# Tulsa Industrial Authority

(a Component Unit of the City of Tulsa, Oklahoma)
Financial Statements
with Independent Auditors' Report

June 30, 2012 and 2011

# Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
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**June 30, 2012 and 2011**

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# Independent Auditors' Report on Financial Statements

Board of Trustees
Tulsa Industrial Authority
Tulsa, Oklahoma

We have audited the accompanying statement of financial position of Tulsa Industrial Authority (the Authority), as of June 30, 2012 and 2011. The related statements of activities and cash flows for the audit year are also included. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hinkle & Company, PC

Tulsa, Oklahoma
August 31, 2012

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# Tulsa Industrial Authority

(a Component Unit of the City of Tulsa, Oklahoma)

**Management's Discussion and Analysis**

**June 30, 2012**

### ***Management Discussion and Analysis***

The Management Discussion and Analysis (MD&A) is intended to aid the reader in recognizing any significant issues and changes in the financial position of Tulsa Industrial Authority. The MD&A should be used in conjunction with the financial statements and notes as a whole.

### ***Financial Statements***

**Condensed Statements of Net Position**

| | 2012 | 2011 |
|---|---|---|
| Current assets | $ 2,488,830 | $ 2,751,221 |
| Long term assets | 13,396,940 | 11,516,960 |
| Total Assets | $ 15,885,770 | $ 14,268,181 |
| Total Liabilities | $ 941,523 | $ 1,061,975 |
| Net position, invested in capital assets | 13,396,940 | 11,516,960 |
| Net position, restricted for capital projects | 69,177 | 27,202 |
| Net position, unrestricted | 1,478,130 | 1,662,044 |
| Total Liabilities and Net Position | $ 15,885,770 | $ 14,268,181 |

For the year ended June 30, 2012 the significant changes incurred as a result of the completion of the geothermal well phase of the Geothermal Project. The Geothermal Project consists of geothermal wells that will service multiple non-profit entities (including Tulsa University, Gilcrease and Philbrook Museums and the Arts and Humanities Council) to offer low cost alternative heating and air in the adjacent newly renovated Brady District Buildings. The project includes a streetscaping phase that will improve various landscapes surrounding the area of the project. This project is funded through federal and private grants. The federal grant for this project was fully expended and closed during this fiscal year. It is anticipated that the streetscaping phase will be completed in the subsequent year.

The current assets has decreased by 10% as a result of the net effect of a reduction in the grants receivable, due to the closing of the federal grant, increase in funding for the streetscaping phase held as restricted cash and the use of short-term investments to fund operations.

***Financial Statements*** (Continued)

Long-term assets have increased from the additional capitalized costs of the Geothermal Project netted with the realization of depreciation on the geothermal wells that were put into service during the year and the continued hangar depreciation.

The liabilities reflect an 11% decrease from the reduction of payables by the receipt of grant funds and the increase in deferred revenue of streetscaping funds.

Both the 2012 and 2011 unrestricted net position include, $500,000 designated by the Board of Trustees for use in the Brownfields Redevelopment Program.

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

| | 2012 | 2011 |
|---|---|---|
| **Revenues** | | |
| Fee income | $ 30,951 | $ 160,512 |
| Other income | 15,241 | 225 |
| Airport hangar revenue | 20,000 | 20,000 |
| Geothermal project | 2,449,376 | 959,535 |
| Total Operating Revenue | $ 2,515,568 | $ 1,140,272 |
| **Expenses** | | |
| Industrial development | $ 185,025 | $ 194,938 |
| Airport hangar | 295,989 | 295,887 |
| Geothermal wells | 13,036 | — |
| Brownfields | 11,582 | 2,925 |
| Total Expenses | $ 505,632 | $ 493,750 |
| **Operating Income (Loss)** | 2,009,936 | 646,522 |
| **Non operating Income** | 8,263 | 10,456 |
| **Transfers to primary government** | (280,158) | — |
| **Change in Net Position** | $ 1,738,041 | $ 656,978 |

***Financial Statements*** (Continued)

Fee income decreased significantly from 2011 to 2012 primarily due to no additional bond issues funded in the current year. Fee income is derived from administrative fees on bonds issued. Fees are paid in full at the date of issue or are computed based upon bond balances and paid over the life of the bond.

Geothermal project revenue increased as a result of the completion of a significant portion of the geothermal well phase of the Geothermal Project.

The Geothermal wells were placed in service during the current year. The Geothermal well expenses represent the depreciation on the well system.

The transfers to primary government reflect the cost associated with the streetscaping phase of the geothermal project. These improvements are part of the City of Tulsa right of ways and consequently these improvements are transferred to the City.

# Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
**Statements of Net Position**
**June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 85,007 | $ 123,940 |
| Cash-restricted | 918,553 | 588,351 |
| Short-term investments | 1,479,741 | 1,570,659 |
| Accounts receivable | 452 | 6,156 |
| Grants receivable | — | 457,009 |
| Other | 5,077 | 5,106 |
| Total Current Assets | 2,488,830 | 2,751,221 |
| **Fixed Assets** | | |
| Buildings | 11,039,548 | 11,039,548 |
| Construction in progress | — | 959,535 |
| Equipment | 3,982 | 3,982 |
| Furniture and fixtures | 9,076 | 9,076 |
| Geothermal system | 3,128,753 | — |
| Accumulated depreciation | (784,419) | (495,181) |
| **Fixed Assets, Net** | 13,396,940 | 11,516,960 |
| **Total Assets** | $ 15,885,770 | $ 14,268,181 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ 92,147 | $ 500,826 |
| Deferred revenue | 849,376 | 561,149 |
| Total Current Liabilities | 941,523 | 1,061,975 |
| **Net Position** | | |
| Invested in capital assets | 13,396,940 | 11,516,960 |
| Restricted for capital projects | 69,177 | 27,202 |
| Unrestricted | 1,478,130 | 1,662,044 |
| Total Net Position | 14,944,247 | 13,206,206 |
| **Total Liabilities and Net Position** | $ 15,885,770 | $ 14,268,181 |

# Tulsa Industrial Authority

(a Component Unit of the City of Tulsa, Oklahoma)

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

**For the Years Ended June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| **Operating Revenues** | | |
| Industrial development activities | | |
| Administrative fee income | $ 30,951 | $ 160,512 |
| Other income | 15,241 | 225 |
| Airport hangar revenue | 20,000 | 20,000 |
| Geothermal project | 2,449,376 | 959,535 |
| Total Operating Revenues | 2,515,568 | 1,140,272 |
| **Operating Expenses** | | |
| Industrial development | 185,025 | 194,938 |
| Airport hangar | 295,989 | 295,887 |
| Geothermal wells | 13,036 | — |
| Brownfields | 11,582 | 2,925 |
| Total Operating Expenses | 505,632 | 493,750 |
| Operating Income | 2,009,936 | 646,522 |
| **Non-Operating Revenues** | | |
| Interest income | 8,263 | 10,456 |
| Income before other revenues, gains losses and transfers | 2,018,199 | — |
| Transfers to primary government | (280,158) | — |
| **Change in Net Position** | 1,738,041 | 656,978 |
| **Net Position, Beginning of Year** | 13,206,206 | 12,549,228 |
| **Net Position, End of Year** | $ 14,944,247 | $ 13,206,206 |

# Tulsa Industrial Authority

(a Component Unit of the City of Tulsa, Oklahoma)

**Statements of Cash Flows**

**For the Years Ended June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Administrative fee income | $ 30,951 | $ 203,726 |
| Grant income | 2,912,089 | 1,063,675 |
| Other income | 35,241 | 20,225 |
| Payments to suppliers and employees | (616,975) | 177,190 |
| Net Cash provided by operating activities | 2,361,306 | 1,464,816 |
| **Cash Flows from Investing Activities** | | |
| Interest income | 8,263 | 10,456 |
| Proceeds for sales and maturities of investments | 522,964 | 669,727 |
| Purchases of investments | (432,046) | (679,766) |
| Net cash provided by investing activities | 99,181 | 417 |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Acquisition of capital assets | (2,169,218) | (977,163) |
| Transfers in from primary government | - | 17,628 |
| Net cash used in financing activities | (2,169,218) | (959,535) |
| **Net increase in cash** | 291,269 | 505,698 |
| **Cash at beginning of year** | 712,291 | 206,593 |
| **Cash at year end** | $ 1,003,560 | $ 712,291 |
| **Reconciliation of Decrease in Net Position to Net Cash Used in Operating Activities** | | |
| Operating income | $ 1,729,778 | $ 646,522 |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation | 289,238 | 276,099 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 462,713 | (413,795) |
| Other current assets | 29 | 610 |
| Deferred revenue | 288,227 | 561,149 |
| Accounts payable | (408,679) | 394,231 |
| Total Adjustments | 631,528 | 818,294 |
| Net cash provided by operating activities | $ 2,361,306 | $ 1,464,816 |

# Tulsa Industrial Authority

(a Component Unit of the City of Tulsa, Oklahoma)

**Statements of Cash Flows**

**For the Years Ended June 30, 2012 and 2011**

(Continued)

| | 2012 | 2011 |
|---|---|---|
| **Cash Consists of the following at June 30** | | |
| Cash | $ 85,007 | $ 123,940 |
| Cash - restricted | 918,553 | 588,351 |
| Total cash | $ 1,003,560 | $ 712,291 |

# Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
**Notes to Financial Statements**
**June 30, 2012 and 2011**

## Note 1: Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows.

### ***Background***

Tulsa Industrial Authority (the Authority), is a public trust created under Section 176, Title 60 of the Oklahoma Statutes and Oklahoma Trust Act. The primary purpose of the Authority is to promote economic development within and near Tulsa, Oklahoma through financing of various facilities. Its activities primarily consist of arranging financing to industrial, commercial and other organizations.

