

TAHLEQUAH INDUSTRIAL AUTHORITY

ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

FOR THE YEAR ENDED JUNE 30, 2012

THALEQUAH INDUSTRIAL AUTHORITY
ANNUAL FINANCIAL STATEMENTS & AUDITOR'S REPORT
June 30, 2012

TABLE OF CONTENTS

Managements Discussion and Analysis	1
Independent Auditor's Report	3
Financial Statements	
Balance Sheet	4
Statement of Revenue, Expenses & Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financials Statements Performed in Accordance with Government Auditing Standards	14

TAHLEQUAH INDUSTRIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

This discussion and analysis of the Tahlequah Industrial Authority (Authority) financial statements provides an overview of the Authority's financial activities for the year ended June 30, 2012. Management has prepared the financial statements and related footnote disclosures along with the discussion and analysis.

Financial Highlights

- Net assets of the Authority decreased by \$14,294 due primarily to the cost of depreciation.
- The Authority's Liabilities decreased by \$19,972 from the previous year. The change resulted from a decrease in long term debt of \$20,000 and an increase in FICA & MC payable of \$28.

Using This Annual Report

The Authority's financial statements consist of three statements – a Balance Sheet; a Statement of Revenue, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority.

The Balance Sheet and Statement of Revenue, Expenses, and Changes in Net Assets

Our analysis of the Authority's finances begins on page 3. One of the most important questions asked by the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenue, Expenses, and Changes in Net Assets report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. The governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets is one indicator of whether its financial health is improving or deteriorating.

TAHLEQUAH INDUSTRIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported on the Balance Sheet on page 4. The Authority's net assets in 2012 were \$2,640,224.

Operating Income and Losses

The first component of the overall change in the Authority's net assets is its operating income (gain). The Authority reported an operating loss in 2012 of \$34,456

Non-operating Revenue and Expenses

Non-operating revenue consists primarily of investment income and transfers from the City of Tahlequah. The total non-operating revenue is \$20,162. With the additional revenue, it still gives the Authority a total decrease of revenues in the amount of \$14,294.

Capital Assets

At the end of 2012, the Authority had \$2.64 million invested in capital assets, net of accumulated depreciation, as detailed in Note 3 to the financial statements. In 2012, the Authority did not purchase any new assets.

Contacting the Authority's Financial Management

This financial statement is designed to provide management, taxpayers and creditors with a general overview of the Authority's finances. If you have questions about this report or need additional information, contact Tahlequah Industrial Authority, 111 S. Cherokee, Tahlequah, Oklahoma, 74464,

MICHAEL W. GREEN
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tahlequah Industrial Authority
Tahlequah, Oklahoma

I have audited the accompanying balance sheet of the Tahlequah Industrial Authority, a component unit of the City of Tahlequah as of June 30, 2012, and the related statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Tahlequah Industrial Authority as of June 30, 2012, and the results of its operations, changes in net assets, and 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*, I have also issued a report dated November 2, 2012, on my consideration of the Tahlequah Industrial Authority's internal control over financial reporting, and my tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Michael Green, CPA
November 2, 2012

TAHLEQUAH INDUSTRIAL AUTHORITY
BALANCE SHEET
June 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 176,811	
Accounts Receivable	23,750	
Total Current Assets		\$ 200,561

PROPERTY AND EQUIPMENT

Land	\$ 197,760	
Buildings	3,028,184	
Infrastructure Improvements	301,017	
Less Accumulated Depreciation	(885,343)	
Total Fixed Assets		2,641,618

Total Assets		\$2,842,179
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 289	
Current Maturities of Long-Term Debt	20,000	
Total Current Liabilities		\$ 20,289

LONG-TERM DEBT, NET

Total Liabilities		181,666
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201,955

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$2,439,952	
Unrestricted Net Assets	200,272	
Total Net Assets		2,640,224

Total Liabilities and Net Assets		\$2,842,179
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The accompanying notes are an integral part of these financial statements.

