

UNIVERSITY CENTER AT TULSA AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2013 and 2012

Jay & Associates, P.C.
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Tulsa, OK

UNIVERSITY CENTER AT TULSA AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University Center at Tulsa Authority

Report on the Financial Statements

We have audited the accompanying statement of net assets of the University Center at Tulsa Authority (a proprietary enterprise fund) as of June 30, 2012 and 2013, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial position of the University Center of Tulsa Authority as of June 30, 2012 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

The Management's Discussion and Analysis beginning on page 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2013, on our consideration of the University Center of Tulsa Authority's internal control over financial reporting and our tests of its compliance 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 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 read in conjunction with this report in considering the results of our audit.

Jay + Associates, P.C.

Tulsa, Oklahoma

August 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the basic financial statements of the University Center at Tulsa Authority (the "Authority") provides an overview of the financial activities for the fiscal year ended June 30, 2013. This information should be read in conjunction with the basic financial statements and the accompanying notes to the basic financial statements

USING THIS REPORT

This report consists of a series of financial statements. The Statements of Net Assets provide information about the assets owned, liabilities owed, and net assets of the Authority as of June 30, 2013 and 2012. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statements of Revenues, Expenses and Changes in Net Assets provide information about revenues received and expenses incurred during the years and the resulting increase or decrease in net assets. All changes in net assets are reported in the fiscal year that the underlying event, giving rise to the change occurs, regardless of the timing of related cash flows, which may not occur until subsequent fiscal periods. The Statements of Cash Flows provide a breakdown by major category of actual cash received and disbursed by the Authority during the fiscal year. The Notes to the Basic Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

This management discussion and analysis is designed to give a broad overview of the Authority's finances. Questions concerning any of the information contained in this financial report should be directed to University Center at Tulsa Authority's Operations Manager at: 700 North Greenwood Avenue, Tulsa, Oklahoma 74106-0700.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$14.323 million at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (88%) reflects its investment in capital assets (e.g., land, land improvements, and buildings). The Authority utilizes these capital assets to promote the development of educational activities and facilities at Oklahoma State University-Tulsa. The remaining 12% of the Authority's net assets (\$1.686 million at June 30, 2013) are unrestricted and may be used to meet the Authority's ongoing obligations.

The Authority's net assets for the year ended June 30, 2013, decreased by \$269,333. Other changes in the Authority's financial position during fiscal 2013 included an increase of \$41,549 (2.6%) in cash and cash equivalents compared to fiscal 2012.

Net Assets June 30, 2013 and 2012

ASSETS	2013	2012
Current assets	\$ 1,707,137	\$ 1,666,999
Capital assets, Note 3	<u>12,636,287</u>	<u>12,936,943</u>
TOTAL ASSETS	<u>\$ 14,343,424</u>	<u>\$ 14,603,942</u>
LIABILITIES:		
Current and other liabilities	\$ 20,615	\$ 11,800
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>20,615</u>	<u>11,800</u>
NET ASSETS:		
Invested in capital assets	12,636,287	12,936,943
Unrestricted	<u>1,686,522</u>	<u>1,655,199</u>
Total net assets	<u>14,322,809</u>	<u>14,592,142</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 14,343,424</u>	<u>\$ 14,603,942</u>

FINANCIAL ANALYSIS (CONTINUED)

The Authority's operating revenues did not change in fiscal 2013. Operating expenses decreased by \$84,918, while non-operating expenses increased by \$18,000, compared to fiscal 2012.

Operations Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues	\$ 535,829	\$ 535,829
Operating expenses	<u>756,562</u>	<u>841,480</u>
Operating loss	(220,733)	(305,651)
Non-operating expenses-net	<u>48,600</u>	<u>30,600</u>
Net loss	(269,333)	(336,251)
Beginning net assets	<u>14,592,142</u>	<u>14,928,393</u>
Total net assets	<u>\$ 14,322,809</u>	<u>\$ 14,592,142</u>

CAPITAL ASSETS AND LONG-TERM DEBT

As of June 30, 2013, the Authority's investment in capital assets was \$12.636 million, net of accumulated depreciation. This investment consists of land, land improvements and buildings. Total depreciation and amortization expense for fiscal year 2013 and 2012 was \$420,962 for each year.