The Authority is a component unit to the City of Tulsa's financial reporting entity. The Trust indenture was created in 1969 with the City of Tulsa as the beneficiary, and the Metropolitan Tulsa Chamber of Commerce as Trustor. The trustees include the Mayor of the City of Tulsa and seven additional trustees appointed by the Mayor subject to the approval of the City Council of the City of Tulsa.

The Authority's obligations are generally secured by a pledge of all receipts received under the lease and loan agreements and by a mortgage on the related property acquired. These obligations are of a limited recourse nature in that the rights and remedies of the Authority's lenders are specifically limited to the security given by the Authority. As a result, these transactions are considered conduit debt and are not recorded as an asset or obligation on the Authority's balance sheet.

### ***Basis of Presentation***

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expense, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Investment income is included in nonoperating revenues and expenses.

The Authority prepares its financial statements as a business-type activity in conformity with applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Authority is considered a "special purpose government" involved in business type activities as defined in Governmental Accounting Standards Board No. 34.

## Note 1: Summary of Significant Accounting Policies (Continued)

### ***Receivables***

Receivables primarily represent amounts due from administrative fees. A receivable is considered past due if any portion of the receivable balance is outstanding past terms. The Authority has historically not experienced significant uncollectible accounts and has therefore, provided no allowance for doubtful accounts. The Authority typically does not charge interest or require collateral on receivables.

### ***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### ***New Accounting Pronouncements:***

The Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

### ***Financial Statement Presentation***

Net position is displayed in three components:

1) Invested in Capital Assets, net of related debt
This component of net assets includes restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes that are attributable to the acquisition, construction or improvements of those assets.

2) Restricted net assets
This component consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws or regulations, or law through constitutional provisions or enabling legislation.

3) Unrestricted Net Assets
This component consists of all other net assets that do not meet the definition of 'restricted' or 'invested in capital assets, net of related debt.' The Authority's policy is to first apply unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available. The Authority's Board of Trustees has designated $500,000 of unrestricted net assets for Brownfields projects.

## Note 1: Summary of Significant Accounting Policies (Continued)

### ***Capital Assets***

Government Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* requires governmental entities to depreciate all capital assets, except certain nondepreciable assets such as land and construction in progress.

Capital assets are reported at historical cost. Donated capital assets are valued at the estimated fair value at the date of donation. All items with estimated useful lives beyond one year are depreciated principally under the straight-line method. Depreciation expense was $289,238 and $276,099 for June 30, 2012 and 2011 respectively. Maintenance and repairs are charged to operations when incurred and improvements are capitalized.

The Authority's capitalized furniture and fixtures is depreciated using the straight-line method over estimated useful lives ranging from five (5) to seven (7) years.

The Authority's capitalized building is depreciated using the straight-line method over estimated useful lives ranging from twenty (20) to forty (40) years.

The Authority's capitalized equipment is depreciated using the straight-line method over estimated useful lives ranging from five (5) to ten (10) years.

### ***Capital Projects***

The Authority's net position has restricted assets for the completion of their capital projects which consists of street-scraping that will be transferred to the city.

### ***Classification of Revenue and Expenses***

All revenues and expenses are defined as all revenue sources and uses directly related to the mission of the Authority and are defined according to the following criteria.

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as administrative fee income, bond redemption and grant revenue.

Nonoperating revenue: Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows and Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments investment income.