TAHLEQUAH INDUSTRIAL AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Revenues:	
Rent	\$ 60,000
Other Income	2,200
Total Operating Income	62,200
Expenditures:	
Salaries and Wages	6,459
Professional Fees	2,729
Office Supplies	94
Publication Fees	21
Site Maintenance	12,975
Depreciation	74,112
Utilities	266
Total Operating Expenses	96,656
Operating Income (Loss)	(34,456)
Non-Operating Income (Expense):	
Interest Revenue	162
Transfers From Oversight Unit	20,000
Total Non-Operating Income (Expense)	20,162
Net Income or (Loss)	\$ (14,294)
Net Assets, Beginning of Year	2,654,518
Net Assets, End of Year	\$2,640,224

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

TAHLEQUAH INDUSTRIAL AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities	
Cash received from Customers	\$ 65,950
Cash paid to Employees	(6,459)
Cash paid to Suppliers	(16,057)
Net Cash Provided by Operations	<u>\$ 43,434</u>
Cash Flows from Financing Activities	
Transfers from Oversight Unit	20,000
Payment of Principal on Long-Term Debt	(20,000)
Net Cash Used in Capital and Related Financing Activities	<u>-</u>
Cash Flows from Non Financing Activities	
Interest Revenue	162
Purchase of Fixed Assets	-
	<u>162</u>
Net Increase in Cash and Cash Equivalents	43,596
Beginning Cash and Cash Equivalents	133,215
Ending Cash and Cash Equivalents	<u>176,811</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating Income (Loss)	(34,456)
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	74,112
Increase in Accounts Payable	28
Decrease in Accounts Receivable	3,750
Net Cash Provided by Operating Activities	<u>\$ 43,434</u>

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

TAHLEQUAH INDUSTRIAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies

Report Entity

The Tahlequah Industrial Authority (the Authority) is a public trust created on September 8, 1981, under the provisions of Title 60, Oklahoma Statutes, the Oklahoma Trust Act, and other applicable laws and statutes of the State of Oklahoma. The City of Tahlequah, Oklahoma, is the beneficiary, and will receive all residual trust funds and assets upon termination of the trust.

The general purposes of the Authority are to assist the Beneficiary, the State of Oklahoma, its governmental agencies, and the private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the Beneficiary in order to:

- Lessen the burdens on government and to stimulate economic growth and development
- Inventory the services, facilities and resources of the entire Beneficiary City
- Promote, stimulate, encourage and finance the growth and development of the agriculture, commerce and industry of the Beneficiary City as a whole, all in order to achieve maximum utilization of the Beneficiary's human, economic and natural resources and tourist attractions
- Foster and promote an industrial climate and the payroll of the Beneficiary City, to otherwise promote its general economic welfare, prosperity, and to finance any and all programs, facilities or resources promoting or intending to promote any of the foregoing.

The Industrial Authority is considered a component unit of the City of Tahlequah, and its financial information is included in the General Purpose Financial Statements of the City of Tahlequah each year.

The Board of Trustees are citizens and residents of the Beneficiary appointed by the Mayor and confirmed by a majority vote of the City Council of the City of Tahlequah. All Trustees must reside within the Beneficiary City.

Proprietary Fund Accounting

The Authority uses the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. The governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

TAHLEQUAH INDUSTRIAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

Accounting Standards

Pursuant to Governmental Accounting Standards Board (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 the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets, business interruption; errors and omissions, employee injuries and illnesses, and natural disasters. To cover exposure of these risks, the Authority is listed as an Additional Named Plan Member on the City of Tahlequah's municipal liability protection plan. The Authority does not carry insurance separately under its own name. Settled claims have not exceeded this commercial coverage in any of the two preceding years.

Cash Equivalents

The Authority considers all liquid investments which have original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight line method. The range of such useful lives are as follows:

Land Improvements:	25 years
Equipment/Signs	10 years
Buildings	50 years

TAHLEQUAH INDUSTRIAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

Income Taxes

The Authority is exempt from federal income taxes under Section 115 of the Internal Revenue Code as a political subdivision of the State of Oklahoma and is exempt from state income taxes under a similar provision of Oklahoma State Statutes.

Budgets

Under Title 60, Section 176(g) Public Trusts created pursuant to this section shall file annually, with their respective Beneficiaries copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but not limited to, budgets, financial reports, bond indentures and audits. Amendments to the adopted budget shall be approved by the trustees of the public trust and recorded as such in the official's minutes of such trust.

1. A proposed operating budget is submitted to the Authority Board for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted by the Authority Board through passage of a resolution.
3. Any revisions that alter the total expenditures must be approved by the Authority Board. The following budgeted amounts include transfers and revisions to the original appropriations resolution.
4. The budget of expenditures cannot exceed the estimated revenues. Budgetary control is maintained by the following categories of expenditures: personal services, materials and supplies, other services and charges and capital outlay.

