

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

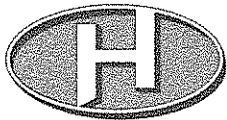
June 30, 2013 and 2012



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2013 and 2012

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**Independent Auditor's Report
on Financial Statements**

Board of Trustees
Tulsa Industrial Authority
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Industrial Authority as of and for the years ended June 30, 2013 and 2012, the related notes to the financial statements, which collectively, comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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.

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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 Tulsa Industrial Authority as of June 30, 2013 and 2012, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2013 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.

Hill & Company, PC

Tulsa, Oklahoma
August 23, 2013



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2013

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

	<u>2013</u>	<u>2012</u>
Current assets	\$ 1,812,124	\$ 2,488,830
Long term assets	<u>13,063,365</u>	<u>13,396,940</u>
Total Assets	\$ <u>14,875,489</u>	\$ <u>15,885,770</u>
 Total Liabilities	 \$ <u>453,939</u>	 \$ <u>941,523</u>
 Net position, invested in capital assets	 13,063,365	 13,396,940
Net position, restricted for capital projects	152,735	69,177
Net position, unrestricted	<u>1,205,450</u>	<u>1,478,130</u>
 Total Liabilities and Net Position	 \$ <u>14,875,489</u>	 \$ <u>15,885,770</u>

For the year ended June 30, 2013 the significant changes incurred as a result of the completion of the streetscaping 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 streetscaping phase was completed during this year.

The current assets have decreased by 27% as a result of the net effect of a reduction in the cash-restricted, due to the completion of the streetscaping phase and the use of short-term investments to fund operations.

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Management's Discussion and Analysis
June 30, 2013

Financial Statements (Continued)

Long-term assets have decrease with the realization of depreciation on fixed assets.

The liabilities reflect an 52% decrease from the reduction in deferred revenue of streetscaping funds.

Both the 2013 and 2012 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

	<u>2013</u>	<u>2012</u>
Revenues		
Fee income	\$ 28,483	\$ 30,951
Other income	67,904	15,241
Airport hangar revenue	20,000	20,000
Geothermal project	<u>1,970,401</u>	<u>2,449,376</u>
Total Operating Revenue	\$ <u>2,086,788</u>	\$ <u>2,515,568</u>
Expenses		
Industrial development	\$ 257,768	\$ 185,025
Airport hangar	296,000	295,989
Geothermal wells	62,575	13,036
Brownfields	<u>32,852</u>	<u>11,582</u>
Total Expenses	\$ <u>649,195</u>	\$ <u>505,632</u>
Operating Income (Loss)	1,437,593	2,009,936
Non operating Income	4,899	8,263
Transfers to primary government	<u>(1,965,189)</u>	<u>(280,158)</u>
Change in Net Position	(522,697)	1,738,041
Net Position, Beginning of Year	<u>14,944,247</u>	<u>13,206,206</u>
Net Position, End of Year	\$ <u>14,421,550</u>	\$ <u>14,944,247</u>

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2013

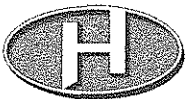
Financial Statements (Continued)

Geothermal project revenue decreased as a result of the completion of the geothermal well phase of the Geothermal Project.

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
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Statements of Net Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 33,393	\$ 85,007
Cash-restricted	438,167	918,553
Investments	424,557	1,479,741
Pooled Investments	902,298	—
Accounts receivable	8,638	452
Grants receivable	—	—
Other	5,071	5,077
Total Current Assets	<u>1,812,124</u>	<u>2,488,830</u>
Capital Assets		
Buildings	11,039,548	11,039,548
Equipment	3,982	3,982
Furniture and fixtures	9,076	9,076
Geothermal project	3,133,553	3,128,753
Accumulated depreciation	<u>(1,122,794)</u>	<u>(784,419)</u>
Fixed Assets, Net	<u>13,063,365</u>	<u>13,396,940</u>
Total Assets	\$ <u>14,875,489</u>	\$ <u>15,885,770</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 168,477	\$ 92,147
Unearned revenue	<u>285,462</u>	<u>849,376</u>
Total Current Liabilities	<u>453,939</u>	<u>941,523</u>
Net Position		
Net Investment in capital assets	13,063,365	13,396,940
Restricted for capital projects	152,735	69,177
Unrestricted	<u>1,205,450</u>	<u>1,478,130</u>
Total Net Position	<u>14,421,550</u>	<u>14,944,247</u>
Total Liabilities and Net Position	\$ <u>14,875,489</u>	\$ <u>15,885,770</u>



