with a midway operator to provide and operate amusements during the annual State Fair. During the years ended December 31, 2017 and 2016, the Authority received \$1,470,014 and \$1,128,823, respectively, of rental income under this contract.

The Authority leases certain property to a third party under a Ground Sublease Agreement. The sublessee of the property constructed a 100-room hotel facility (the Hotel Facility) on the subleased property. The third party is required to pay annual rental equal to the following: (a) \$46,000 payable in equal monthly installments from July 1, 2016 through December 31, 2016. (b) From January 1, 2017 through the earlier of the termination of the sublease or the first of the month, following the opening of a second hotel, at the annual rate of \$100,000.

**Note D – Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Series 2011 revenue bonds	\$ 2,020,000	\$ -	\$ 2,020,000	\$ -	\$ -
Series 2015 revenue bonds	12,390,000	-	1,805,000	10,585,000	1,930,000
Total bonds payable	<u>\$ 14,410,000</u>	<u>\$ -</u>	<u>\$ 3,825,000</u>	<u>\$ 10,585,000</u>	<u>\$ 1,930,000</u>

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

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

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

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note E – Bonds Payable**

In October 2005, the Authority issued \$27,805,000 of its Capital Improvement and Refunding Revenue Bonds, Series 2005 (2005 Series revenue bonds) (average interest rate of 4.3 percent) principally to refund \$22,228,368 of outstanding 1999 Series revenue bonds (average interest rate of 6.5 percent). The bond payable includes a bond issuance premium of \$294,200. The premium was amortized utilizing the effective interest method. Of the net proceeds of \$27,229,003 (after underwriting fees and other issuance costs of \$1,125,550 and a premium on the bond issuance of \$549,553), \$22,228,368 was used to refund the outstanding 1999 Series revenue bonds, and \$5,000,635 was deposited in an irrevocable trust with an escrow agent to finance certain additions and improvements. As a result, the 1999 Series revenue bonds were defeased, and the Authority had no further liability on the 1999 bonds. The difference between the reacquisition price (funds required to refund the 1999 Series revenue bonds) and the net carrying amount of the 1999 Series revenue bonds is shown as a reduction of \$2,049,217 in bonds payable. This reduction was being amortized to interest expense utilizing the effective interest method. These bonds were refunded during fiscal year ended December 31, 2015. See note below on 2015 bonds.

As of December 21, 2011, the Authority issued \$9,860,000 of its Capital Improvement and Refunding Revenue Bonds, Series 2011 (2011 Series revenue bonds) (average interest rate of 1.2 percent) principally to refund \$9,031,023 of previously outstanding 2007 Series revenue bonds (average interest rate of 4.0 percent). Of the net proceeds of \$9,617,668 (after underwriting fees and other issuance costs of \$242,332), \$9,031,023 was used to refund the outstanding 2007 Series revenue bonds, and \$586,645 was deposited in an irrevocable trust with an escrow agent to finance certain additions and improvements. As a result, the 2007 Series revenue bonds were defeased, and the Authority has no further liability on the 2007 bonds. The difference between the reacquisition price (funds required to refund the 2007 Series revenue bonds) and the net carrying amount of the 2007 Series revenue bonds of \$586,645 is reported as a deferred outflow of resources. This reduction was being amortized to interest expense utilizing the effective interest method. The Series 2011 revenue bonds were paid in full during 2017.

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

**Notes to Financial Statements**

December 31, 2017 and 2016

**Note E – Bonds Payable – Continued**

Interest on the 2015 Series revenue bonds is due semi-annually. The 2015 Series revenue bonds outstanding at December 31, 2017 mature or have mandatory redemption in the amounts and bear interest at the rates indicated below (excluding bond premium amortization):

Dates of Maturity or Redemption	Principal	Interest	Annual Interest Rate
May 1, 2018	-	178,575	4.000%
November 1, 2018	1,930,000	178,575	4.000%
May 1, 2019	-	139,975	4.000%
November 1, 2019	2,030,000	139,975	4.000%
May 1, 2020	-	99,375	4.000%
November 1, 2020	2,110,000	99,375	4.000%
May 1, 2021	-	67,725	3.000%
November 1, 2021	2,225,000	67,725	3.000%
May 1, 2022	-	34,350	3.000%
November 1, 2022	2,290,000	34,350	3.000%
	<u>\$ 10,585,000</u>	<u>\$ 1,040,000</u>	

The 2011 and 2015 Series bond indentures also provide that the Authority shall establish and collect such rates, fees and charges so as to render annual gross revenues (net of operating expenses), equal to at least 1.10 times the average annual principal of and interest on all bonds.