The following is presented on the budgetary basis to provide a comparison of actual results with the budget.

	<u>Budget</u>	<u>Actual</u>	Variance (Favorable) <u>Unfavorable</u>
<u>Revenues:</u>			
Investment Income	\$ 150	\$ 162	\$ (12)
Other Income	\$ 400	\$ 2,200	\$ (1,800)
Lease Income	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$ 0</u>
Total Revenues	\$60,750	\$60,855	\$ (1,812)

TAHLEQUAH INDUSTRIAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

Expenditures:

Personal Services	\$ 6,459	\$ 6,459	\$ 0
Materials & Supplies	\$ 6,400	\$ 94	\$ (6,306)
Other Services & Charges	<u>\$ 85,100</u>	<u>\$ 90,103</u>	<u>\$ (10,697)</u>
Total Expenditures	\$113,659	\$ 96,656	\$ (17,003)

Excess (Deficiency) Revenues over (Under) expenditures	\$(53,109)	\$(34,294)	
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Other Financing Sources (Uses):

Transfer from Oversight Unit	\$ 20,000	\$ 20,000	\$ 0
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Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures And Other Uses	\$(33,109)	\$(14,294)	\$ (18,815)
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Note 2: Cash and Investments

The Authority operated one commercial checking account at the Bank of Cherokee County. The checking account pays a variable rate of interest. Interest earned on the account is automatically credited to the account at the end of the month. As of June 30, 2012 the bank balance was \$176,811.00. There were outstanding checks of \$2,131.92.

Deposits

The Authority's cash deposits as of June 30, 2012, are categorized to give an indication of the level of risk assumed by the Authority at year end as follows:

Deposit Categories of Credit Risk

- A. Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- C. Uncollateralized.

	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Market Value</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>			
Bank of Cherokee County	<u>\$178,943</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$178,943</u>	<u>\$178,943</u>	<u>\$178,943</u>
TOTAL	<u>\$178,943</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$178,943</u>	<u>\$178,943</u>	<u>\$178,943</u>

TAHLEQUAH INDUSTRIAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

Note 3: Fixed Assets

Schedule of Changes in Fixed Asset Accounts

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 197,760	\$ 0	\$ 0	\$ 197,760
Buildings	3,028,184	0	0	3,028,184
Land Improvements	301,017	0	0	301,017
Total	<u>\$ 3,526,961</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,526,961</u>
Accumulated Depreciation	<u>\$ 811,230</u>	<u>\$74,112</u>	<u>\$ 0</u>	<u>\$ 885,342</u>

In accordance with the Depreciation of Fixed Assets Policy adopted by the Authority, the building is being depreciated over a 50 year life span. The parking, paving, asphalt and infrastructure are being depreciated over 25 years. The addition of equipment and signs will be depreciated over 10 years.

Note 4: Long-Term Debt

Note Payable, Department of Commerce #10182	\$201,666
Less Current Maturities	<u>(20,000)</u>
Total Long-term Debt	<u>\$181,666</u>

Due August 2022, payable in the following monthly payments with zero interest, the original principal balance amount of \$400,000.00.

Payable as follows:

- Total payments are 240.
- Payments 1-239 are \$1,666.67 per month
- Payment 240 is \$1,665.87
- Payments of \$1,666.67 began on September 1, 2002
- This is a zero interest loan.
- This note is collateralized by a pledge of sales tax from the City of Tahlequah.

The annual maturities of long-term debt at June 30, 2012, are as follows:

2013	20,000
2014	20,000
2015	20,000
2016	20,000
Thereafter	<u>\$101,666</u>
Total	<u>\$181,666</u>

TAHLEQUAH INDUSTRIAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5: Industrial Park

The Industrial Authority owns and operates an industrial park west of the City of Tahlequah with entrances on Highway 51 and West Allen Road. The following entities are located there:

Northeastern Oklahoma Public Facilities Authority- On February 6, 1995 an agreement was made between the Authority and NOPFA to transfer 3.7 acres of land into NOPFA's name. NOPFA was to construct a warehouse facility on the property deeded to them within three years. The transfer by deed was to take place upon finalization of the park plat. The deed was signed on November 15, 2000 and filed on December 7, 2000 and contains a revisionary clause that should the property cease to be used for NOPFA warehouse facility purposes in the future that the land shall revert to the grantor.