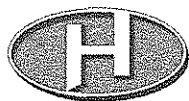
Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Industrial development activities		
Administrative fee income	\$ 28,483	\$ 30,951
Other income	67,904	15,241
Airport hangar revenue	20,000	20,000
Geothermal project	<u>1,970,401</u>	<u>2,449,376</u>
 Total Operating Revenues	 <u>2,086,788</u>	 <u>2,515,568</u>
Operating Expenses		
Industrial development	257,768	185,025
Airport hangar	296,000	295,989
Geothermal project	62,575	13,036
Brownfields	<u>32,852</u>	<u>11,582</u>
 Total Operating Expenses	 <u>649,195</u>	 <u>505,632</u>
 Operating Income	 1,437,593	 2,009,936
Non-Operating Revenues		
Investment income	<u>4,899</u>	<u>8,263</u>
 Income before other revenues, gains losses and transfers	 1,442,492	 2,018,199
 Transfers to primary government	 <u>(1,965,189)</u>	 <u>(280,158)</u>
 Change in Net Position	 (522,697)	 1,738,041
 Net Position, Beginning of Year	 <u>14,944,247</u>	 <u>13,206,206</u>
 Net Position, End of Year	 \$ <u>14,421,550</u>	 \$ <u>14,944,247</u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

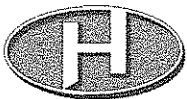
	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Administrative fee income	\$ 28,483	\$ 30,951
Cash received from grants	1,962,215	2,912,089
Cash received from other sources	99,000	35,241
Payments to suppliers and employees	<u>(2,763,587)</u>	<u>(616,975)</u>
Net Cash provided by operating activities	<u>(673,889)</u>	<u>2,361,306</u>
Cash Flows from Investing Activities		
Investment income	56	8,263
Proceeds for sales and maturities of investments	146,633	522,964
Purchases of investments	<u>-</u>	<u>(432,046)</u>
Net cash provided by investing activities	<u>146,689</u>	<u>99,181</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	<u>(4,800)</u>	<u>(2,169,218)</u>
Net cash used in financing activities	<u>(4,800)</u>	<u>(2,169,218)</u>
Net increase (decrease) in cash	(532,000)	291,269
Cash at beginning of year	<u>1,003,560</u>	<u>712,291</u>
Cash at year end	\$ <u><u>471,560</u></u>	\$ <u><u>1,003,560</u></u>
Reconciliation of Decrease in Net Position to Net Cash Used in Operating Activities		
Operating income	\$ (516,500)	\$ 1,729,778
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	338,375	289,238
Changes in operating assets and liabilities		
Accounts receivable	(8,186)	462,713
Other current assets	6	29
Deferred revenue	(563,914)	288,227
Accounts payable	<u>76,330</u>	<u>(408,679)</u>
Total Adjustments	<u>(157,389)</u>	<u>631,528</u>
Net cash provided by operating activities	\$ <u><u>(673,889)</u></u>	\$ <u><u>2,361,306</u></u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

(Continued)

	<u>2013</u>	<u>2012</u>
Cash Consists of the following at June 30		
Cash	\$ 33,393	\$ 85,007
Cash - restricted	<u>438,167</u>	<u>918,553</u>
 Total cash	 <u>\$ 471,560</u>	 <u>\$ 1,003,560</u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2013 and 2012

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 Accounting and 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 non-operating revenues and expenses.

