Tulsa Industrial Authority

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

June 30, 2016 and 2015

Tulsa Industrial Authority

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

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HINKLE & COMPANY PC
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Independent Auditors' 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, 2016 and 2015, 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.

Auditors' 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 auditors' 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, 2016 and 2015, 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 *ii* 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 October 31, 2016 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.

Hibbs & Company, pc

Tulsa, Oklahoma
October 31, 2016

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2016

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.

Condensed Statements of Net Position

	2016	2015
Current assets	$ 1,254,372	$ 1,448,629
Capital assets	12,047,640	12,386,215
Total Assets	$ 13,302,012	$ 13,834,844
Current Liabilities	$ 326,794	$ 367,730
Net position, invested in capital assets	12,047,640	12,386,215
Net position, restricted for capital projects	-	-
Net position, unrestricted	927,578	1,080,899
Total Liabilities and Net Position	$ 13,302,012	$ 13,834,844

For the year ended June 30, 2016 liquidity decreased as no significant new sources of revenue where obtained during the year. Assets have decreased as a result of current year operations being funded primarily with cash and investments.

Both the 2016 and 2015 unrestricted net position includes $500,000 designated by the Board of Trustees for use in the Brownfields Redevelopment Program.

Management Discussion and Analysis (Continued)

Statements of Revenues, Expenses, and Changes in Net Position

	2016	2015
Operating Revenue	$ 148,548	$ 329,101
Operating Expenses	654,235	626,802
Operating Income (Loss)	(505,687)	(297,701)
Non-operating Income	13,791	314,731
Transfers to primary government	-	(503,987)
Change in Net Position	$ (491,896)	$ (486,957)

Operating revenue and non-operating income decreased as a result of a streetscaping project that was completed in the prior year.

The Change in Net Position includes $338,575 and $338,575 for 2016 and 2015, respectively, of depreciation expense for the Airport Hangar and the Geothermal Wells. The negative Change in Net Position net of the depreciation is funded with cash and investments.

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash	$ 57,435	$ 49,594
Cash-restricted	280,104	246,155
Investments	1	121,438
Pooled Investments	887,454	924,087
Accounts receivable	418	78,394
Other	28,960	28,961
Total Current Assets	1,254,372	1,448,629
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	3,133,553
Accumulated depreciation	(2,138,519)	(1,799,944)
Fixed Assets, Net	12,047,640	12,386,215
Total Assets	$ 13,302,012	$ 13,834,844
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 11,200	$ 50,330
Accrued expenses	6,610	8,416
Unearned revenue	308,984	308,984
Total Current Liabilities	326,794	367,730
Net Position		
Net Investment in capital assets	12,047,640	12,386,215
Unrestricted	927,578	1,080,899
Total Net Position	12,975,218	13,467,114
Total Liabilities and Net Position	$ 13,302,012	$ 13,834,844

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, 2016 and 2015

	2016	2015
Operating Revenues		
Industrial development activities		
Administrative fee income	$ 17,988	$ 34,340
New fee income	15,000	—
Other income	—	3,091
Airport hangar revenue	115,560	91,670
Grant revenue	—	200,000
Total Operating Revenues	148,548	329,101
Operating Expenses		
Industrial development activities	195,850	193,946
Airport hangar	391,560	367,670
Geothermal project	62,575	62,575
Brownfields	4,250	2,611
Total Operating Expenses	654,235	626,802
Operating Income	(505,687)	(297,701)
Non-Operating Revenues		
Transfers from other authority	—	303,987
Investment income	13,791	10,744
Total Non-Operating Revenues	13,791	314,731
Transfers to primary government	—	(503,987)
Change in Net Position	(491,896)	(486,957)
Net Position, Beginning of Year	13,467,114	13,954,071
Net Position, End of Year	$ 12,975,218	$ 13,467,114

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Administrative fee income	$ 16,182	$ 58,230
Cash received from grants		
Cash received from other sources	208,536	228,662
Payments to suppliers and employees	(354,789)	(275,123)
Net Cash provided by operating activities	(130,071)	11,769
Cash Flows from Investing Activities		
Investment income	12,928	11,032
Proceeds for sales and maturities of investments	158,933	115,207
Transfer from other authority		303,987
Transfer to primary government		(503,987)
Net cash provided by investing activities	171,861	(73,761)
Net decrease in cash	41,790	(61,992)
Cash at beginning of year	295,749	357,741
Cash at year end	$ 337,539	$ 295,749
Reconciliation of Decrease in Net Position to Net Cash Used in Operating Activities		
Operating income	$ (505,687)	$ (297,701)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	338,575	338,575
Changes in operating assets and liabilities		
Accounts receivable	77,976	(74,515)
Accrued expenses	(1,806)	8,416
Deferred revenue		23,890
Accounts payable and prepaid	(39,129)	13,104
Total Adjustments	375,616	309,470
Net cash provided by operating activities	$ (130,071)	$ 11,769

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

(Continued)

	2016	2015
Cash Consists of the following at June 30		
Cash	$ 57,435	$ 49,594
Cash - restricted	280,104	246,155
Total cash	$ 337,539	$ 295,749

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 accounting 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.

