UNIVERSITY CENTER AT TULSA AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2012 and 2011

Jay & Associates, P.C.
Certified Public Accountants
Tulsa, OK

UNIVERSITY CENTER AT TULSA AUTHORITY

TABLE OF CONTENTS

ASSOCIATES, P.C.
Certified Public Accountants
4312 East 51st Street
Tulsa, Oklahoma 74135
(918) 492-0106
FAX (918) 496-8133
E-mail: jaycpas@jay-cpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University Center at Tulsa Authority

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 2011, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University Center at Tulsa Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University Center at Tulsa Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University Center at Tulsa Authority as of June 30, 2012 and 2011, and the 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*, we have also issued our report dated October 16, 2012, 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.

The Management's Discussion and Analysis beginning on page 2 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.

Jay + Associates, P.C.

Tulsa, Oklahoma
September 21, 2012

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, 2012. 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, 2012 and 2011. 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"). During fiscal 2007, the Authority adopted GASB Statement 40 and 42. Footnotes to the financial statements were updated accordingly.

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.

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 $14.592 million at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (89%) 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 11% of the Authority's net assets ($1.655 million at June 30, 2012) are unrestricted and may be used to meet the Authority's ongoing obligations.

The Authority's net assets for the year ended June 30, 2012, decreased by $336,251. Other changes in the Authority's financial position during fiscal 2012 included an increase of $81,138 (5.1%) in cash and cash equivalents compared to fiscal 2011.

Net Assets

June 30, 2012 and 2011

ASSETS	**2012**	**2011**
Current Assets	$ 1,666,999	$ 1,582,600
Capital Assets, Note 4	12,936,943	13,357,905
TOTAL ASSETS	$ 14,603,942	$ 14,940,505
LIABILITIES:		
Current and other liabilities	$ 11,800	$ 12,112
Long-term liabilities	-	-
Total liabilities	11,800	12,112
NET ASSETS:		
Invested in capital assets	12,936,943	13,357,905
Unrestricted	1,655,199	1,570,488
Total net assets	14,592,142	14,928,393
TOTAL LIABILITIES & NET ASSETS	$ 14,603,942	$ 14,940,505

FINANCIAL ANALYSIS (CONTINUED)

The Authority's operating revenues increased by $10,000 in fiscal 2012. Operating expenses increased by $111,406, while non-operating expenses decreased by $9,000, compared to fiscal 2011.

Operations

Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues	$ 535,829	$ 525,829
Operating expenses	841,480	730,074
Operating loss	(305,651)	(204,245)
Non-operating expenses-net	30,600	39,600
Net loss	(336,251)	(243,845)
Beginning net assets	14,928,393	15,172,238
Total net assets	$ 14,592,142	$ 14,928,393

CAPITAL ASSETS AND LONG-TERM DEBT

As of June 30, 2012, the Authority's investment in capital assets was $12.937 million, net of accumulated depreciation. This investment consists of land, land improvements and buildings. Total depreciation and amortization expense for fiscal year 2012 and in 2011 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 2013 Budget includes $1,525,000 for entryway projects. According to the FY 2013 Budget approximately $370,500 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, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,654,457	$ 1,573,319
Prepaid expense	11,542	9,281
Accounts receivable	1,000	-
Total Current Assets	1,666,999	1,582,600
LAND AND BUILDINGS, NET (Note 4)	12,936,943	13,357,905
TOTAL ASSETS	$ 14,603,942	$ 14,940,505
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts Payable	$ 11,704	$ 12,015
Deferred Revenue (Note 5)	96	97
TOTAL LIABILITIES	11,800	12,112
NET ASSETS:		
Invested in capital assets-net of related debt	12,936,943	13,357,905
Unrestricted	1,655,199	1,570,488
TOTAL NET ASSETS	14,592,142	14,928,393
TOTAL LIABILITY AND NET ASSETS	$ 14,603,942	$ 14,940,505