The Authority's 2015 Series bonds are secured. Under the indentures, the Authority grants a first lien on and pledge of a first security interest in the gross revenues derived from the ownership, existence and/or operation of the Tulsa State Fairgrounds and the Authority grants a first mortgage lien on its interest in the racing facilities.

**Note F – Racing Operations**

The Authority must apply to the Oklahoma Horse Racing Commission annually to be awarded racing days. For the fiscal years ended December 31, 2017 and 2016, 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 2017 and 2016 was \$819,522 and \$673,285, respectively. The total amount wagered during 2017 and 2016 from simulcasting was approximately \$16,295,000 and \$14,906,000, respectively.

The Authority has requested a total of 34 racing days to be held during the calendar year ending December 31, 2018. The Authority has also requested to air simulcast races during the entire fiscal year.

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note G – Related-Party Transactions**

The County provides, at its cost, certain printing and office supplies to the Authority, which are used for administrative purposes. During 2017 and 2016, the Authority paid the County \$41,993 and \$48,041, respectively, for these items.

**Note H – Retirement Plan**

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

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

The System and Tulsa County have a June 30th year end. The System's pension liability was based on an actuarial valuation as of June 30, 2017. 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, 2017. Pension payments by the Authority from the measurement date to December 31, 2017 are reported as deferred outflows.

Employer contribution between the measurement date of June 30th and the Authority's year-end are reported as deferred outflows. At December 31, 2017 and 2016, these payments amount to \$174,397 and \$187,548, respectively.

*Plan Description and Provisions*

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

For the plan year ended June 30, 2017, the Authority's covered payroll was \$2,150,288 and total payroll for all covered employees of the plan amounts to \$76,796,017. The Authority's share (2.80 percent) of the net pension liability was determined based on this ratio.

*Normal Retirement Benefits*

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

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note H – Retirement Plan - Continued**

*Normal Retirement Benefits - Continued*

For any member hired after June 30, 2017, an employee becomes eligible to receive benefits at the specified normal retirement age of 65 and has a minimum five years participation in the System or he/she attains the “Rule of 90” retirement, where his/her age in years and months added to his/her years and months of participation in the System equal the sum of 90 years or more. The benefit payable to the employee is based on the same provisions noted above.

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

*Disability Benefits*

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

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

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

*Death Benefits*

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

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note H – Retirement Plan - Continued**

*Death Benefits - Continued*

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

For employees hired after June 30, 2017, a surviving spouse is eligible to receive 67 percent of the retirement benefit of a vested, deceased employee who was retired, or who had reached the Rule of 90. If the vested employee had not reached the age of 65 or attained the Rule of 90, the surviving spouse can either start receiving full retirement benefits when their spouse would have reached the age of 65 or attained the Rule of 90, or start receiving retirement benefits at a reduced percentage calculated by an actuarial formula when their spouse would have reached the age of 55.

*Reduced Benefits*

There is a reduced benefit available to vested employees who have attained age 55. The reduced benefit is based on a specific percentage reduction table provided by the actuary.

*Contributions*

In accordance with Title 19 OSA 954 of the Oklahoma Statutes, contribution rates as set by the Board are applied to all full-time base salaries and wages and the resulting contributions are credited to the pension fund on a monthly basis. The employer contribution rate is 14 percent. The employee contribution rate is 1.5 percent of the base salary as of January 1, 2016, 2.0 percent as of July 1, 2016, and 2.5 percent as of July 1, 2017.

Beginning July 1, 2007, the total employer and employee contributions shall not exceed sixteen and one-half percent (16.5 percent) of the monthly compensation of each member, as permitted by Title 19 O.S. 2007, Section 954, as amended. Contributions during the calendar year ended December 31, 2017 and 2016 were \$342,470 and \$326,832, respectively.

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note H – Retirement Plan - Continued**

*Actuarial Assumptions*

Key assumptions used in the plans actuarial valuation were:

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Discount rate	7.25%	7.75%
Long-term expected rate of return	7.25%	7.75%
Valuation date	July 1, 2017	July 1, 2016
Measurement date	June 30, 2017	June 30, 2016
Inflation	2.50%	2.50%
Salary increase including inflation	5% grade down to 2.5%	5% grade down to 2.5%
Mortality	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA for healthy participants	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA for healthy participants
Actuarial cost method	Entry Age Normal	Entry Age Normal

The actuarial assumptions that determined the total pension liability as of June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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

The net pension liability of the Authority is calculated using the discount rate of 7.25 percent. The Authority's net pension liability would increase to \$3,181,240 if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) and would decrease to \$965,484 if the rate were increased 1-percentage-point higher (8.25 percent) than the current rate.

