

Tulsa County Industrial Authority

Financial Statements

and

Report of Independent Certified Public Accountants

June 30, 2012 and 2011

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Report of Independent Certified Public Accountants

Board of Trustees
Tulsa County Industrial Authority
Tulsa, Oklahoma

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tulsa County Industrial Authority, Tulsa, Oklahoma, (the Authority) a component unit of Tulsa County, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2012 and 2011, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 results of that testing, and not to provide an opinion on the 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 considered in assessing the results of our audits.

Governmental accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-11 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary 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 basic 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.

Tulsa, Oklahoma
November 13, 2012

Stanfield & O'Sell P.C.

**Management's Discussion
And Analysis**

Management Discussion and Analysis

Management's discussion and analysis (MD&A) of Tulsa County Industrial Authority's (the Authority) financial performance provides an overview of the financial activities of the Authority for the fiscal years ending June 30, 2012, June 30, 2011, and June 30, 2010.

The Authority is a component unit of Tulsa County (the County) and is a public trust created under Oklahoma Statutes, Title 60. The Authority was created on March 1, 1965 and its beneficiary is Tulsa County should its purpose be fulfilled. The Authority is included as a blended unit in the government-wide financial statements of the County's Comprehensive Annual Financial Report.

The operations of the Authority are classified as governmental activities because of the capital projects that are being constructed under the 4 to Fix the County I and II and Vision 2025 voter initiatives. During fiscal year 2007, 2006, 2005, and 2003, approximately \$32 million, \$60 million, \$150 million, and \$242 million, respectively of Capital Improvement Revenue Bonds were issued to finance capital improvements for Vision 2025 projects. During fiscal years 2007 and 2006, \$47.09 million and \$12.91 million, respectively, of Capital Improvement Revenue Bonds were issued to finance capital improvements for 4 to Fix the County II projects. During fiscal year 2001, \$59 million of Capital Improvement Bonds were issued to finance capital improvements for 4 to Fix I. The Capital Improvement Revenue Bonds are to be repaid from monthly sales tax collections, a dedicated revenue source. These financing and investing activities define governmental activities not "business type" activities and focuses on current available financial resources, the near-term inflows and outflows of financial or spendable resources. The expenditure of capital outlay is for the benefit of Tulsa County, other municipalities, and other third parties.

Please review the MD&A in conjunction with the information presented in the accompanying financial statements.

Financial Highlights

- The change in net assets totaled \$41.6 million and \$35.4 for the fiscal year ended June 30, 2012 and 2011, respectively.
- Approximately \$0 and \$.8 million were spent during fiscal years ending June 30, 2012 and June 30, 2011, respectively, on "4 to Fix the County I" capital improvements; nearly \$61.5 million has been spent project-to-date on these capital improvements. The "4 to Fix the County I" projects are now 100% complete.
- Approximately \$3.3 million and \$9.3 million were spent during fiscal years ending June 30, 2012 and June 30, 2011, respectively, on "4 to Fix II" capital improvements; nearly \$56.9 million has been spent project-to-date on these capital improvements. The "4 to Fix II" projects are now approximately 89% complete when compared to the original budget.
- \$7.2 million and \$11.6 million were spent during fiscal years ending June 30, 2012 and June 30, 2011, respectively, on Vision 2025 capital improvements; nearly \$507 million has been spent project to date on these capital improvements. The Vision 2025 projects are now approximately 97.0% complete when compared to the original budget.
- The amount of outstanding conduit debt obligations as of June 30, 2012 and 2011 was \$627.8 million and \$679.6 million respectively. The amount of outstanding conduit debt obligations as of June 30, 2011 is \$43.8 million higher than the balance on June 30, 2010.

Other Information

Conduit Debt

From time to time, the Authority has issued industrial revenue bonds and other debt instruments that provide financial assistance to the private sector and other governmental entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds and notes are secured by the property financed, and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. No political subdivision (including the Authority and Tulsa County) is obligated in any manner for repayment of the bonds. Accordingly, the bonds and notes are not reported as assets or liabilities in the accompanying Authority's financial statements. Any fees assessed in financing third party conduit debt are recognized as revenue in the accompanying financial statements.

Overview of the Financial Statements

In accordance with Government Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis – for state and local governments, the Authority's financial statements must be presented under a full accrual basis of accounting and the economic resource measurement focus. Under this method of accounting, revenues are recognized when earned and expenses when incurred, irregardless of the related cash flows. The Authority's accrual basis financial statements presented in this report are the Statement of Net Assets and the Statement of Activities. The government-wide financial statements provide the long-term, economic perspective needed to complement the short-term financing perspective offered by the governmental funds.

The individual fund financial statements reported in subsequent pages reflect the activities of the Authority and are reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance. The individual funds used in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance are the General Fund, Capital Projects Fund and the Debt Service Fund. All financial activities are recorded in the funds using the modified accrual basis of accounting and the flow of current financial resources measurement focus. Under this basis of accounting, revenues are recognized when "measurable and available". Measurable means the amount of the transaction can be determined (capable of being expressed in dollar terms) and available means collectible within the current period or soon enough thereafter to be used to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Under the flow of current financial resources, only current assets and current liabilities are recognized on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance includes only net current increases (revenues and other financing sources) and decreases (expenditures and other financing uses). The Authority's current financial resources helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements also describe accounting policies, methods of accounting and the fund structure used by the Authority.

Government-wide Financial Statements

Statement of Net Assets

The Statement of Net Assets shows the financial position of asset, liability and net asset accounts as of the last day of the fiscal year. The excess of assets over liabilities is reported as net assets. The following Table 1 is a condensed summary of the Statement of Net Assets for the fiscal years ending June 30, 2012, 2011, and 2010.

Table 1
Net Assets
(In Thousands)

	<u>2012</u>	<u>2011</u>	<u>% Inc.</u> <u>(Dec.)</u>	<u>2010</u>	<u>% Inc</u> <u>(Dec.)</u>
Cash and cash equivalents	\$ 1,296	\$ 1,371	-5%	\$ 1,331	3%
Restricted cash and cash equivalents	84,170	97,081	-13%	113,672	-15%
Other current assets-restricted	10,290	12,448	-17%	11,932	4%
Other noncurrent assets-restricted	2,573	3,362	-23%	4,464	-25%
Capital assets	2,361	2,361	0%	2,361	0%
Total assets	<u>100,690</u>	<u>116,623</u>	-14%	<u>133,760</u>	-13%
Current liabilities	43,563	57,772	-25%	54,628	6%
Noncurrent liabilities	197,660	240,981	-18%	296,686	-19%
Total liabilities	<u>241,223</u>	<u>298,753</u>	-19%	<u>351,314</u>	-15%
Net assets:					
Invested in capital assets, net of debt	1,121	1,121	0%	950	18%
Restricted for debt service/capital projects	35,676	37,467	-5%	38,703	-3%
Unrestricted	<u>(177,330)</u>	<u>(220,717)</u>	-20%	<u>(218,504)</u>	1%
Total net assets	<u><u>(\$ 140,533)</u></u>	<u><u>(\$ 182,129)</u></u>	-23%	<u><u>(\$ 178,851)</u></u>	2%

Explanations for changes in excess of 20% and \$1 million are as follows:

Current liabilities – decreased \$14.2 million (25%) due mainly to a combination of: 1) payoff of the 2006A Bonds of \$12.9 million; and 2) a decrease in accounts payable of \$2.9 million resulting from completion of capital projects in the current fiscal year.

Statement of Activities

The Statement of Activities shows the activity that occurred during the fiscal years ended June 30, 2012, 2011, and 2010. The Statement of Activities deducts program revenues from expenses categorized by function or program to arrive at net (expense) revenue. From the net (expense) revenue any general revenues are added in to derive the change in net assets. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing. The following condensed summary of the Statement of Activities demonstrates that the analysis of the Authority's financial condition is primarily focused on total revenues, capital outlay, bond principal expenditure, bond interest expenditure, and transfers from beneficiary, proceeds from revenue bonds, and beginning and ending net assets.