Economic Environment and Next Year's Budget

The Authority continues with a consistent revenue stream from the lease agreements with OSU-Tulsa, and in May 2011, started receiving income from OETA. A healthy reserve remains to address significant maintenance issues and other projects in the future. The FY 2014 Budget includes \$1,432,000 for entryway projects. According to the FY 2014 Budget approximately \$412,300 will remain in reserves at the end of the fiscal year.

University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Statement of Net Assets
June 30, 2013, and 2012

ASSETS

	2013	2012
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,696,006	\$ 1,654,457
Prepaid expense	11,131	11,542
Accounts receivable	-	1,000
Total Current Assets	1,707,137	1,666,999
LAND AND BUILDINGS, NET (Note 4)	12,636,287	12,936,943
TOTAL ASSETS	\$ 14,343,424	\$ 14,603,942
LIABILITIES:		
CURRENT LIABILITIES		
Accounts payable	\$ 20,520	\$ 11,704
Deferred revenue (Note5)	95	96
Total LIABILITIES	20,615	11,800
NET ASSETS:		
Invested in capital assets	12,636,287	12,936,943
Unrestricted	1,686,522	1,655,199
TOTAL NET ASSETS	14,322,809	14,592,142
TOTAL LIABILITY AND NET ASSETS	\$ 14,343,424	\$ 14,603,942

University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2013, and 2012

	2013	2012
OPERATING REVENUES:		
Lease rentals (Note 5)	\$ 535,829	\$ 535,829
Total operating revenues	535,829	535,829
OPERATING EXPENSES:		
Administrative expense	76,763	76,086
Insurance expense	23,494	20,822
Professional fees	7,680	7,770
Depreciation and amortization	420,962	420,962
Building and grounds	219,012	306,669
City of Tulsa scholarships	8,651	9,171
Total operating expenses	756,562	841,480
OPERATING LOSS	(220,733)	(305,651)
NON-OPERATING REVENUE / (EXPENSES):		
Investment income (Net Expense)	(600)	(600)
Expenses on behalf of OSU - Tulsa (Note 5)	(48,000)	(30,000)
Total non-operating expenses	(48,600)	(30,600)
LOSS	(269,333)	(336,251)
DECREASE IN NET ASSETS	(269,333)	(336,251)
NET ASSETS BEGINNING OF YEAR	\$ 14,592,142	\$ 14,928,393
NET ASSETS - END OF YEAR	\$ 14,322,809	\$ 14,592,142

University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Statements of Cash Flows
For the Years Ended June 30, 2013, and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from lease rentals	\$ 536,829	\$ 535,829
Cash paid to suppliers and vendors	(326,044)	(424,091)
Net cash provided by operating activities	210,785	111,738
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Expenses incurred on behalf of OSU-Tulsa	(48,930)	(30,600)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to land and buildings	(120,306)	-
INCREASE IN CASH INVESTMENTS	41,549	81,138
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,654,457	1,573,319
CASH AND CASH EQUIVALENTS, END OF YEAR	1,696,006	1,654,457
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES"		
Operating loss	\$ (220,733)	\$ (305,651)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Recognition of deferred lease revenue	(1)	(1)
Depreciation and amortization	420,962	420,962
Decrease/(Increase) in accounts receivable	1,000	(1,000)
Decrease/(Increase) in prepaid expense	412	(2,261)
Decrease/(Increase) in accounts payable and accrued liabilities	8,815	(311)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 210,455	\$ 111,738