## Note 2: Capital Asset Activity

Capital asset activity for the Authority for the year ended June 30, 2012 and 2011 was:

| | Balance at June 30, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|---|---|---|---|---|
| Construction in Progress | $ 959,535 | $ | $ (959,535) | $ - |
| Geothermal Well | | 3,128,753 | — | 3,128,753 |
| Buildings | 11,039,548 | — | — | 11,039,548 |
| Equipment | 3,982 | — | — | 3,982 |
| Furniture & Fixtures | 9,076 | — | — | 9,076 |
| Total capital assets being depreciated | 12,012,141 | 3,128,753 | (959,535) | 14,181,359 |
| Less accumulated depreciation | (495,181) | (289,238) | — | (784,419) |
| Capital Assets, Net | $ 11,516,960 | $ 2,839,515 | $ (959,535) | $ 13,396,940 |

| | Balance at June 30, 2010 | Additions | Deletions | Balance at June 30, 2011 |
|---|---|---|---|---|
| Construction in Progress | $ — | $ 959,535 | $ — | $ 959,535 |
| Buildings | 11,039,548 | — | — | 11,039,548 |
| Equipment | 3,982 | — | — | 3,982 |
| Furniture & Fixtures | 9,076 | — | — | 9,076 |
| Total capital assets being depreciated | 11,052,606 | 959,535 | — | 12,012,141 |
| Less accumulated depreciation | (219,082) | (276,099) | — | (495,181) |
| Capital Assets, Net | $ 10,833,524 | $ 683,436 | $ — | $ 11,516,960 |

## Note 3: Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and time deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation. All bank deposits at June 30, 2012, were insured.

## Note 4: Tax-Exempt Status

The Authority is recognized as a subdivision of the State of Oklahoma and is therefore not subject to income taxes.

## Note 5: Deposits

The Authority has a deposit policy for addressing the exposure to custodial credit risk. The Authority's bank balances as of June 30, 2012 and 2011 were both entirely collateralized with a letter of credit from the custodial bank.

*Custodial Credit Risk:* Exposure to custodial credit risk related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement.

Investment maturities were as follows at June 30, 2012 and 2011 respectively:

| | | Investment Maturities (in Years) | | | | |
|---|---|---|---|---|---|---|
| 2012 Investment Type | Fair Market | Not Applicable | Less Than One | One to Five | Six to Ten | More Than Ten |
| Certificates of Deposit | 249,952 | 249,952 | — | — | — | — |
| Money Market | 1,229,789 | 1,229,789 | — | — | — | — |
| | $ 1,479,741 | $ 1,479,741 | $ — | $ — | $ — | $ — |

| | | Investment Maturities (in Years) | | | | |
|---|---|---|---|---|---|---|
| 2011 Investment Type | Fair Market | Not Applicable | Less Than One | One to Five | Six to Ten | More Than Ten |
| Certificates of Deposit | 679,766 | 679,766 | — | — | — | — |
| Money Market | 890,893 | 890,893 | — | — | — | — |
| | $ 1,570,659 | $ 1,570,659 | $ — | $ — | $ — | $ — |

## Note 6: Conduit Debt

The notes and bonds issued by the Authority are special and limited obligations of the Authority; payable solely out of revenues derived from and in connection with the underlying loan agreements and the underlying security provided under the loan agreements. The Authority or any political subdivision thereof is not obligated in any manner for repayment of the notes and bonds. Accordingly, the notes and bonds are not reported as liabilities in the accompanying financial statements nor are the related investments reported as assets.

The aggregate outstanding principal balances due on these notes and bonds are approximately $167 million and $180 million at June 30, 2012 and 2011 respectively.

## Note 6: Conduit Debt (Continued)

The Authority loans the proceeds from notes and bonds to organizations or the Authority leases the facilities acquired with the proceeds to the organizations under financing lease arrangements providing for transfer of the property to such organizations at the end of the lease.

The Authority as a conduit bond issuer has had outstanding issues which have been in default in the payment of principal and interest. Since the notes and bonds issued by the Authority are only limited obligations of the Authority as noted above, the Authority has not incurred any losses as a result of these defaults. Series 1999B is in default as of June 30, 2009 and there are no other outstanding issues in default as of June 30, 2012 and 2011, respectively.

## Note 7: Leases

On June 6, 2008, the Authority signed a sublease agreement with Tulsa Airports Improvements Trust (TAIT) to lease certain lands. The agreement commenced with the completion of the construction of the Hangar in October of 2009 for a minimum of 10 years. Scheduled payments will be $20,000 per year for the first 5 (five) years and the standard ground lease rate for TAIT will be implemented for the remaining 5 years.

On June 6, 2008, the Authority also signed a sublease agreement with American Airlines (AA) to lease the Hangar and land to AA. The agreement commenced with the completion of the construction of the Hangar in October of 2009 for a minimum of 10 years. Scheduled payments from AA to the Authority will be $20,000 per year for the first 5 (five) years and the standard ground lease rate will be implemented for the remaining 5 years. There are covenants that provide TIA the option to terminate the agreement or increase the rent for the remainder of the term to a market rate as determined by TAIT, if certain conditions are not met.