Table 2
Changes in Net Assets
(In Thousands)

	<u>2012</u>	<u>2011</u>	<u>% Inc.</u> <u>(Dec.)</u>	<u>2010</u>	<u>% Inc.</u> <u>(Dec.)</u>
Revenues:					
Program revenues:					
Charges for services	\$ 44	\$ 185	-76%	\$ 396	-53%
General revenues:					
Sales and use taxes	62,239	70,174	-11%	68,639	2%
Other general revenues	3,178	1,860	71%	1,521	22%
Total revenues	<u>65,461</u>	<u>72,219</u>	-9%	<u>70,556</u>	2%
Program expenses:					
General government	3,897	4,523	-14%	4,890	-8%
Vision 2025	7,214	11,609	-38%	13,339	-13%
4 to Fix I	-	841	-100%	165	410%
4 to Fix II	3,282	9,321	-65%	7,685	21%
Interest on long-term debt	9,472	10,500	-10%	12,255	-14%
Total expenses	<u>23,865</u>	<u>36,794</u>	-35%	<u>38,334</u>	-4%
Increase (decrease) in net assets	41,596	35,425	17%	32,222	10%
Beginning net assets	(182,129)	(217,554)	-16%	(249,776)	-13%
Ending net assets	<u>(\$ 140,533)</u>	<u>(\$ 182,129)</u>	-23%	<u>(\$ 217,554)</u>	-16%

Explanations for changes in excess of 20% and \$1 million are as follows:

Other general revenues increased 71% (\$1.3 million) in 2012 mainly due to a \$1.9 million reimbursement from Tulsa County Public Facilities Authority for the Expo Square project.

Expenses for Vision 2025, 4 to Fix I, and 4 to Fix II: As projects are completed and bond proceeds used, these expenses continue to decline. The following tables show the level of completion and current year expenses for major categories of projects.

4 to Fix the County I

The following schedule depicts the status on a cash basis of the major capital projects as of June 30, 2012 with the amount expended this fiscal year, the total expended project to date, as well as the percentage of completion as of June 30, 2012 as compared to the budget.

<u>Capital Project</u>	<u>Expended this Fiscal</u> <u>Year</u>	<u>Total Expended</u> <u>Project-to-Date</u>	<u>Percentage</u> <u>Completed</u>
Flood Mitigation	\$ 6,461	\$ 7,616,210	100.0%
Parks Construction	-	2,969,323	100.0%
Roads Construction	52,487	27,025,355	100.0%
Expo Square	3,215	23,434,585	100.0%

The total capital outlay for the "4 to Fix the County I" projects to date has been \$61,461,544; 12.4% of the total of \$61,461,544 has been spent on flood mitigation, 4.8% on Parks, 44% on roads, 38.1% on Expo Square, and .7% on Administration. During the current fiscal year, the "4 to Fix the County I" program was completed.

The original budget for all of the 4 to Fix the County initiatives was \$59 million; funds in excess of bond and reimbursements total \$2,461,544. The percentage distribution of budgeted funds per governing body resolutions were 13% for flood mitigation, 5% for parks, 42% for roads, and 40% for Expo Square.

The \$12,900,000 of outstanding 2001 Capital Improvement Bonds as of June 30, 2006 was paid during the fiscal year ending June 30, 2007.

4 to Fix the County II

The following schedule depicts the status on a cash basis of the major capital projects as of June 30, 2012 with the amount expended this fiscal year, the total expended project to date, as well as the percentage of completion as of June 30, 2012 as compared to the budget.

<u>Capital Project</u>	<u>Expended this Fiscal Year</u>	<u>Total Expended Project-to-Date</u>	<u>Percentage Completed</u>
Criminal Justice Construction	\$ 122,167	\$ 5,336,051	68.4%
Streets Construction	3,651,565	13,568,351	83.3%
Parks Construction	46,856	12,009,100	100.0%
Expo Square	(1,971,603)	23,396,396	100.0%

The 4 to Fix funds for the fiscal year ending June 30, 2012, relating to Expo Square was a reimbursement from Tulsa County Public Facilities Authority for excess funding (See Note M). The 4 to Fix II money spent for Streets was primarily spent on construction of 86th Street North and widening of 151st streets.

The initial financial activity for 4 to Fix the County II capital initiatives occurred during May 2006 with the issuance of the Capital Improvement Revenue Bonds Series A 2006. The Capital Improvement Revenue Bonds Series A 2006 was paid in full during fiscal year 2012. The Capital Improvement Revenue Bonds Series D 2006 was paid in full during fiscal year 2011.

Vision 2025

The following schedule depicts the status on a cash basis of selected major capital projects (arranged by voter proposition) as of June 30, 2012 with the amount expended this fiscal year, the total expended project to date, as well as the percentage of completion as of June 30, 2012 as compared to the budget.

<u>Voter Proposition</u>	<u>Capital Project</u>	<u>Expended this Fiscal Year</u>	<u>Total Expended Project-to-Date</u>	<u>Percentage Completed</u>
American Airlines	American Airlines	\$ -	\$ 21,899,812	98.2%
Economic Development	OU-Tulsa	-	30,000,000	100.0%
Economic Development	OSU-Tulsa	-	28,500,000	100.0%
Economic Development	NSU-Broken Arrow	-	26,000,000	100.0%
Economic Development	Tulsa Regional Convention	-	228,500,098	100.0%
Economic Development	Expo Square	-	40,000,000	100.0%
Community Enrichment	Tulsa County Parks	45,767	11,881,164	96.7%
Community Enrichment	Route 66	424,400	7,993,581	82.6%
Community Enrichment	Downtown Tulsa	1,369,030	20,515,216	96.8%
Community Enrichment	Owasso Medical	-	4,275,000	100.0%
Community Enrichment	61st Street City	-	2,730,359	100.0%

There is a balance of \$230,475,000 of outstanding bonds as of June 30, 2012, related to the Vision 2025 projects. These bonds will be repaid with pledged sales tax revenues remitted from the County.

Overall Financial Position and Results of Operation

General Fund

The General Fund reported excess expenses over revenues of approximately \$75,000. This represents a decline in net revenues from fiscal year 2011 of \$115,000 (or 288%). The major cause for that decline was due to collections in fiscal year 2011 for nonrecurring revenue for bond arbitrage and acceptance fee for bond closing of \$105,000. The major transactions in the General Fund of the Industrial Authority for the fiscal year ending June 30, 2012, were the receipt of administrative fees of about \$42,000 and the payment of \$70,000 to the Tulsa Chamber of Commerce for Tulsa's future economic development plan.

Capital Assets

The reported amount since June 30, 2005 has been \$2,360,964, which represents the cost of land acquired by the Industrial Authority.

Long-term Debt Activity

The following represents a summary of the revenue bond activity for the years ending June 30, 2012 and 2011:

Table 4
Long-term Debt
(In Thousands)

	Balance 7/1/10	Additions	Deletions	Balance 6/30/11
Revenue bonds payable-2003 A&B	\$ 144,750	\$ -	\$ 17,600	\$ 127,150
Revenue bonds payable-2005 A&B	92,435	-	12,720	79,715
Revenue bonds payable-2005 C	40,625	-	5,300	35,325
Revenue bonds payable-2006 A	12,910	-	-	12,910
Revenue bonds payable-2006 B&C	29,450	-	2,400	27,050
Revenue bonds payable-2006 D	12,445	-	12,445	-
Total	<u>\$ 332,615</u>	<u>\$ -</u>	<u>\$ 50,465</u>	<u>\$ 282,150</u>
	Balance 7/1/11	Additions	Deletions	Balance 6/30/12
Revenue bonds payable-2003 A&B	\$ 127,150	\$ -	\$ -	\$ 127,150
Revenue bonds payable-2005 A&B	79,715	-	31,340	48,375
Revenue bonds payable-2005 C	35,325	-	5,000	30,325
Revenue bonds payable-2006 A	12,910	-	12,910	-
Revenue bonds payable-2006 B&C	27,050	-	2,425	24,625
Revenue bonds payable-2006 D	-	-	-	-
Total	<u>\$ 282,150</u>	<u>\$ -</u>	<u>\$ 51,675</u>	<u>\$ 230,475</u>

Please refer to Note F as it provides additional detail on long-term debt.