Indian Capitol Vo-Tech School - On February 6, 1995, a deed was signed from the Authority to the Vo-Tech School deeding them approximately 50 acres of land situated in the Industrial Park. The deed specified that construction of a school was to begin within 10 years, and has a reversion clause specifying that if the property should cease to be used for Vo-Tech purposes in the future, the land shall revert to the grantor. The Vo-Tech facility has been constructed and has been placed in use.

State Department of Central Services – (On behalf of the Oklahoma State Bureau of Investigation) On April 24, 1997 a lease agreement was made for a 4.7 acre site. The lease term is for 99 years beginning January 30, 1997 and ending January 30, 2096. The rental of \$5.00 per year or a total of \$495.00 for the entire term was paid on the date of the lease agreement. A building housing the OSBI local division has been built on the site.

DTG Operations, Inc. (formerly known as Dollar Rent A Car Systems, Inc.) On February 20, 2007 exercised its option to extend the lease for the Tahlequah Reservation Center for an additional ten years at a monthly rent of \$5,000 effective November 1, 2008. This 15,000 square foot facility built in the Industrial Park is owned by the Authority. The agreement also approved the payment of the amortized cost of carpeting the facility to be repaid at the monthly rate of \$312.50 for 120 months for a total of \$37,500. On January 18, 2012 a Sublease Agreement between DTG (Dollar Thrifty Group) and C3/ CustomerContactChannels, Inc. was presented for review and approval of the Board of Trustees. This sublease was approved by the Board of Trustees at a meeting held on February 15, 2012. "C3" will make monthly rental payments to DTG and DTG will continue making monthly rental payments of \$5,000 along with the amortized cost of the carpet in the amount of \$312.50.

American Woodmark – On January 16, 2002, a deed in favor of the American Woodmark Corporation was executed transferring approximately 6.86 acres of Authority land for the corporation to build a cabinet manufacturing facility. This property was located under the actual building. The property surrounding the structure, along with the parking area is owned and maintained by the Authority. In June of 2009 American Woodmark ceased to operate their facility in Tahlequah due to the recession in the construction housing market. As the building is owned by American Woodmark it is currently vacant. The company has expressed their interest

TAHLEQUAH INDUSTRIAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

in selling the facility. Negotiations for the property around the building and the parking lot have been discussed, but no agreement was reached as of June 30.

Note 6: Concentration of Risk

The Authority now has a formal source of income in the \$5,000 monthly lease received from DTG Operations, Inc. pursuant to the 10 year lease of the building which they occupy as a reservation center. The Authority also receives a monthly payment of \$312.50 on the accounts receivable from DTG Operations, Inc. Final payments were made on the notes relating to the construction of the building occupied by DTG in July 2008, to Bank of America, and in October 2008, to the Oklahoma Department of Commerce. Interest Income on the carrying balance in the checking account will vary greatly from year to year. The only other source of income has been from the sale of hay baled from the property. The loan payment # 10182 with the Oklahoma Department of Commerce is secured by an agreement with the City of Tahlequah to provide \$20,000 per year from City Sales Tax collections for the annual payments. These sources of income are more than adequate to provide for current needs.

Note 7: Employee Benefits

The Authority has three employees: a bookkeeper, a records clerk and a general manager. These employees are also employed by the City of Tahlequah, and are paid a minimum amount to perform the Authority's record keeping. As these employees are covered by the City's health, retirement, and worker's compensations plans, these benefits are not currently addressed by the Authority. FICA and Medicare withholding is matched by the Authority.

Note 8: Commitments and Contingencies

The Authority has sufficient insurance coverage and/or tort immunity in effect to protect the Authority from any material loss or liability due to pending claims or litigation. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts if any, to be immaterial.

Note 9: Subsequent Events

Subsequent events have been evaluated through November 2, 2012, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN
Certified Public Accountant

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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*

Board of Trustees
Tahlequah Industrial Authority
Tahlequah, Oklahoma

I have audited the balance sheet of the Tahlequah Industrial Authority, a component unit of the City of Tahlequah, as of June 30, 2012, and the related statements of revenue, expenses and changes in net assets, and cash flows for the year then ended, and have issued my report thereon dated November 2, 2012. I conducted the audit in accordance with 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 my audit, I considered the Tahlequah Industrial Authority internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Tahlequah Industrial 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 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Tahlequah Industrial Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, grant 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Tahlequah Industrial Authority, board of trustees, management, and the State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized with a large, looped "G" and a cursive "M".

Michael Green, CPA
November 2, 2012