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UNIVERSITY CENTER AT TULSA AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2011 and 2010

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

UNIVERSITY CENTER AT TULSA AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University Center at Tulsa Authority

We have audited the accompanying statement of net assets of the University Center at Tulsa Authority (a proprietary enterprise fund) as of June 30, 2011 and 2010, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University Center at Tulsa Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University Center at Tulsa Authority as of June 30, 2011 and 2010, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of the University Center of Tulsa Authority's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis beginning on page 2 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Jay + Associates, P.C.

Tulsa, Oklahoma
November 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the basic financial statements of the University Center at Tulsa Authority (the "Authority") provides an overview of the financial activities for the fiscal year ended June 30, 2011. This information should be read in conjunction with the basic financial statements and the accompanying notes to the basic financial statements.

USING THIS REPORT

This report consists of a series of financial statements. The Statements of Net Assets provide information about the assets owned, liabilities owed, and net assets of the Authority as of June 30, 2011 and 2010. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statements of Revenues, Expenses and Changes in Net Assets provide information about revenues received and expenses incurred during the years and the resulting increase or decrease in net assets. All changes in net assets are reported in the fiscal year that the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, which may not occur until subsequent fiscal periods. The Statements of Cash Flows provide a breakdown by major category of actual cash received and disbursed by the Authority during the fiscal year. The Notes to the Basic Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). During fiscal 2007, the Authority adopted GASB Statement 40 and 42. Footnotes to the financial statements were updated accordingly.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$14.928 million at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (89%) reflects its investment in capital assets (e.g., land, land improvements, and buildings). The Authority utilizes these capital assets to promote the development of educational activities and facilities at Oklahoma State University-Tulsa. The remaining 11% of the Authority's net assets (\$1.570 million at June 30, 2011) are unrestricted and may be used to meet the Authority's ongoing obligations.

The Authority's net assets for the year ended June 30, 2011, decreased by \$243,845, most notably due to depreciation expense of \$420,962. Other changes in the Authority's financial position during fiscal 2011 included an increase of \$188,890 (13.7%) in cash and cash equivalents compared to fiscal 2010.

Net Assets June 30, 2011 and 2010

ASSETS	2011	2010
Current Assets	\$ 1,582,600	\$ 1,393,469
Capital Assets	13,357,905	13,778,867
TOTAL ASSETS	\$ 14,940,505	\$ 15,172,336
LIABILITIES:		
Current and other liabilities	12,112	98
Long-term liabilities	-	-
Total liabilities	12,112	98
NET ASSETS:		
Invested in capital assets	13,357,905	13,778,867
Unrestricted	1,570,488	1,393,371
Total net assets	14,928,393	15,172,238
TOTAL LIABILITIES & NET ASSETS	\$ 14,940,505	\$ 15,172,336

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS (continued)

The Authority's operating revenues increased by \$2,000 in fiscal 2011. Operating expenses decreased by \$115,350, while non-operating expenses decreased by \$23,992, compared to fiscal 2010.

Operations

Years Ended June 30, 2011 and 2010

	2011	2010
Operating income	(204,245)	(321,587)
Non-operating expenses—net	39,600	63,600
Income (loss) before capital contribution	(243,845)	(385,187)
Contributed capital	<u>-</u>	<u>-</u>
Net income (loss)	(243,845)	(385,187)
Beginning net assets	<u>15,172,238</u>	<u>15,557,425</u>
Total net assets	<u>\$ 14,928,393</u>	<u>\$ 15,172,238</u>

CAPITAL ASSETS AND LONG-TERM DEBT

As of June 30, 2011, the Authority's investment in capital assets was \$13.358 million, net of accumulated depreciation. This investment consists of land, land improvements and buildings. Total depreciation and amortization expense for fiscal year 2011 and in 2010 was \$420,962 for each year.

Economic Environment and Next Year's Budget

The Authority continues with a consistent revenue stream from the lease agreements with OSU-Tulsa, and in May 2011, started receiving income from OETA. A healthy reserve remains to address significant maintenance issues and other projects in the future. The FY 2012 Budget includes \$949,000 for an entryway project. According to the FY 2012 Budget approximately \$780,000 will remain in reserves at the end of the fiscal year.

University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Statements of Net Assets
June 30, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,573,319	\$ 1,384,429
Prepaid expense	9,281	9,040
Total Current Assets	1,582,600	1,393,469
LAND AND BUILDINGS, NET (Note 3)	13,357,905	13,778,867
TOTAL ASSETS	\$ 14,940,505	\$ 15,172,336
LIABILITIES:		
Accounts payable	12,015	-
Deferred revenue (Note 4)	97	98
TOTAL LIABILITIES	12,112	98
NET ASSETS:		
Invested in capital assets----net of related debt	13,357,905	13,778,867
Unrestricted	1,570,488	1,393,371
TOTAL NET ASSETS	14,928,393	15,172,238
TOTAL LIABILITY AND NET ASSETS	\$ 14,940,505	\$ 15,172,336