Consequence of Converting to the Full Accrual Basis of Accounting and Complying with a GASB Interpretation

The conversion to the full accrual basis of accounting and the compliance with a GASB Interpretation causes the reclassification of a component part of net assets in the Statement of Net Assets. The result of adding the current and non-current portion of revenue bonds payable to the positive amount of restricted fund balance on the Balance Sheet-Governmental Funds results in a negative balance in restricted for debt service on the Statement of Net Assets. Debt service is to be repaid from future sales tax collections and is a different revenue stream from the proceeds of bonds which finances the “4 to Fix the County” and Vision 2025 projects. GASB Interpretation does not permit a negative balance in a restricted net asset account; hence the requirement to reclassify the negative balance in the restricted for debt service account to an unrestricted account.

Request for Information

This financial report is designed to provide the reader a general overview of the Industrial Authority’s finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Earlene Wilson, Tulsa County Clerk, 500 South Denver Avenue, Suite 120, Tulsa, Oklahoma 74103-3832.

Financial Statements

Tulsa County Industrial Authority

Statements of Net Assets

June 30,

	Governmental Activities	
	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,295,746	\$ 1,371,219
Restricted cash, cash equivalents and investments	84,170,589	97,081,467
Interest receivable - restricted	87,915	228,888
Due from Tulsa County - restricted	10,201,980	12,219,477
	<u>95,756,230</u>	<u>110,901,051</u>
Non Current Assets		
Deferred debt expense, net - restricted	2,572,850	3,362,147
Land	2,360,964	2,360,964
	<u>2,360,964</u>	<u>2,360,964</u>
Total Assets	<u>\$ 100,690,044</u>	<u>\$ 116,624,162</u>
Liabilities		
Current Liabilities		
Accounts payable from restricted assets	\$ 1,145,239	\$ 4,064,317
Due to beneficiary	157,404	-
Interest payable from restricted assets	1,247,083	1,754,286
Deposit held in trust	278,500	278,500
Revenue bonds payable - current portion paid from restricted assets	40,735,000	51,675,000
	<u>43,563,226</u>	<u>57,772,103</u>
Non Current Liabilities		
Revenue bonds payable - long-term portion paid from restricted assets	189,740,000	230,475,000
Deferred revenue - bond premium - restricted	7,653,497	10,353,278
Rebatable arbitrage	266,036	152,766
	<u>241,222,759</u>	<u>298,753,147</u>
Net Assets (Deficit)		
Invested in capital assets, net of related debt	1,121,251	1,121,251
Restricted for debt service/capital projects	35,675,639	37,467,005
Unrestricted deficit	(177,329,605)	(220,717,241)
	<u>(140,532,715)</u>	<u>(182,128,985)</u>
Total Net Assets (deficit) - (note J)	<u>(140,532,715)</u>	<u>(182,128,985)</u>
Total Liabilities and Net Assets	<u>\$ 100,690,044</u>	<u>\$ 116,624,162</u>

The accompanying notes are an integral part of these financial statements.

Tulsa County Industrial Authority

Statement of Activities

Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions / Programs					
Primary government	\$ 3,740,206	\$ 44,209	\$ -	\$ -	\$ (3,695,997)
General government:					
Vision 2025 expenses for other governmental entities	7,213,886	-	-	-	(7,213,886)
4 to Fix II expenses for other governmental entities	3,281,744	-	-	-	(3,281,744)
Interest on long-term debt	9,471,790	-	-	-	(9,471,790)
Total Government Activities	\$ 23,707,626	\$ 44,209	\$ -	\$ -	\$ (23,663,417)

Changes in Net Assets:

Net (expense) revenue	\$ (23,663,417)
Sales tax collections transferred from County	62,238,666
Investment earnings	1,206,822
Transfer from Tulsa County Public Facilities Authority (note M)	1,971,603
Transfer to County for capital projects	(157,404)
Change in net assets	41,596,270
Net assets (deficit) - beginning of year	(182,128,985)
Net assets (deficit) - end of year	<u><u>\$(140,532,715)</u></u>

The accompanying notes are an integral part of these financial statements.

Tulsa County Industrial Authority

Statement of Activities - Continued

Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions / Programs					
Primary government	\$ 4,523,041	\$ 184,631	\$ -	\$ -	\$ (4,338,410)
General government:					
Vision 2025 expenses for other governmental entities	11,609,289	-	-	-	(11,609,289)
4 to Fix I expenses for other governmental entities	840,694	-	-	-	(840,694)
4 to Fix II expenses for other governmental entities	9,321,287	-	-	-	(9,321,287)
Interest on long-term debt	10,499,738	-	-	-	(10,499,738)
 Total Government Activities	<u>\$ 36,794,049</u>	<u>\$ 184,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,609,418)</u>

Changes in Net Assets:

Net (expense) revenue		\$ (36,609,418)
Sales tax collections transferred from County		70,174,157
Investment earnings		<u>1,860,051</u>
Change in net assets		35,424,790
Net assets (deficit) - beginning of year		<u>(217,553,775)</u>
Net assets (deficit) - end of year		<u><u>\$(182,128,985)</u></u>

The accompanying notes are an integral part of these financial statements.

Tulsa County Industrial Authority

Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
Assets				
Cash and cash equivalents	\$ 1,295,746	\$ -	\$ -	\$ 1,295,746
Restricted assets				
Restricted cash, cash equivalents and investments	-	9,836,052	74,334,537	84,170,589
Interest receivable	29	238	87,648	87,915
Due from Tulsa County	-	-	10,201,980	10,201,980
Total Assets	<u>\$ 1,295,775</u>	<u>\$ 9,836,290</u>	<u>\$ 84,624,165</u>	<u>\$ 95,756,230</u>
Liabilities and Fund Balance				
Accounts payable from restricted assets	\$ -	\$ 1,145,239	\$ -	\$ 1,145,239
Due to beneficiary	-	157,404	-	157,404
Deferred revenue	-	-	86,638	86,638
Deposits held in trust	278,500	-	-	278,500
Total Liabilities	<u>\$ 278,500</u>	<u>\$ 1,302,643</u>	<u>\$ 86,638</u>	<u>\$ 1,667,781</u>
Restricted	\$ -	\$ 8,533,647	\$ 84,537,527	\$ 93,071,174
Committed	1,017,275	-	-	1,017,275
Total Fund Balances	<u>1,017,275</u>	<u>8,533,647</u>	<u>84,537,527</u>	<u>94,088,449</u>
Total Liabilities and Fund Balance	<u>\$ 1,295,775</u>	<u>\$ 9,836,290</u>	<u>\$ 84,624,165</u>	<u>\$ 95,756,230</u>

Continued on next page

The accompanying notes are an integral part of these financial statements.

Tulsa County Industrial Authority

Balance Sheet - Governmental Funds - Continued

June 30, 2012

Reconciliation to Statement of Net Assets

Total fund balance - total governmental fund \$ 94,088,449

Amounts reported for governmental activities in the statement of net assets are different because:

Proceeds from the 2003 series revenue bonds are not financial resources and, therefore, are not reported in the funds. There were no 2012 principal payments. Revenue bonds represent long-term liabilities. (127,150,000)

Proceeds from the 2005 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$36,340,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities. (78,700,000)

Proceeds from the 2006 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$15,335,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities. (24,625,000)

Loan issuance and interest swap costs from the 2006, 2005 and 2003 revenue bonds are not financial uses and, therefore, are not reported as expenditures. The 2009 interest swap costs of \$1,427,130, and issuance costs from 2007 of \$1,854,206, 2006 of \$1,677,122, 2005 of \$2,582,134, and 2003 of \$2,938,163 are amortized over the term of the related bonds. Current year amortization is \$789,297, and accumulated amortization is \$7,905,903. 2,572,850

Bond premiums from the 2003, 2005, 2006, and 2009 remarketed revenue bonds are not financial resources and, therefore, are not reported in the funds. Bond premiums of \$10,116,223 received in 2003, \$10,234,964 received in 2005, \$3,735,178 received in 2006, \$2,284,758 received in 2007, and \$7,303,277 in 2009 represent deferred revenue, which is amortized. Current year amortization is \$2,699,781 and accumulated amortization is \$26,020,871. The revenue is recognized as a reduction of current year interest expense. (7,653,497)

Accrual of estimated arbitrage liability, which is not reported in governmental fund statements. (266,036)

Accrued interest due within one year, which is not reported in governmental fund statements. (1,247,083)

Long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds: accrued interest receivable. 86,638

Land costs capitalized upon completion of specified projects. These costs are expenses in governmental standards, but capitalized in the entity-wide statements. 2,360,964
 Net assets (deficit) of governmental activities \$ (140,532,715)

The accompanying notes are an integral part of these financial statements.