University Center at Tulsa Authority
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity— The University Center at Tulsa Authority (the “Authority”), a proprietary enterprise fund, is a public trust created in 1985, with the City of Tulsa, Oklahoma as beneficiary. The purpose of the Trust is to promote the development of educational activities and facilities within and near the City of Tulsa, including specifically the University Center at Tulsa, which is now known as Oklahoma State University-Tulsa. Oklahoma State University-Tulsa (“OSU-Tulsa”) is a branch institution of Oklahoma State University (“OSU”) governed by the Board of Regents for Oklahoma Agricultural and Mechanical Colleges and the Oklahoma State Regents for Higher Education and the successor to Rogers University (“Rogers”) in Tulsa effective January 1, 1999. Rogers was the successor institution to the University Center at Tulsa for the period April 1996 through December 31, 1998. Assets that accrued from the beneficial interest provided by the Authority were transferred to OSU-Tulsa, and OSU-Tulsa assumed the benefits and obligations under the various lease agreements for the Authority’s campus facilities in Tulsa (Note 6). References to the “University” in these notes to the financial statements include OSU-Tulsa and Rogers as its predecessor institution.

As an agency of the State of Oklahoma, the Authority presents its financial statements in accordance with requirements of GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. The financial statement presentation required by GASB No. 34 provides a comprehensive, entity-wide perspective of the Authority’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Basis of Accounting— For financial reporting purposes, the Authority is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Authority’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Basis of Presentation— The Authority has implemented GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3* and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. These statements establish a new financial reporting model and require a Management Discussion and Analysis, which precedes the basic financial statements, and certain financial statement note disclosures, addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and establishes accounting and financial reporting standards for impairment of capital assets.

University Center at Tulsa Authority
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Authority's financial statements are prepared in accordance with the proprietary fund provisions of GASB 34. The Authority has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") Opinions issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

In order to conform to the requirements of these GASB Statements, certain additional disclosures have been provided. Except for the change in presentation of the basic financial statements required to conform with GASB 34, there were no significant changes to the Authority's financial statements as a result of adopting these statements.

The net assets of the Authority are classified into the following components:

- *Invested in capital assets, net of related debt*—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
- *Restricted net assets*—Consists of net assets with constraints placed on the use either by external groups, such as contributors, or by laws and regulations. Restricted net assets classified as nonexpendable represent amounts that are required to be retained in perpetuity, such as permanent endowments. Restricted net assets classified as expendable represent amounts for which the donor has specified the purpose for which the contributed net assets are to be used. The Authority had no restricted net assets at June 30, 2013 and 2012.
- *Unrestricted net assets*—All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Cash and Cash Equivalents— For purposes of the statement of cash flows, the Authority considers cash and cash equivalents to be currency on hand, demand deposits at banks, and amounts included in short-term investment funds.

Land and Buildings— Land and buildings are stated at cost or at fair value as of the date of donation. Depreciation of buildings is provided using the straight-line method over the estimated useful life of 40 years. Depreciation of land improvements is provided using the straight-line method over the estimated useful life of 40 years for improvements prior to July 1, 2000 and 20 years for improvements after June 30, 2000.

Income Taxes— The Authority, as a political subdivision of the State of Oklahoma, is exempt from federal income taxes under Section 115(1) of the Internal Revenue Code.

University Center at Tulsa Authority
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments— As of June 30, 2013 and 2012, the Authority had the following investments: JP Morgan US Treasury Plus Money Market Fund Premier Shares.

Interest Rate Risk— The Operations Manager has historically assessed and addressed interest rate risk for the Authority, but there is no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk— The Operations Manager has historically chosen safe and secure investment options for the Authority, but there is no formal investment policy in place to restrict investment choices. As of June 30, 2013 and 2012, the Authority’s investment in the US Treasury Plus Money Market Fund was rated AAAM by Standard & Poor’s and Aaa by Moody’s Investors Service.

Concentration of Credit Risk— The Operations Manager has historically addressed the concentration of credit risk. However, there is no formal limit on the amount the Authority may invest in any one issuer. All of the Authority’s investments are in Money Market Funds and were invested in money market funds at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Uninsured and uncollateralized - JP Morgan US Treasury Plus Money Market Fund Premier Shares	\$ 1,690,843	\$ 1,649,472

Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries— The Authority has no capital assets that would be considered impaired; neither by a decline in service utility of their capital assets nor by an event or change in circumstances outside the normal life cycle of their capital assets.