*Pension Plan Fiduciary Net Position*

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. Detailed information about the pension plan's fiduciary net position and other information is available in the separately issued, stand-alone financial report of the System, which can be accessed at [www.tulsacounty.org](http://www.tulsacounty.org).



**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note H – Retirement Plan - Continued**

*Long-Term Expected Rate of Return*

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary’s investment consulting practices as of June 30, 2017.

	<b>Target Allocation</b>	<b>Arithmetic Expected Long-term Rate of Return</b>
US Cash	1.00%	0.33%
US Core Fixed Income	24.00%	2.07%
US Intermediate Bonds	18.00%	1.74%
US High Yield Bonds	10.00%	4.94%
US Large Caps	10.00%	4.56%
US Mid Caps	22.00%	5.12%
Foreign Developed Equity	10.00%	5.82%
Master Limited Partnerships	5.00%	4.14%
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		1.85%
Long-term expected rate of Return		7.25%
20 Year Arithmetic Rate of Return, net of expenses		7.20%

*Summary of Significant Accounting Policies*

Basis of Accounting

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

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



**Notes to Financial Statements**

December 31, 2017 and 2016

**Note H – Retirement Plan - Continued**

For the year ended December 31, 2016, the Authority recognized pension expense of \$428,416. At December 31, 2016, 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>	<u>Net Deferrals</u>
Differences between expected and actual experience	\$ -	\$ 46,321	\$ (46,321)
Changes of assumptions	561,797	43,485	518,312
Net difference between projected actual earnings on pension plan investments	518,201	-	518,201
Changes in proportion	-	103,031	(103,031)
Subtotal deferrals amortized			<u>\$ 887,161</u>
Authority contributions subsequent to the measurement date	187,548	-	
Total	<u>\$ 1,267,546</u>	<u>\$ 192,837</u>	

\$187,548 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 211,541
2018	211,541
2019	211,541
2020	211,542
2021	40,996
Total	<u>\$ 887,161</u>

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note I – Other Post-Employment Benefits**

*Plan description*

The Authority offers post-employment benefit (OPEB) options for health care, prescription drug, dental and vision benefits for retired employees under the age of 65 and their dependents that elect to make required benefit payments on a monthly basis. These benefits are provided through a defined benefit, single employer substantive plan with Tulsa County, which serves as administrator of the plan. A substantive plan is one in which the plan terms are understood by the county, the authority, and the plan members. This understanding is based on communications between the employer and plan member and the historical pattern of practice with regard to the sharing of benefit costs. All of the Authority's employees may become eligible for those post-retirement benefits if they are retired members under the age of 65 of the Tulsa County Employees' Retirement System (the System). No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75 "Accounting and Reporting for Post Employment Benefits Other Than Pensions." The net effect of the adoption of this standard in 2017 on beginning net position for 2017 was a reduction of \$139,355. This change is comprised of the other post-employment benefits liability of \$142,557 and deferred outflows of \$3,202.

*Benefits provided*

The Plan covers all current retirees of the System under the age of 65 who elected post-retirement medical coverage through Tulsa County and future retired employees under the age of 65 of Tulsa County through the County's fully insured health plan. The benefit levels are the same as those afforded to active employees. The benefits offered by the County to retirees include health care, prescription drug, dental and vision benefits. The retirees become eligible to receive benefits when they retire through the System.

The amount of benefit payments during fiscal year December 31, 2017 were \$6,422.

*OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources*

At December 31, 2017 the Authority reported a liability of \$139,144 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. The Authority's proportion of the total OPEB liability was based on the Authority's participation in the plan relative to the total participation of the substantive plan as of June 30, 2017. Based upon this information, the Authority's proportion was 2.61 percent.

Beginning balance information as of January 1, 2016 was not available. Therefore, the financial information related to OPEB reported as of and for the year ended December 31, 2016 has not been restated.

Changes of assumptions reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017 resulting in recognition of a deferred inflow of resources.