Tulsa County Industrial Authority

Balance Sheet - Governmental Funds

June 30, 2011

	General Fund	Capital Projects Fund	Restated Debt Service Fund	Restated Total Governmental Fund
Assets				
Cash and cash equivalents	\$ 1,371,219	\$ -	\$ -	\$ 1,371,219
Restricted assets				
Restricted cash, cash equivalents and investments	-	13,567,680	83,513,787	97,081,467
Interest receivable	44	536	228,308	228,888
Due from Tulsa County	-	-	12,219,477	12,219,477
Total Assets	<u>\$ 1,371,263</u>	<u>\$ 13,568,216</u>	<u>\$ 95,961,572</u>	<u>\$ 110,901,051</u>
Liabilities and Fund Balance				
Accounts payable from restricted assets	\$ -	\$ 4,064,317	\$ -	\$ 4,064,317
Interest payable from restricted assets	-	-	274,375	274,375
Deferred revenue	-	-	226,837	226,837
Deposits held in trust	278,500	-	-	278,500
Total Liabilities	<u>\$ 278,500</u>	<u>\$ 4,064,317</u>	<u>\$ 501,212</u>	<u>\$ 4,844,029</u>
Commitments and Contingencies	\$ -	\$ -	\$ -	\$ -
Restricted	-	9,503,899	95,460,360	104,964,259
Committed	1,092,763	-	-	1,092,763
Total Fund Balances	<u>1,092,763</u>	<u>9,503,899</u>	<u>95,460,360</u>	<u>106,057,022</u>
Total Liabilities and Fund Balance	<u>\$ 1,371,263</u>	<u>\$ 13,568,216</u>	<u>\$ 95,961,572</u>	<u>\$ 110,901,051</u>

Continued on next page

The accompanying notes are an integral part of these financial statements.

Tulsa County Industrial Authority

Balance Sheet - Governmental Funds - Continued

June 30, 2011

Reconciliation to Statement of Net Assets

Total fund balance - total governmental fund as restated \$ 106,057,022

Amounts reported for governmental activities in the statement of net assets are different because:

Proceeds from the 2003 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$17,600,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities. (127,150,000)

Proceeds from the 2005 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$18,020,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities. (115,040,000)

Proceeds from the 2006 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$14,845,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities. (39,960,000)

Loan issuance and interest swap costs from the 2006, 2005 and 2003 revenue bonds are not financial uses and, therefore, are not reported as expenditures. The 2009 interest swap costs of \$1,427,130, and issuance costs from 2007 of \$1,854,206, 2006 of \$1,677,122, 2005 of \$2,582,134, and 2003 of \$2,938,163 are amortized over the term of the related bonds. Current year amortization is \$1,102,190, and accumulated amortization is \$7,116,607. 3,362,147

Bond premiums from the 2003, 2005, 2006, and 2009 remarketed revenue bonds are not financial resources and, therefore, are not reported in the funds. Bond premiums of \$10,116,223 received in 2003, \$10,234,964 received in 2005, \$3,735,178 received in 2006, \$2,284,758 received in 2007, and \$7,303,277 in 2009 represent deferred revenue, which is amortized. Current year amortization is \$4,136,915, and accumulated amortization is \$23,321,090. The revenue is recognized as a reduction of current year interest expense. (10,353,278)

Accrual of estimated arbitrage liability, which is not reported in governmental statements. (152,766)

Accrued interest due within one year, which is not reported in governmental fund statements. (1,479,911)

Long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds: accrued interest receivable. 226,837

Land costs capitalized upon completion of specified projects. These costs are expenses in governmental standards, but capitalized in the entity-wide statements. 2,360,964

Net assets (deficit) of governmental activities \$ (182,128,985)

The accompanying notes are an integral part of these financial statements.

Tulsa County Industrial Authority

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

June 30, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
Revenue				
Charges for services	\$ 44,209	\$ -	\$ -	\$ 44,209
Investment income	625	3,707	1,342,690	1,347,022
Total Revenue	<u>\$ 44,834</u>	<u>\$ 3,707</u>	<u>\$ 1,342,690</u>	<u>\$ 1,391,231</u>
Expenditures				
General government	\$ 120,322	\$ 1,268,956	\$ 1,448,361	\$ 2,837,639
Expenditures for Vision 2025 projects	-	7,213,886	-	7,213,886
Expenditures for 4 to Fix II projects	-	3,281,744	-	3,281,744
Bond principal	-	-	51,675,000	51,675,000
Bond interest	-	-	12,404,400	12,404,400
Total Expenditures	<u>120,322</u>	<u>11,764,586</u>	<u>65,527,761</u>	<u>77,412,669</u>
Excess (deficiency) of revenues over (under) expenditures - other financing sources (uses):	(75,488)	(11,760,879)	(64,185,071)	(76,021,438)
Transfers from beneficiary	-	-	62,238,666	62,238,666
Transfers to beneficiary	-	(157,404)	-	(157,404)
Transfer from TCPFA (note M)	-	-	1,971,603	1,971,603
Operating transfers in	-	11,937,084	989,053	12,926,137
Operating transfers out	-	(989,053)	(11,937,084)	(12,926,137)
Net Other Financing Sources	<u>-</u>	<u>10,790,627</u>	<u>53,262,238</u>	<u>64,052,865</u>
Excess (deficiency) of revenues over (under) expenditures - other financing sources (uses):	<u>(75,488)</u>	<u>(970,252)</u>	<u>(10,922,833)</u>	<u>(11,968,573)</u>
Fund balance at June 30, 2011	<u>1,092,763</u>	<u>9,503,899</u>	<u>95,460,360</u>	<u>106,057,022</u>
Fund balance at June 30, 2012	<u>\$ 1,017,275</u>	<u>\$ 8,533,647</u>	<u>\$ 84,537,527</u>	<u>\$ 94,088,449</u>
Reconciliation to Statement of Activities				
Net change in fund balances - total governmental funds				\$ (11,968,573)
Amounts reported as governmental activities in the statement of activities are different because:				
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.				51,675,000
Amortization of bond issuance costs over the term of the related debt.				(789,297)
Amortization of bond premium over the term of the related debt.				2,699,781
Change in estimated liabilities for rebatable arbitrage not recorded on governmental funds.				(113,270)
Change in accrued interest receivable not recorded on governmental funds.				(140,199)
Change in accrued interest payable not recorded on governmental funds.				232,828
Change in net assets of governmental activities				<u>\$ 41,596,270</u>

The accompanying notes are an integral part of these financial statements.

Tulsa County Industrial Authority

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

June 30, 2011

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
Revenue				
Charges for services	\$ 184,631	\$ -	\$ -	\$ 184,631
Investment income	1,342	16,737	1,841,972	1,860,051
Total Revenue	<u>\$ 185,973</u>	<u>\$ 16,737</u>	<u>\$ 1,841,972</u>	<u>\$ 2,044,682</u>
Expenditures				
General government	\$ 145,812	\$ 1,725,965	\$ 1,442,100	\$ 3,313,877
Expenditures for Vision 2025 projects	-	11,609,289	-	11,609,289
Expenditures for 4 to Fix I projects	-	840,694	-	840,694
Expenditures for 4 to Fix II projects	-	9,321,287	-	9,321,287
Bond principal	-	-	50,465,000	50,465,000
Bond interest	-	-	14,834,681	14,834,681
Total Expenditures	<u>145,812</u>	<u>23,497,235</u>	<u>66,741,781</u>	<u>90,384,828</u>
Excess (deficiency) of revenues over (under) expenditures - other financing sources (uses):	40,161	(23,480,498)	(64,899,809)	(88,340,146)
Transfers from beneficiary	-	-	70,174,157	70,174,157
Operating transfers in	-	8,241,805	27,177	8,268,982
Operating transfers out	-	(27,177)	(8,241,805)	(8,268,982)
Net Other Financing Sources	<u>-</u>	<u>8,214,628</u>	<u>61,959,529</u>	<u>70,174,157</u>
Excess (deficiency) of revenues over (under) expenditures - other financing sources (uses):	<u>40,161</u>	<u>(15,265,870)</u>	<u>(2,940,280)</u>	<u>(18,165,989)</u>
Fund balance at June 30, 2010 as restated	<u>1,052,602</u>	<u>24,769,769</u>	<u>98,400,640</u>	<u>124,223,011</u>
Fund balance at June 30, 2011	<u>\$ 1,092,763</u>	<u>\$ 9,503,899</u>	<u>\$ 95,460,360</u>	<u>\$ 106,057,022</u>
Reconciliation to Statement of Activities				
Net change in fund balances - total governmental funds				\$ (18,165,989)
Amounts reported as governmental activities in the statement of activities are different because:				
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.				50,465,000
Amortization of bond issuance costs over the term of the related debt.				(1,102,190)
Amortization of bond premium over the term of the related debt.				4,136,915
Change in estimated liabilities for rebatable arbitrage not recorded on governmental funds.				(106,973)
Change in accrued interest not recorded on governmental funds.				198,027
Change in net assets of governmental activities				<u>\$ 35,424,790</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2012 and 2011