Accounting Standards Yet to Be Adopted— GASB accounting standards have been recently issued and will be adopted as applicable by the Authority in future years.

Subsequent Events - Events occurring subsequent to June 30, 2013 have been evaluated through August 27, 2013, which is the date the financial statements were available to be issued.

University Center at Tulsa Authority
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2013 and 2012

2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2013 and 2012, are comprised primarily of money market mutual funds, at cost, which also equals market value, which are managed by J.P Morgan Trust Company, N.A. The mutual funds are uninsured and designed for institutional investors, particularly banks acting in a fiduciary, agency, custodial or similar capacity.

3 FAIR VALUE MEASUREMENTS

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

University Center at Tulsa Authority
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2013 and 2012

3 FAIR VALUE MEASUREMENTS (CONTINUED)

Money Market Mutual Funds: Valued at a quoted market price.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Total Authority investments of \$1,696,006 and \$1,654,457 as of June 30, 2013 and 2012, respectively are categorized as Level 1 under the FASB ASC 80 fair value measurement framework.

4 LAND AND BUILDINGS

A summary of the Authority's capital asset activity for the years ended June 30, 2013 and 2012 is as follows:

	Net Book Value 2012	Additions to Net Book Value	Deductions from Net Book Value	Net Book Value 2013
Land	\$ 5,339,923	\$ -	\$ -	\$ 5,339,923
Land Improvements	1,927,903	120,306	-	2,048,209
Buildings	14,450,597	-	-	14,450,597
Accumulated Depreciation and amortization	(8,781,480)	-	(420,962)	(9,202,442)
Net	<u>\$ 12,936,943</u>	<u>\$ 120,306</u>	<u>\$ (420,962)</u>	<u>\$ 12,636,287</u>

	Net Book Value 2011	Additions to Net Book Value	Deductions from Net Book Value	Net Book Value 2012
Land	\$ 5,339,923	\$ -	\$ -	\$ 5,339,923
Land Improvements	1,927,903	-	-	1,927,903
Buildings	14,450,597	-	-	14,450,597
Accumulated Depreciation and amortization	(8,360,518)	-	(420,962)	(8,781,480)
Net	<u>\$ 13,357,905</u>	<u>\$ -</u>	<u>\$ (420,962)</u>	<u>\$ 12,936,943</u>

Depreciation and amortization expense related to buildings and improvements were \$420,962 for the years ended June 30, 2013 and 2012, respectively.

University Center at Tulsa Authority
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2013 and 2012

4 LAND AND BUILDINGS (CONTINUED)

The Tulsa Development Authority ("TDA"), formerly known as the Tulsa Urban Renewal Authority, has a reversionary interest in the Authority's land, which it donated to the Authority, if the land ceases to be used under the terms of the "Redevelopment Agreement For University Center at Tulsa" between the TDA and the Authority.

5 LEASES AND OTHER TRANSACTIONS WITH THE UNIVERSITY

The Authority leases certain campus facilities to the University under agreements as follows:

- *Main Hall Facilities Lease*— The lease extends to June 30, 2019, and provides for rentals of \$166,399 annually, payable in quarterly installments.
- *Auxiliary Facilities Lease* —The University leases auxiliary enterprise facilities include the bookstore and auditorium facilities through June 2006. During the May 2006 Board Meeting, it was approved to extend the lease agreement for an additional 13 years, to end June 30, 2019. The lease provides for annual rentals of \$300,969, payable in quarterly installments.
- *Parking Facilities Lease*— The University leases certain campus parking facilities at annual rentals of \$56,460, payable in quarterly installments through June 2006. During the May 2006 Board Meeting, it was approved to extend this lease agreement for an additional 13 years, to end June 30, 2019.
- *Oklahoma Educational Television Authority* - On May 1, 2009 the Authority entered into a lease contract with the Oklahoma Educational Television Authority. This agreement took effect on May 1, 2010 with annual lease payments of \$1 for 99 years. Upon completion of the building in May 2011, OETA began making monthly payments for services of \$1,000 to the Authority.