## Note 8: Subsequent Events

Subsequent events have been evaluated through August 31, 2012, which is the date the financial statements were issued.

On August 23, 2012, the Authority signed an Assignment and Lease Agreement with the George Kaiser Family Foundation (GKFF). TIA is the Lessee of certain real estate in Tulsa County, Oklahoma, commonly known as the Guthrie Green Park (Park Property). Over and across the Park Property, TIA has constructed certain improvements consisting of a geothermal well field and solar energy panel system consisting of underground piping and other appurtenances and facilities supporting ground source heat pump heating and cooling systems for adjoining buildings. The term is effective beginning on August 23, 2012 and expires July 31, 2062 for the sum of One Dollar ($1.00).

On August 23, 2012, the Authority signed a Ground Lease Agreement with the George Kaiser Family Foundation (GKFF) that provides GKFF the right of occupancy of the Real Property that will be granted and assigned back to GKFF. The term is effective beginning on

## Note 8: Subsequent Events (Continued)

August 1, 2012 and expires July 31, 2062. TIA agrees to pay to GKFF as rental for the use and occupancy of the Real Property the sum of One Dollar ($1.00) per year, due in advance for the entire lease term. GKFF and TIA agree and recognize that the token rental amount is set in recognition of the fact that the Ground Lease is entered into in order to facilitate the construction, lease-back and operation of the geothermal well field on the real property pursuant to the terms of a separate lease agreement.

## Note 9: Related Party Transactions

The Authority transferred non-cash capital expenditures to the City of Tulsa in the amount of $280,158 and $0 as of June 30, 2012 and 2011 respectively.

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

Board of Trustees
Tulsa Industrial Authority
Tulsa, Oklahoma

We have audited the basic financial statements of Tulsa Industrial Authority (the Authority) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 31, 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

Management of Tulsa Industrial Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tulsa Industrial 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 expressing an opinion on the effectiveness of Tulsa Industrial Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tulsa 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 combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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## Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, and the United States Department of Energy and the State of Oklahoma Department of Commerce, and is not intended to be, and should not be, used by anyone other than these specified parties.

Hinkle & Company, PC

Tulsa, Oklahoma
August 31, 2012

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**Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards**

Board of Trustees
Tulsa Industrial Authority
Tulsa, Oklahoma

**Compliance**

We have audited the compliance of Tulsa Industrial Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements referred to above, is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on a major federal program indentified in the Schedule of Findings and Questioned Costs. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Tulsa Industrial Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the United States Department of Energy, State of Oklahoma Department of Commerce, State Energy Program for the year ended June 30, 2012.

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**Internal Control over Compliance**

The management of Tulsa Industrial Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance 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 non-compliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is more than a reasonable possibility that material non-compliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

**Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Tulsa Industrial Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated August 31, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, and the United States Department of Energy and the State of Oklahoma Department of Commerce, and is not intended to be, and should not be, used by anyone other than these specified parties.

Hinkle & Company, PC

Tulsa, Oklahoma
August 31, 2012

# Tulsa Industrial Authority
## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2012

| Federal Grantor/Pass-through Grantor Program Title | Federal CFDA Number | Expenditures |
|---|---|---|
| **U.S. Department of Energy** | | |
| Passed through Oklahoma Department of Commerce | | |
| Stimulus State Energy Program - 14563 SSEP-09 | 81.041 ARRA | 2,036,850 |
| **Total Expenditures of Federal Awards** | | $ 2,036,850 |

# Tulsa Industrial Authority
## Notes to Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2012

### Note 1: Summary of Significant Accounting Policies

The schedule of expenditures of federal awards includes the federal awards activity of Tulsa Industrial Authority (the Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of, the basic financial statements.

### Note 2: Subrecipients

During the year ended June 30, 2012, the Authority did not provide any federal awards to sub-recipients.

# Tulsa Industrial Authority
## Schedule of Findings and Questioned Costs
## Year Ended June 30, 2012

***Summary of Auditors' Results***

1. The opinion expressed in the independent accountants' report was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No

7. The College's major program was:

| Program/Cluster | CFDA Number |
|---|---|
| Stimulus State Energy Program | 81.041 ARRA |

8. A threshold of $300,000 was used to distinguish between Type A and Type B programs as those terms defined by OMB Circular A-133.

9. The Authority qualifies as a low-risk auditee as defined by OMB Circular A-133.

***Findings Required to be Reported by Government Auditing Standards***

No matters are reportable.

***Findings Required to be Reported by OMB Circular A-133***

No matters are reportable.

# Tulsa Industrial Authority
## Summary Schedule of Prior Audit Findings
## Year Ended June 30, 2012

No matters were reportable for the year ended June 30, 2012.