Note A – Financial Reporting Entity

The Tulsa County Industrial Authority, (the Authority) a component unit of Tulsa County (the County), is a public trust created under the provisions of Title 60, Oklahoma Statutes 1991, Sections 176 to 180, as amended and supplemented to the Oklahoma Trust Act, and other applicable statutes of the State of Oklahoma. The Authority was created on March 1, 1965, and its Beneficiary is the County of Tulsa, Oklahoma. The purpose of the Authority is to:

- Establish, provide, maintain, construct, set apart, promote and conduct parks, playgrounds, golf courses, recreational centers, social and community centers, and other recreational facilities within and near the territorial limits of the Beneficiary;
- Furnish and supply to the United States of America, the State of Oklahoma, the Beneficiary and/or any governmental agency or instrumentality or any of them, or to any one or more of them, buildings, equipment and other facilities for all purposes that the same be authorized or proper as a function of the Beneficiary as or if expressly authorized by law for the furtherance of the general convenience, welfare, public health and safety of the Beneficiary and its inhabitants;
- Promote the development of industry and culture and industrial, manufacturing, cultural and educational activities within and without the territorial limits of the Beneficiary and to thereby provide industrial and cultural facilities and additional employment and activities which will benefit and strengthen culture and the economy of the Beneficiary and the State of Oklahoma;
- Institute, furnish, provide and supply services and facilities for the conservation and implementation of the public welfare and protection and promotion of the public health to the Beneficiary and to agencies, instrumentalities and subdivisions thereof and to the inhabitants, owners and occupants of property, and to governmental, industrial, commercial and mercantile entities, establishments and enterprises within the territorial limits of the Beneficiary, to such extent and in such manner as now is or hereafter shall be a proper function of the Beneficiary as or if expressly authorized by law for the furtherance of the general convenience, welfare, public health and safety of the Beneficiary and its inhabitants;
- Promote the development of recreational and cultural activities within and near the territorial limits of the Beneficiary and to thereby provide recreational and cultural facilities and additional employment and activities that will benefit and strengthen culture and the economy of the Beneficiary;
- Provide solid waste disposal facilities for the collection and disposal of solid wastes and pollution control facilities in a manner which will protect the public health and welfare, prevent water pollution or air pollution, prevent the spread of disease, and abate public nuisances, conserve natural resources and enhance the quality of the environment;

Notes to Financial Statements

June 30, 2012 and 2011

Note A – Financial Reporting Entity - Continued

- Provide and/or to aid in providing and/or to participate in providing to the United States of America, the State of Oklahoma, the Beneficiary, the municipalities located within and near the Beneficiary, the school district and/or districts included in whole or in part, within the limits of the Beneficiary, and/or any agency or instrumentality or either or any of them, or to any one or more of them, facilities and/or services of any and/or all kinds necessary or convenient for the functioning thereof;
- Hold, maintain and administer any leasehold rights in and to properties of the Beneficiary demised to the Trustees, and to comply with the terms and conditions of any leases providing said rights;
- Acquire by lease, purchase or otherwise, and to hold, construct, install, equip, repair, enlarge, furnish, maintain and operate or otherwise deal with, any and all physical properties and facilities needful or convenient for utilization in executing or promoting the execution of the aforesaid trust purposes or any of them, or which may be useful in securing, developing, and maintaining industry and industrial, manufacturing or other activities in the Beneficiary and territory in proximity thereto, or which may be useful in promoting culture and education in the aforesaid area; to lease, rent, furnish, provide, relinquish, sell or otherwise dispose of, or otherwise make provision for, any or all of said properties and facilities either in execution of any of the aforesaid trust purposes or in the event that any thereof shall no longer be needful for such purposes;
- Provide funds for the costs of financing, acquiring, constructing, installing, equipping, repairing, remodeling, improving, extending, enlarging, any of the aforesaid physical properties and facilities, and of administering the Trust for any or all of the aforesaid trust purposes, and for all other charges, costs and expenses incidental thereto; and in so doing to incur indebtedness, either unsecured or secured, by any part or parts of the Trust Estate and/or revenues thereof;
- Expend all funds coming into the hands of aforesaid costs and expenses, and in the payment of any indebtedness incurred by the Trustees for the purposes specified herein, and in the payment of any other debt or obligation properly chargeable against the Trust Estate, and to distribute the residue and remainder of such funds to the Beneficiary for the payment of all or any part of the principal and/or interest of any bonded indebtedness of the Beneficiary and/or for any one or more authorized or proper purposes of the Beneficiary as shall be specified by the Trustees hereunder.

Note B – Summary of Significant Accounting Policies

1. *Government-Wide Statements* – The government-wide financial statements include the statements of net assets and the statements of activities. These statements report financial information for the Authority, and is reported in conformity with generally accepted accounting principles. The Authority does not have any component units.

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Summary of Significant Accounting Policies - Continued

The statements of net assets report all financial and capital resources of the Authority. These assets and liabilities are presented in order of their relative liquidity. An asset's liquidity is determined by how readily it converts to cash and whether restrictions limit the Authority's ability to use the resources. A liability's liquidity is based on its maturity, or when cash is used to liquidate it. The difference between the Authority's assets and its liabilities is its net assets. Net assets are displayed in three components – invested in capital assets, net of related debt, restricted, and unrestricted.

The statements of activities report the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions of these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

2. *Measurement Focus, Basis of Accounting and Financial Statement Presentation* – The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide financial statements apply 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 which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. *Measurable* defines the amount of the transaction and *available* means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Investment income and charges for services are the revenue sources susceptible to accrual. Other financing sources include sales tax collections transferred from the recipient fund, operating transfers within the Authority, capital contributions and collection of proceeds from the issuance of revenue bonds.

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Summary of Significant Accounting Policies - Continued

3. *Budget Presentation* – The Authority is not required to legally adopt a budget because the revenues are not appropriated from the budget board. Therefore, presentation of budget reports and comparisons with actual revenues and expenditures is not appropriate.
4. *Funds* – The Industrial Authority implemented GASB Statement No. 54 during fiscal year 2010 which redefined how fund balances of the governmental funds are presented in the financial statements. The effect of the adoption of GASB 54 was to rename the Special Revenue Fund as the Capital Projects Fund and rename the fund balances to new classifications. The changes did not affect any previously reported account balances. The operations of the Authority were recorded in the following funds during the year.

General Fund – The General Fund is used to account for fees accessed in financing third party conduit debt and maintaining bank accounts not associated with Vision 2025 or 4 to Fix projects.

Capital Projects Fund – The Capital Projects Fund is used to account for the investment earnings and the proceeds of approximately \$59,000,000 from the 2001 revenue bonds for costs relating to the capital projects for the beneficiary for the 4 to Fix projects; the proceeds of approximately \$242,150,000 from the 2003 revenue bonds for costs relating to the capital projects for the Vision 2025 projects; the proceeds of approximately \$150,000,000 from the 2005 revenue bonds for costs relating to Phase II of the capital projects of Vision 2025; the proceeds of approximately \$60,000,000 from the 2005 C revenue bonds for costs relating to Phase III of the capital projects of Vision 2025; and the proceeds of approximately \$12,910,000 from the 2006 A revenue bonds for costs relating to the capital projects for the beneficiary for the 4 to Fix II projects; the proceeds of approximately \$31,650,000 from the 2006 B and 2006 C revenue bonds for costs relating to the continuation of capital projects of Vision 2025; and the proceeds of approximately \$47,090,000 from the 2006 D revenue bonds for cost relating to the capital projects for the beneficiary for the 4 to Fix II projects.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the revenue bonds of the Authority.