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.

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 $338,575 and $338,575 for June 30, 2016 and 2015 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents reported on the statement of net position includes both the amounts deposited within the City's cash and investment pool, and other cash and cash equivalents.

Cash and cash equivalents balances, other than petty cash and investments, are pooled with the City's cash and investments and invested by the City's Treasurer. The Authority's cash and cash equivalents are recorded at the net asset value of their position in the City's pool.

Interest income from the City's pool is allocated monthly based on the percentage of the Authority's average daily equity in the pooled portfolio to the total average daily pooled portfolio balance. Changes in estimated fair value of pooled investments are allocated annually based on the percentage of the Authority's portfolio balance at June 30.

For purposes of reporting cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased, along with amounts held in the City's internal pool, to be cash equivalents.

The amounts held in the City's internal pool are considered to be liquid as they are available to be withdrawn on demand, with no redemption restrictions.

Note 2: Capital Asset Activity

Capital asset activity for the Authority for the year ended June 30, 2016 was:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Geothermal Well	$ 3,133,553	$ —	$ —	$ 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	14,186,159	—	—	14,186,159
Less accumulated depreciation	(1,799,944)	(338,575)	—	(2,138,519)
Capital Assets, Net	$ 12,386,215	$ (338,575)	$ —	$ 12,047,640

Note 2: Capital Asset Activity (Continued)

Capital asset activity for the Authority for the year ended June 30, 2015:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Geothermal Well	$ 3,133,553	$ —	$ —	$ 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	14,186,159	—	—	14,186,159
Less accumulated depreciation	(1,461,369)	(338,575)	—	(1,799,944)
Capital Assets, Net	$ 12,724,790	$ (338,575)	$ —	$ 12,386,215

Note 3: Cash and Cash Equivalents

Cash deposits of the Authority are maintained within the City's pooled cash and investment accounts. The City's portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2016 and 2015, the Authority maintained balances of $887,454 and $924,087, respectively, in the City's portfolio which represented 0.17% and 0.14% ownership, respectively, of the City's pool.

The City's cash and investments pool is collateralized by securities held by the City or its agent in the City's name as of June 30, 2016 and June 30, 2015.

Please refer to the City's Comprehensive Annual Financial Report for additional information on the City's pooled cash and investments, including required disclosures of risks and fair value measurement techniques. A copy of the City's separately-issued report can be obtained online at www.cityoftulsa.org.

Deposits with banks and financial institutions are carried at cost. The table presented below is designed to disclose the level of custody credit risk assumed by the Organization based upon how its deposits were insured or secured with collateral at June 30, 2016 and 2015. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized by securities held by the Organization or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Category 3 – Deposits which are not collateralized or insured.

Note 3: Cash and Cash Equivalents (Continued)

A summary of the deposits at June 30, 2016 consisted of the following:

	June 30, 2015				
Type of Deposits	Total Bank Balance	Custody (Category 1)	Credit Risk (Category 2)	Uninsured (Category 3)	Carrying Value
Demand Deposits					
Operating Account	$ 57,367	$ —	$ —	$ —	$ 57,367
Geothermal Project	887,454	—	—	—	$ 887,454
Total Deposits	$ 944,821	$ —	$ —	$ —	$ 944,821

A summary of the deposits at June 30, 2015 consisted of the following:

	June 30, 2014				
Type of Deposits	Total Bank Balance	Custody (Category 1)	Credit Risk (Category 2)	Uninsured (Category 3)	Carrying Value
Demand Deposits					
Operating Account	$ 49,594	$ —	$ —	$ —	$ 49,594
Geothermal Project	924,087	—	—	—	$ 924,087
Total Deposits	$ 973,681	$ —	$ —	$ —	$ 973,681

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, 2016 and 2015, the pooled cash and investments amounted to $884,849 and $922,345, respectively. 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, 2016, the Authority experienced a net decrease in the fair value of investments of $36,633. During the year ended June 30, 2015, the Authority experienced a net increase in the fair value of investments of $9,119.

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.

Note 5: Cash Deposits and Investments (Continued)

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, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015 were exposed to custodial credit risk.

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 $134 million and $170 million at June 30, 2016 and 2015 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, 2016 and 2015, 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.

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

2016	$ 115,560
2017	115,560
2018	115,560
2019	115,560
2020	115,560

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.

Note 8: Subsequent Events

The Authority has evaluated subsequent events through October 31, 2016, which is the date the financial statements were issued.

HINKLE & COMPANY PC
Strategic Business Advisors

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, 2016, 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 October 31, 2016.

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.

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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.

Hibbs & Company, PC

Tulsa, Oklahoma
October 31, 2016