The financial statements of the Authority are prepared in accordance with generally accepted account principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables

Receivables primarily represent amounts due to 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.

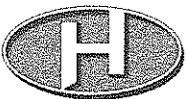
Estimates

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

Financial Statement Presentation

Net position is displayed in three components:

- 1) **Invested in Capital Assets**
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.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2013 and 2012

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 non-depreciable 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, 2013 and 2012 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 (50) 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.

Non-operating revenue: Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts and contributions, and other revenue sources that are defined as non-operating 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.



Tulsa Industrial Authority
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Notes to Financial Statements
June 30, 2013 and 2012

Note 2: Capital Asset Activity

Capital asset activity for the Authority for the year ended June 30, 2013 and 2012 was:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Geothermal Well	3,128,753	4,800	—	3,133,553
Buildings	11,039,548	—	—	11,039,548
Equipment	3,982	—	—	3,982
Furniture & Fixtures	9,076	—	—	9,076
Total capital assets being depreciated	14,181,359	4,800	—	14,186,159
Less accumulated depreciation	(784,419)	(338,375)	—	(1,122,794)
Capital Assets, Net	<u>\$ 13,396,940</u>	<u>\$ (333,575)</u>	<u>\$ —</u>	<u>\$ 13,063,365</u>

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

Note 3: Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and maintained at financial institutions insured by the Federal Deposit Insurance Corporation. All bank deposits at June 30, 2013, were insured.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2013 and 2012

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: Cash Deposits and Investments

At June 30, 2013, the pooled cash and investments amounted to \$902,298. During fiscal year 2013, these amounts were pooled with the City of Tulsa and were collateralized by securities that were held by the pledging financial institution or by its trust department or agent in the City of Tulsa's name. The Authority follows the provisions of GASB Statement No. 31, "Certain Investments and External Investment Pools," which requires governmental entities to report investments at fair value in the statement of net position. During the year ended June 30, 2013, the Authority experienced a net decrease in the fair value of investments of \$6,253.

Interest Rate Risk - In accordance with the City's investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City's pooled investment portfolio is 1.80 years.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority utilizes the City of Tulsa's investment policy to limit its exposure to credit risks. The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2013 the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ by Moody's and Standard & Poor's, respectively.

Custodial Credit Risk – The City's investment policy requires that demand deposits be collateralized at least by 110% of the amounts that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City's approval and release of the security. Certificates of deposit are, according to the City's investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2013, none of the deposits in the pooled portfolio were exposed to custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All safekeeping receipts for investment instruments are held in accounts in the City's name and all securities are registered in the City's name, therefore, none of the Authority's investments as of June 30, 2013 were exposed to custodial credit risk.



Tulsa Industrial Authority
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Notes to Financial Statements
June 30, 2013 and 2012

Note 5: Cash Deposits and Investments (continued)

Investments include the following with maturities at June 30, 2013 and 2012 respectively:

2013 Investment Type	Fair Market	Investment Maturities (in Years)				
		Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Money Market	<u>424,557</u>	<u>424,557</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	\$ <u>424,557</u>	\$ <u>424,557</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>

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

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 \$147 million and \$167 million at June 30, 2013 and 2012 respectively.

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, 2013 and 2012, respectively.



Tulsa Industrial Authority
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Notes to Financial Statements
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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.

The lease payment schedule for the next five years is as follows:

2014	\$ 20,000
2015	20,000
2016	20,000
2017	20,000
2018	20,000

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 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.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2013 and 2012

Note 8: Subsequent Events

The Authority has evaluated subsequent events through August 23, 2013, which is the date the financial statements were issued.

Note 9: Related Party Transactions

The Authority transferred non-cash capital expenditures to the City of Tulsa in the amount of \$1,965,189 and \$280,158 as of June 30, 2013 and 2012 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tulsa Industrial Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Tulsa Industrial Authority's basic financial statements, and have issued our report thereon dated August 23, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Hill & Company, PC

Tulsa, Oklahoma
August 23, 2013