Nonspendable Fund Balance - The nonspendable fund balance classification includes amounts that cannot be spent because they are either: (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Examples of items that may be included in this category of fund balance are inventories, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The Authority currently does not have any nonspendable fund balance.

Restricted Fund Balance - Fund balance should be reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. External parties can compel a government to use resources only for purposes specified by the corresponding legislation.

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Summary of Significant Accounting Policies - Continued

Committed Fund Balance - Committed fund balance are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit these amounts.

Assigned Fund Balance - Assigned fund balance are amounts constrained because a government intends to use the resources for a specific purpose. The intent is expressed by: (a) the governing body itself, or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated their authority to assign amounts to be used for specific purposes. Only the Authority's Board of Trustees may assign amounts for specific purposes. The Authority currently does not have any assigned fund balance.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. The Authority currently does not have any unassigned fund balance.

The General Fund of the Authority has been classified as a committed fund balance because of actions taken to constrain resources. The Board of County Commissioners adopted a formal resolution that placed constraints on the usage of these resources for only specified and intended purposes. The Board of County Commissioners at its own discretion by resolution can later remove this constraint or place this level of constraint on other existing funds or any new funds that are created. The General Fund of the Authority is a fund used to collect issuer fees, rents, and parking fees for the operation of the Authority including the Union Depot building. The Board of County Commissioners committed the resources of the Authority's General Fund by resolution to be used for the operation of the Authority including the Union Depot building.

The Capital Projects Fund has restricted funds consisting primarily of unspent bond funds and sales tax revenues to be used as required by voter approved propositions.

The Debt Service Fund has restricted funds consisting of unspent revenue bond funds and the associated sales tax revenues.

5. *Cash and Cash Equivalents* - Cash and cash equivalents represent deposits with financial institutions and highly liquid investments with maturity of three months or less.

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Summary of Significant Accounting Policies - Continued

6. *Restricted Assets/Commitments* - In accordance with Oklahoma Statutes, 68 O.S. 1994 Supplement §1370.2A, the voters of Tulsa County passed three temporary sales taxes titled 4 to Fix, 4 to Fix II and Vision 2025. The purpose of the first sales tax relating to 4 to Fix was for County improvements primarily relating to flood mitigation, road expansion, park and Expo Square capital improvements. The Authority began receiving the sales taxes in November 2001 and is expending the funds for the projects (see note F). Total project costs are estimated to be in excess of \$60,000,000. This sales tax expired in November 2011.

The purpose of the second sales tax relating to 4 to Fix II was for improvements primarily relating to County facility improvements, road expansion, park and Expo Square capital improvements. The Authority began receiving the sales taxes in October 2006 and is expending the funds for the projects (see note F). Total project costs are estimated to be in excess of \$62,000,000.

The purpose of the third sales tax relating to Vision 2025 was for:

- Capital improvements for American Airlines which will promote economic development and provide additional jobs and payroll within Tulsa County;
- Education, health care and events facilities which will promote economic development and provide additional jobs and payroll within Tulsa County; and
- Capital improvements for community enrichment within Tulsa County.

Funds to pay obligations on the revenue bonds will come from the sales tax that was approved by voters in September 2003. The Authority began receiving the sales taxes in March 2004 and has begun expending the funds for the projects (see note F). Total project costs are estimated to be in excess of \$500 million.

Restricted assets at June 30, 2012 and 2011 consist of money market funds that invest in U.S. government obligations, and Guaranteed Investment Contracts. These funds are held for the improvements relating to 4 to Fix, 4 to Fix II and Vision 2025 projects and debt service.

7. *Deferred Note Issuance Fees* - On the entity-wide statements, deferred note issuance fees represent costs incurred for the issuance of the 2003, 2005, 2006 and the 2009 supplemental bond indenture of the 2003A/2005A Revenue Bonds. These costs are amortized over the term of the bonds, 7 to 13 years for the 2003 bonds, 8 to 12 years for the 2005 bonds, 4.3 to 10.4 years for the 2006 bonds, and 7.3 years for the 2009 supplemental bond indenture of the 2003A/2005A bonds. Amortization expense was \$789,297 and \$1,102,190 in 2012 and 2011 and accumulated amortization was \$7,905,903 and \$7,116,607 at June 30, 2012 and 2011, respectively.

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Summary of Significant Accounting Policies - Continued

8. *Deferred Revenue – Bond Premiums* - Premiums of approximately \$10,116,000, \$13,716,000 and \$2,538,000 were received when the 2003, 2005 and 2006 series revenue bonds, respectively, were sold. Premiums of approximately \$7,303,000 were received when the 2003A/2005A series revenue bonds were sold related to the August 17, 2009 supplemental bond indenture to change the bonds variable rates to fixed rates. The premiums are amortized over the term of the bonds, approximately 8 years for the 2003 revenue bonds, 8 and 12 years for the 2005 revenue bonds, and 6, 5, and 11 years for the 2006 revenue bonds on the entity-wide statements. The 2003A/2005A premium is amortized over the remaining term of the bonds, approximately 7 years. Revenue recognized in 2012 and 2011 was approximately \$2,700,000 and \$4,137,000, respectively, and that has been recorded as an offset to interest expense.

Accumulated amortization was \$26,020,871 and \$23,321,090 in June 30, 2012 and 2011, respectively.

9. *Income Tax* - The Authority is exempt from federal and state income taxes.
10. *Use of Estimates* - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.
11. *Subsequent Events* - In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 13, 2012, the date the financial statements were available to be issued.

Note C – Deposits and Investments

1. *Deposits* - On June 30, 2012 and 2011, the cash balance includes demand accounts in the Authority's name of \$128,777 and \$138,573, respectively, and is maintained by two financial institutions.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority requires deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance.

2. *Investments* - Investments of the Authority's funds are governed by Title 19 OSA 953.1A, as amended, of the Oklahoma Statutes. The Oklahoma Statutes places no limitations or restrictions on the choice of investment vehicles other than those a prudent investor would select. All investments are carried in street name (in the name of the agent, etc.).

Notes to Financial Statements

June 30, 2012 and 2011

Note C – Deposits and Investments - Continued

As of June 30, 2012, the composition of the Authority's investments is shown in the following table:

	Fair Value	Cost	Average Credit Quality Rating (1)	Weighted Average # of Years to Maturity (2)
Guaranteed Investment Contracts	\$ 15,444,986	\$ 15,444,986	AAA	4.38
Cavanal Hill Cash Management Fund	23,949,247	23,949,247	AAA	0.11
BOK Short-Term Cash Fund I	45,943,325	45,943,325	N/A	N/A
Cash	128,777	128,777	N/A	N/A
	<u>\$ 85,466,335</u>	<u>\$ 85,466,335</u>		
Total Investments	<u>\$ 85,466,335</u>	<u>\$ 85,466,335</u>		

- (1) Ratings are provided where applicable to indicate **Credit Risk**. N/A indicates not applicable.
- (2) **Interest Rate Risk** is estimated using weighted average years to maturity.
- (3) The BOK Short-Term Cash Fund does not have a weighted average to maturity. These are money market funds and are not rated, but are collateralized by U.S. Treasury and U.S. Agency securities.