University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Statements of Revenues, Expenses and Changes in Net Assets
June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES:		
Lease rentals (Note 4)	\$ 525,829	\$ 523,829
Total operating revenues	525,829	523,829
OPERATING EXPENSES:		
Administrative expense	\$ 68,402	\$ 52,837
Insurance expense	18,321	19,258
Professional fees	15,925	6,750
Depreciation and amortization	420,962	420,962
Building and grounds	196,784	335,257
City of Tulsa scholarships	9,680	10,352
Total operating expenses	730,074	845,416
OPERATING INCOME/(LOSS)	(204,245)	(321,587)
NON-OPERATING REVENUE /(EXPENSES):		
Investment Income (Net Expense)	(600)	(600)
Expenses on behalf of OSU - Tulsa (Note 4)	(39,000)	(63,000)
Total non-operating expenses	(39,600)	(63,600)
INCOME (LOSS)	(243,845)	(385,187)
INCREASE (DECREASE) IN NET ASSETS	(243,845)	(385,187)
NET ASSETS BEGINNING OF YEAR	\$ 15,172,238	\$ 15,557,425
NET ASSETS - END OF YEAR	\$ 14,928,393	\$ 15,172,238

University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Statements of Cash Flows
June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from lease rentals	\$ 525,829	\$ 523,927
Cash paid to suppliers and vendors	<u>(297,109)</u>	<u>(423,275)</u>
Net cash provided by operating activities	<u>228,720</u>	<u>100,652</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Expenses incurred on behalf of OSU - Tulsa	<u>(39,830)</u>	<u>(63,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	<u>-</u>	<u>-</u>
INCREASE/(DECREASE) IN CASH AND INVESTMENTS	188,890	37,052
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,384,429</u>	<u>1,347,377</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,573,319</u>	<u>\$ 1,384,429</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ (204,245)	\$ (321,587)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Recognition of deferred lease revenue	(1)	98
Depreciation and amortization	420,962	420,962
(Increase)/Decrease in prepaid expense	(241)	1,179
Increase/(decrease) in accounts payable and accrued liabilities	<u>12,245</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 228,720</u>	<u>\$ 100,652</u>

**University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Notes to Financial Statements
For the Years Ended June 30, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The University Center at Tulsa Authority (the “Authority”), a proprietary enterprise fund, is a public trust created in 1985, with the City of Tulsa, Oklahoma as beneficiary. The purpose of the Trust is to promote the development of educational activities and facilities within and near the City of Tulsa, including specifically the University Center at Tulsa, which is now known as Oklahoma State University-Tulsa. Oklahoma State University-Tulsa (“OSU-Tulsa”) is a branch institution of Oklahoma State University (“OSU”) governed by the Board of Regents for Oklahoma Agricultural and Mechanical Colleges and the Oklahoma State Regents for Higher Education and the successor to Rogers University (“Rogers”) in Tulsa effective January 1, 1999. Rogers was the successor institution to the University Center at Tulsa for the period April 1996 through December 31, 1998. Assets that accrued from the beneficial interest provided by the Authority were transferred to OSU-Tulsa, and OSU-Tulsa assumed the benefits and obligations under the various lease agreements for the Authority’s campus facilities in Tulsa (Note 5). References to the “University” in these notes to the financial statements include OSU-Tulsa and Rogers as its predecessor institution.

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

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

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

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

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

**University Center at Tulsa Authority
(A Proprietary Enterprise Fund)
Notes to Financial Statements
For the Years Ended June 30, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- *Invested in capital assets, net of related debt*—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
- *Restricted net assets*—Consists of net assets with constraints placed on the use either by external groups, such as contributors, or by laws and regulations. Restricted net assets classified as nonexpendable represent amounts that are required to be retained in perpetuity, such as permanent endowments. Restricted net assets classified as expendable represent amounts for which the donor has specified the purpose for which the contributed net assets are to be used. The Authority had no restricted net assets at June 30, 2011.
- *Unrestricted net assets*—All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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

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

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

Deposits and Investments— As of June 30, 2011, the Authority had the following investments: JP Morgan US Treasury Plus Money Market Fund Premier Shares.

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

Credit Risk—The Operations Manager has historically chosen safe and secure investment options for the Authority, but there is no formal investment policy in place to restrict investment choices. As of June 30, 2011 and 2010, the Authority’s investment in the US Treasury Plus Money Market Fund was rated AAAM by Standard & Poor’s and Aaa by Moody’s Investors Service.

Concentration of Credit Risk—The Operations Manager has historically addressed the concentration of credit risk. However, there is no formal limit on the amount the Authority may invest in any one issuer. All of the Authority’s investments are in Money Market Funds and were invested in money market funds at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Uninsured and uncollateralized – JP Morgan US Treasury Plus Money Market Fund Premier Shares	\$1,568,364	\$1,379,414

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

Board of Trustees
University Center at Tulsa Authority

We have audited the financial statements of the University Center at Tulsa Authority (the "Authority") as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Jay + Associates, P.C.

Tulsa, Oklahoma

November 30, 2011