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note I – Other Post-Employment Benefits – Continued**

For the year ended December 31, 2017, the Authority recognized OPEB expense of \$13,865. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 10,873
Authority contributions subsequent to the measurement date	3,239	-
Total	<u>\$ 3,239</u>	<u>\$ 10,873</u>

\$3,239 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:

2018	\$ (1,427)
2019	(1,427)
2020	(1,427)
2021	(1,427)
2022	(1,427)
Thereafter	(3,738)
Total	<u>\$ (10,873)</u>

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note I – Other Post-Employment Benefits – Continued**

*Actuarial Assumptions*

The total OPEB liability as of December 31, 2017, was determined based on an actuarial valuation prepared as of June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation - 2.50%
- Salary Increases - 3.00%
- Discount Rate – 3.58% for 2017 and 2.85% for 2016
- Healthcare Cost Trend Rates – 7.6% for 2017, gradually decreasing to a rate of 4.0% for 2090 and beyond.
- Retirement Age - Experience-based table of rates based on age and service

<u>Age</u>	<u>Rate</u>
55-59	15%
60	20%
61	25%
62-69	30%
70	100%

- Turnover – Crocker, Sarason, & Straight T-7 rates, increased 0.2 for the first year and 0.1 for the second year, Rates range from 9.68% at age 25 to .15% at age 60.
- Participation Rate – 40% for employees who retire prior to age 65 and dependents at the same rate.
- Mortality – RP – 2000 for Employees & Healthy Annuitants, male and female rates, with generational projection based on Scale AA.

The discount rate was based on the 20 year municipal Bond General Obligation Index.

*Sensitivity of the Authority’s proportionate share of the total OPEB liability to changes in the discount rate*

The following presents the Authority’s proportionate share of the total OPEB liability, as well as what the Authority’s proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Employers' total OPEB liability	\$ 156,403	\$ 139,144	\$ 124,586

**Notes to Financial Statements**

December 31, 2017 and 2016

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**Note I – Other Post-Employment Benefits – Continued**

*Sensitivity of the District’s proportionate share of the total OPEB liability to changes in the healthcare cost trend rates*

The following presents the Authority’s proportionate share of the total OPEB liability, as well as what the Authority’s proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.6 percent decreasing to 4 percent) or 1-percentage-point higher (10.5 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	1% Decrease (6.6% decreasing to 3.0%)	Current Trend Rates (7.6% decreasing to 4.0%)	1% Increase (8.6% decreasing to 5.0%)
Employers' total OPEB liability	\$ 122,003	\$ 139,144	\$ 160,240

**Note J – Commitments**

As of December 31, 2017, the Authority has outstanding purchase commitments for capital improvements totaling approximately \$48,000. The Authority has operating lease commitments with future minimum payments of \$132,013 in 2018, \$117,141 in 2019, and \$29,544 in 2020.

**Note K – Contingencies**

The Authority is named in various claims and legal actions in the normal course of its operations. As of December 31, 2017, the amount of potential exposure cannot be reasonably estimated. Management has refuted the claims and will defend against them. It is the opinion of management that the ultimate resolution of these claims will not adversely affect the Organization’s financial condition, cash flows, or operational activities.

Tulsa County Public Facilities Authority

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

As of plan year end of June 30,

	2017	2016	2015	2014
Authority's proportion of the net pension liability	2.80%	2.80%	2.76%	3.17%
Authority's proportionate share of the net pension liability	\$ 1,972,036	\$ 2,168,576	\$ 1,113,629	\$ 563,443
Authority's covered-employee payroll	\$ 2,150,288	\$ 2,331,204	\$ 2,121,982	\$ 2,296,768
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	91.71%	93.02%	52.48%	24.53%
Plan fiduciary net position as a percentage of the total pension liability	77.49%	77.49%	87.12%	94.00%

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



Tulsa County Public Facilities Authority

**Schedule of Contributions - last 10 fiscal years\***

December 31,

	2017	2016	2015	2014
Contractually required contribution	\$ 342,470	\$ 326,369	\$ 334,992	\$ 346,483
Contribution in relation to the contractually required contribution	\$ 342,470	\$ 326,369	\$ 334,992	\$ 325,340
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 21,143
Authority's covered-employee payroll	\$ 2,446,214	\$ 2,331,204	\$ 2,392,802	\$ 2,474,881
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

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

Tulsa County Public Facilities Authority

**Schedule of Proportionate Share of the Total OPEB Liability - last two fiscal years**

As of plan year end of June 30,

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	<u>2017</u>	<u>2016</u>
Authority's proportion of the total OPEB liability	2.61%	2.61%
Authority's proportionate share of the total OPEB liability	\$ 139,144	\$ 142,557
Authority's covered-employee payroll	\$ 2,004,371	\$ 1,958,461
Authority's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	6.94%	7.28%

**Notes to Schedule:**

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

The discount rate changed from 2.85% in 2016 to 3.58% in 2017.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees of  
Tulsa County Public Facilities Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tulsa County Public Facilities Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Tulsa County Public Facilities Authority's basic financial statements, and have issued our report thereon dated June 27, 2018.

***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Stanfield + O'Dell, P.C.*

Tulsa, Oklahoma  
June 27, 2018