As of June 30, 2012, the Authority had the following investments and maturities:

	Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Guaranteed Investment Contracts	\$ 15,444,986	0%	100%	0%	0%
Cavanal Hill Cash Management Fund	23,949,247	100%	N/A	N/A	N/A
BOK Short-Term Cash Fund I	45,943,325	N/A	N/A	N/A	N/A
Cash	128,777	N/A	N/A	N/A	N/A
	<u>\$ 85,466,335</u>	<u>100%</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>
Total	<u>\$ 85,466,335</u>	<u>100%</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>

Notes to Financial Statements

June 30, 2012 and 2011

Note C – Deposits and Investments - Continued

As of June 30, 2011, the composition of the Authority's investments is shown in the following table:

	Fair Value	Cost	Average Credit Quality Rating (1)	Weighted Average # of Years to Maturity (2)
Guaranteed Investment Contracts	\$ 39,394,233	\$ 39,394,233	AAA	5.38
BOK Short-Term Cash Fund I	58,919,880	58,919,880	N/A	N/A
Cash	138,573	138,573	N/A	N/A
	<hr/>			
Total Investments	\$ 98,452,686	\$ 98,452,686		

- 1) Ratings are provided where applicable to indicate **Credit Risk**. N/A indicates not applicable.
- 2) **Interest Rate Risk** is estimated using weighted average years to maturity.
- 3) The BOK Short-Term Cash Fund does not have a weighted average to maturity. These are money market funds and are not rated, but are collateralized by U.S. Treasury and U.S. Agency securities.

As of June 30, 2011, the Authority had the following investments and maturities:

	Investment Maturities (in Years)				
	Value	Less than 1	1-5	6-10	More than 10
Guaranteed Investment Contracts	\$ 39,394,233	0%	100%	0%	0%
BOK Short-Term Cash Fund I	58,919,880	N/A	N/A	N/A	N/A
Cash	138,573	N/A	N/A	N/A	N/A
	<hr/>				
Total	\$ 98,452,686	0%	100%	0%	0%

Notes to Financial Statements

June 30, 2012 and 2011

Note C – Deposits and Investments - Continued

Investment Risk Disclosures

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Authority's investing activities are approved by the Board of Directors of the Authority and managed under the custody of the County Treasurer. Investing is performed in accordance with investment policies adopted by the Board of Trustees and complies with the Investment Policy adopted by the Board of County Commissioners and with State Statutes.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. U.S. Government Treasury and Agency securities are excluded from these restrictions. Investments in Guaranteed Investment Contracts are also considered safe investments and not normally included in the calculation of concentration of credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities.

Note D – Related Party Transactions

The Authority has issued conduit debt obligations for the benefit of Tulsa County and the Tulsa City-County Health Department. The Authority received lease payments from these entities totaling approximately \$1,778,000 and \$7,079,000 for the years ended June 30, 2012 and June 30, 2011, respectively, which corresponded to the debt service payments due on the conduit debt.

During 2012 and 2011, capital outlay for designated projects for Tulsa County was approximately \$3,346,000 and \$9,429,000, respectively.

Note E – Capital Assets

Capital assets represent land costs incurred during fiscal year ending June 30, 2005.

Notes to Financial Statements

June 30, 2012 and 2011

Note F – Long-Term Debt

During 2003, the Authority issued the \$242,150,000 Capital Improvements Revenue Bonds. Funds to pay the revenue bonds will come from the sales tax that was approved by voters in September 2003. The proceeds from the bond will be used to fund Phase I of the following projects:

- Capital improvements for American Airlines which will promote economic development for and provide additional jobs and payroll within the County;
- Education, health care and events facilities which will promote economic development for and provide additional jobs and payroll within the County; and
- Capital improvements for community enrichment within the County.

The beneficiary began collecting those taxes in January 2004 and will continue collection for the next thirteen years. Interest on the Series 2003 A bonds changed on August 17, 2009, based on a new supplemental bond indenture modifying the variable rate related to the Series 2003 A bonds to a fixed interest rate. Separate portions of the bond principal now retain specific fixed rates. These rates are between 3.25 percent and 5 percent. The Series 2003 B bonds are at rates of 5 percent and paid in semi-annual intervals, along with the principal coupons beginning on May 15, 2005 and ending May 15, 2011. The amount outstanding at June 30, 2012 and 2011 was \$127,150,000 and \$127,150,000, respectively. Debt requirements for the years ended June 30 are as follows:

Year	Principal	Interest	Total
2013	\$ -	\$ 5,513,350	\$ 5,513,350
2014	33,715,000	5,513,350	39,228,350
2015	35,020,000	3,927,600	38,947,600
2016	36,415,000	2,276,600	38,691,600
2017	22,000,000	720,000	22,720,000
	\$ 127,150,000	\$ 17,950,900	\$ 145,100,900

Notes to Financial Statements

June 30, 2012 and 2011

Note F – Long-Term Debt - Continued

During 2005, the Authority issued the \$150,000,000 Capital Improvements Revenue Bonds. Funds to pay the revenue bonds will come from the sales tax that was approved by voters in September 2003. The proceeds from the bond will be used to fund Phase II of the following projects:

- Capital improvements for American Airlines which will promote economic development for and provide additional jobs and payroll within the County;
- Education, health care and events facilities which will promote economic development for and provide additional jobs and payroll within the County; and
- Capital improvements for community enrichment within the County.

The beneficiary began collecting those taxes in January 2004 and will continue collection for the next thirteen years. Interest on the Series 2005 A bonds changed on August 17, 2009, based on a new supplemental bond indenture modifying the variable rate related to the Series 2005A bonds to a fixed interest rate. Separate portions of the bond principal now retain specific fixed rates. These rates are between 3.25 percent and 4 percent. The Series 2005 B bonds are at rates of 5 percent and paid in semi-annual intervals along with the principal coupons beginning on May 15, 2006 and ending May 15, 2013. A principal payment of \$15,890,000 is due on May 17, 2017 for the Series 2005 A bonds. The amount outstanding at June 30, 2012 and 2011 was \$48,375,000 and \$79,715,000, respectively. Debt requirements for the years ended June 30 are as follows:

Year	Principal	Interest	Total
2013	\$ 32,485,000	\$ 2,159,425	\$ 34,644,425
2014	-	535,175	535,175
2015	-	535,175	535,175
2016	-	535,175	535,175
2017	15,890,000	535,175	16,425,175
	\$ 48,375,000	\$ 4,300,125	\$ 52,675,125

Notes to Financial Statements

June 30, 2012 and 2011

Note F – Long-Term Debt - Continued

During 2006, the Authority issued the \$60,000,000 Capital Improvements Revenue Bonds. Funds to pay the revenue bonds will come from the sales tax that was approved by voters in September 2003. The proceeds from the bond will be used to fund Phase III of the following projects:

- Capital improvements for American Airlines which will promote economic development for and provide additional jobs and payroll within the County;
- Education, health care and events facilities which will promote economic development for and provide additional jobs and payroll within the County; and
- Capital improvements for community enrichment within the County.

The beneficiary began collecting those taxes in January 2004 and will continue collection for the next thirteen years. Interest on the bonds for the Series 2005 C bonds will be 5 percent paid in semi-annual intervals, along with the principal coupons beginning on May 15, 2007 and ending May 15, 2017. The amount outstanding at June 30, 2012 and 2011 was approximately \$30,325,000 and \$35,325,000, respectively. Debt requirements for the years ended June 30 are as follows:

Year	Principal	Interest	Total
2013	\$ 5,600,000	\$ 1,516,250	\$ 7,116,250
2014	5,850,000	1,236,250	7,086,250
2015	6,100,000	943,750	7,043,750
2016	6,275,000	638,750	6,913,750
2017	6,500,000	325,000	6,825,000
	\$ 30,325,000	\$ 4,660,000	\$ 34,985,000

During 2006, the Authority issued the \$12,910,000 Capital Improvements Revenue Bonds. Funds to pay the revenue bonds will come from the sales tax that was approved by voters in December 2005. The proceeds from the bond will be used to fund the following projects:

- Juvenile justice center and courthouse complex renovations, improvements, furnishings and equipment;
- Capital improvements at each of the Tulsa County Parks;
- Phase three of Expo Square’s Master Plan; and
- Improving selected County roads.

Notes to Financial Statements

June 30, 2012 and 2011

Note F – Long-Term Debt - Continued

The beneficiary began collecting those taxes in October 2006 and ceased collection in November 2011. Interest on the bonds for the Series 2006 A bonds will be 3.5 and 5 percent paid in semi-annual intervals beginning on January 1, 2007 and ending January 1, 2012. The amount outstanding at June 30, 2011 was \$12,910,000. As of June 30, 2012 the debt has been paid in full.

During 2007, the Authority issued the \$31,650,000 Capital Improvements Revenue Bonds. Funds to pay the revenue bonds will come from the sales tax that was approved by voters in September 2003. The proceeds from the bond will be used to fund the following projects:

- Capital improvements for American Airlines which will promote economic development for and provide additional jobs and payroll within the County;
- Education, health care and events facilities which will promote economic development for and provide additional jobs and payroll within the County; and
- Capital improvements for community enrichment within the County.