University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES:		
Lease rentals (Note 5)	$ 535,829	$ 525,829
Total operating revenues	535,829	525,829
OPERATING EXPENSES:		
Administrative expense	76,086	68,402
Insurance expense	20,822	18,321
Professional fees	7,770	15,925
Depreciation and amortization	420,962	420,962
Building and grounds	306,669	196,784
City of Tulsa scholarships	9,171	9,680
Total operating expenses	841,480	730,074
OPERATING LOSS	(305,651)	(204,245)
NON-OPERATING REVENUE /(EXPENSES):		
Investment Income (Net Expense)	(600)	(600)
Expenses on behalf of OSU - Tulsa (Note 5)	(30,000)	(39,000)
Total non-operating expenses	(30,600)	(39,600)
LOSS	(336,251)	(243,845)
DECREASE IN NET ASSETS	(336,251)	(243,845)
NET ASSETS BEGINNING OF YEAR	$ 14,928,393	$ 15,172,238
NET ASSETS - END OF YEAR	$ 14,592,142	$ 14,928,393

University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Statement of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from lease rentals	$ 535,829	$ 525,829
Cash paid to suppliers and vendors	(424,091)	(297,109)
Net cash provided by operating activities	**111,738**	**228,720**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Expenses incurred on behalf of OSU - Tulsa	(30,600)	(39,830)
INCREASE IN CASH AND INVESTMENTS	81,138	188,890
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,573,319	1,384,429
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,654,457	$ 1,573,319
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ (305,651)	$ (204,245)
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
Increase in accounts receivable	(1,000)	-
Increase in prepaid expense	(2,261)	(241)
Increase/(decrease) in accounts payable and accrued liabilities	(311)	12,245
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 111,738**	**$ 228,720**

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012 and 2011.
- *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.

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, 2012 and 2011, 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, 2012 and 2011, 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

issuer. All of the Authority's investments are in Money Market Funds and were invested in money market funds at June 30, 2012 and 2011:

	2012	2011
Uninsured and uncollateralized – JP Morgan US Treasury Plus Money Market Fund Premier Shares	$1,649,472	$1,568,364

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, 2012 have been evaluated through October 16, 2012, which is the date the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2012 and 2011, 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.

3. FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2012 and 2011.

Money Market Mutual Funds: Valued at 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. Futhermore, 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 $1,654,457 and $1,573,319 as of June 30, 2012 and 2011, 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, 2012 and 2011 is as follows:

	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)			(8,781,480)
Net	$ 13,357,905	$ -	$ -	$ 12,936,943

	Net Book Value 2010	Additions to Net Book Value	Deductions from Net Book Value	Net Book Value 2011
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	(7, 939,556)			(8,360,518)
Net	$ 13,778,867	$ -	$ -	$ 13,357,905

4. LAND AND BUILDINGS (CONTINUED)

Depreciation and amortization expense related to buildings and improvements were $420,962 for the years ended June 30, 2012 and 2011, respectively.

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 2012, and $525,829 for fiscal year 2011. 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,	**2013**
2013	$535,829
2014	$535,829
2015	$535,829
2016	$535,829
2017	$535,829

The University provides administrative services to the Authority. The Authority reimbursed the University for such services in the amount of $75,308 for fiscal year 2012, and $67,672 for fiscal year 2011. These amounts reflect the agreed upon contract terms with OSU-Tulsa for this period.

5. LEASES AND OTHER TRANSACTIONS WITH THE UNIVERSITY (CONTINUED)

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 $30,000 and $39,000 in fiscal years 2012 and 2011, 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 the land use study.

Jay & ASSOCIATES, P.C.
Certified Public Accountants
4312 East 51st Street
Tulsa, Oklahoma 74135
(918) 492-0106
FAX (918) 496-8133
E-mail: jaycpas@jay-cpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPILANCE 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, 2012, and have issued our report thereon dated October 16, 2012. 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*.

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

Jay + Associates, P.C.

Tulsa, Oklahoma
September 21, 2012