Total lease rentals charged to the University by the Authority for the above leases were \$535,829 for fiscal year 2013, and \$535,829 for fiscal year 2012. Under the terms of the various lease agreements, in the event that the Oklahoma State Regents for Higher Education does not allocate funds for the payment of rent, the University shall not be obligated to pay rent for such year, and the lease agreements shall automatically terminate as of the end of the preceding lease year. Future minimum rentals to be received in the next five years are as follows:

For year ended June 30, 2014

2014	\$535,829
2015	\$535,829
2016	\$535,829
2017	\$535,829
2018	\$535,829

University Center at Tulsa Authority
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2013 and 2012

5 LEASES AND OTHER TRANSACTIONS WITH THE UNIVERSITY (CONTINUED)

The University provides administrative services to the Authority. The Authority reimbursed the University for such services in the amount of \$75,933 for fiscal year 2013, and \$75,308 for fiscal year 2012. These amounts reflect the agreed upon contract terms with OSU-Tulsa for this period.

At the discretion of its Board of Trustees, the Authority directly pays for various expenses and capital expenditures which benefit the University. These expenses for non-capitalized equipment, University promotions, facilities maintenance, and policy analysis totaled \$48,000 and \$30,000 in fiscal years 2013 and 2012, respectively. Other expenses of operating the leased facilities are paid by the University.

6 COMMITMENTS AND CONTINGENCY

The UCT Authority implemented a scholarship program in fiscal 2010 for City of Tulsa employees based on a request by the Mayor, and the City of Tulsa's historical investment in higher education resulting in the land on which the campus stands. The structure mirrors the program currently in place for OSU faculty and staff and follows the same guidelines. The program is limited to \$50,000 annually.

The Authority took action in March 2000 to commit funding in the amount of \$20,000 to assist in the construction of a memorial to Mr. Ellis Walker Woods and Booker T. Washington High School, which will be located on the University campus. The Authority's commitment of \$20,000 has not been recorded as a liability of the Authority in the accompanying financial statements because the funding of this commitment is contingent upon the Booker T. Washington High School Alumni Association first raising \$130,000 in private funds which are necessary for the completion of the project.

At the September 1, 2010 UCTA Board meeting, a request for a parcel of land for the Oklahoma School for the Visual & Performing Arts was approved and included in the land use study.

On July 15, 2013, the Authority entered into an agreement for construction management services related to the construction of the "OSU Tulsa Campus Gateway". The agreement provides for a total cost not to exceed \$1,315,000. The Authority plans to use unrestricted net assets to fund this project and the project is expected to be completed during 2014.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
University Center at Tulsa Authority

We have audited the financial statements of the University Center at Tulsa Authority (the "Authority") as of and for the year ended June 30, 2013, and have issued our report thereon dated August 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely for our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jay + Associates, P.C.

Tulsa, Oklahoma
August 27, 2013



State Auditor Bill Pay - Receipt

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Billing Information:

UNIVERSITY CENTER AT TULSA AUTHORITY
700 N. Greenwood
Tulsa, OK 74106

Transaction Information:

Date: 11/11/2013 09:57:42am
Transaction ID: 3540100
Paid By: Checking Account
Account#: *****1048

Additional Info 1: ID: 357667
Additional Info 2: Ron Bussert
Additional Info 3: STATE AUDITOR & INSPECTOR - PUBLIC TRUST DVISION - Audit Filing Fee

Items Purchased:

Item/Descr.	Quantity	Unit Price	Total
STATE AUDITOR & INSPECTOR - PUBLIC TRUST DVISION - Audit Filing Fee	1	\$100.00	\$100.00
Sub-Total:			\$100.00
Grand Total:			\$100.00



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