The beneficiary began collecting those taxes in January 2004 and will continue collection for the next thirteen years. Interest on the Series 2006 B bonds will be 4.25 and 5 percent paid on semi-annual intervals beginning on November 15, 2006 and ending on May 15, 2017. Interest on the Series 2006 C Bonds will be 3.94 and 3.99 percent paid on semi-annual intervals beginning November 15, 2006 ending May 15, 2015. The amount outstanding at June 30, 2012 and 2011 was \$24,625,000 and \$27,050,000, respectively. Debt requirements for the years ended June 30 are as follows:

Year	Principal	Interest	Total
2013	\$ 2,650,000	\$ 1,127,750	\$ 3,777,750
2014	7,690,000	995,250	8,685,250
2015	7,860,000	663,750	8,523,750
2016	3,100,000	321,250	3,421,250
2017	3,325,000	166,250	3,491,250
	\$ 24,625,000	\$ 3,274,250	\$ 27,899,250

Notes to Financial Statements

June 30, 2012 and 2011

Note F – Long-Term Debt - Continued

During 2007, the Authority issued the \$47,090,000 Capital Improvements Revenue Bonds. Funds to pay the revenue bonds will come from the sales tax that was approved by voters in December 2005.

The proceeds from the bond will be used to fund the following projects:

- Juvenile justice center and courthouse complex renovations, improvements, furnishings and equipment;
- Capital improvements at each of the Tulsa County Parks;
- Phase three of Expo Square’s Master Plan; and
- Improving selected County roads.

The beneficiary began collecting those taxes in October 2006 and ceased collection in November 2011. Interest on the Series 2006 D bonds was 4.25 to 5.25 percent paid on semi-annual intervals beginning July 1, 2007 and ending January 1, 2011. The debt was fully extinguished in January 2011.

The change in the revenue bonds as reflected in the statement of net assets is as follows:

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012	Due Within One Year
Capital Improvement Series 2003 A&B Revenue Bonds	\$ 127,150,000	\$ -	\$ -	\$ 127,150,000	\$ -
Capital Improvement Series 2005 A&B Revenue Bonds	79,715,000	-	31,340,000	48,375,000	32,485,000
Capital Improvement Series 2005 C Revenue Bonds	35,325,000	-	5,000,000	30,325,000	5,600,000
Capital Improvement Series 2006 A Revenue Bonds	12,910,000	-	12,910,000	-	-
Capital Improvement Series 2006 B&C Revenue Bonds	27,050,000	-	2,425,000	24,625,000	2,650,000
	<u>\$ 282,150,000</u>	<u>\$ -</u>	<u>\$ 51,675,000</u>	<u>\$ 230,475,000</u>	<u>\$ 40,735,000</u>

Notes to Financial Statements

June 30, 2012 and 2011

Note F – Long-Term Debt - Continued

The change in the revenue bonds as reflected in the statement of net assets is as follows:

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011	Due Within One Year
Capital Improvement Series 2003 A&B Revenue Bonds	\$ 144,750,000	\$ -	\$ 17,600,000	\$ 127,150,000	\$ -
Capital Improvement Series 2005 A&B Revenue Bonds	92,435,000	-	12,720,000	79,715,000	31,340,000
Capital Improvement Series 2005 C Revenue Bonds	40,625,000	-	5,300,000	35,325,000	5,000,000
Capital Improvement Series 2006 A Revenue Bonds	12,910,000	-	-	12,910,000	12,910,000
Capital Improvement Series 2006 B&C Revenue Bonds	29,450,000	-	2,400,000	27,050,000	2,425,000
Capital Improvement Series 2006 D Revenue Bonds	12,445,000	-	12,445,000	-	-
	<u>\$ 332,615,000</u>	<u>\$ -</u>	<u>\$ 50,465,000</u>	<u>\$ 282,150,000</u>	<u>\$ 51,675,000</u>

Tulsa County Industrial Authority

Notes to Financial Statements

June 30, 2012 and 2011

Note G – Conduit Debt Obligations

From time-to-time, the Authority has issued industrial revenue bonds and other debt instruments that provide financial assistance to private sector and other governmental entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds and notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the County, the State, nor any other political subdivision thereof is obligated in any manner for repayment of the bonds.

Accordingly, the bonds and notes are not reported as liabilities in the accompanying financial statements. Conduit debt in 2012 and 2011 amounted to \$627,857,399 and \$679,643,932, respectively. The amounts outstanding at June 30, 2012 are as follows:

Note payable of \$500,000 issued May 4, 1995 and maturing January 1, 2016.*	\$ 93,750
Note payable of \$279,000 issued May 18, 1995 and maturing December 1, 2015.*	48,825
Note payable of \$4,600,000 issued February 17, 1999 and maturing January 17, 2017.	-
Revenue bonds payable of \$35,000,000 issued December 1, 2003 and maturing January 1, 2039.	-
Revenue bonds payable of \$8,000,000 issued December 1, 2004 and maturing August 1, 2024.	6,790,000
Note payable of \$2,235,000 issued July 7, 2005 and maturing July 1, 2015.	1,669,767
Note payable of \$1,200,000 issued May 18, 2006 and maturing February 15, 2017.	-
Revenue bonds payable of \$7,047,000 issued May 26, 2006 and maturing October 1, 2037.	5,877,000
Revenue bonds payable of \$219,390,000 issued November 14, 2006 and maturing December 15, 2036.	213,845,000
Revenue bonds payable of \$35,440,000 issued January 31, 2008 and maturing September 1, 2014.	<u>33,885,000</u>
Subtotal to next page	\$ 262,209,342

*-Designates loans from Oklahoma Department of Commerce

Tulsa County Industrial Authority

Notes to Financial Statements

June 30, 2012 and 2011

Note G – Conduit Debt Obligations - Continued

Subtotal from previous page	\$ 262,209,342
Revenue bonds payable of \$104,420,000 issued July 1, 2009 and maturing September 1, 2020.	89,205,000
Revenue bonds payable of \$7,070,000 issued September 1, 2009 and maturing September 1, 2019.	7,025,000
Revenue bonds payable of \$11,350,000 issued February 1, 2010 and maturing February 1, 2040.	10,890,000
Revenue bonds payable of \$115,615,000 issued March 17, 2010 and maturing November 1, 2040.	115,615,000
Revenue bonds payable of \$15,655,000 issued April 6, 2010 and maturing September 1, 2015.	15,655,000
Revenue bonds payable of \$25,030,000 issued June 9, 2010 and maturing September 1, 2024.	22,310,000
Revenue bonds payable of \$19,510,000 issued August 19, 2010 and maturing September 1, 2021.	19,310,000
Revenue bonds payable of \$5,830,000 issued September 1, 2010 and maturing September 1, 2024.	5,475,000
Revenue bonds payable of \$1,725,000 issued September 29, 2010 and maturing September 1, 2017.	1,340,000
Revenue bonds payable of \$6,650,000 issued December 1, 2010 and maturing December 31, 2017.	5,948,057
Revenue bonds payable of \$78,845,000 issued May 1, 2011 and maturing September 1, 2019.	<u>72,845,000</u>
Total outstanding conduit debt	<u><u>\$ 627,827,399</u></u>

*-Designates loans from Oklahoma Department of Commerce

Notes to Financial Statements

June 30, 2012 and 2011

Note H – Commitments and Contingencies

Arbitrage and Use of Proceeds - The revenue bonds are subject to a continuing requirement that excess earnings from the investment of the bond proceeds be rebated periodically to the United States Federal Government. With respect to all of the proceeds of the 2003, 2005, and 2006 bonds, the Authority will comply with the provisions of the Rebate Memorandum.

Continued exemption for interest on the bonds from Federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Internal Revenue Code (the Code). In accordance with the Rebate Memorandum, a third party has prepared the rebate calculations as of November 15, 2011 and April 30, 2012 which has been utilized for calculating the liability of approximately \$266,000 and \$153,000 relating to the 2003 A and B; 2005 A, B, and C; 2006 A, B, C, and D Capital Revenue Bonds for the year ended June 30, 2012 and 2011. In order to maintain the exemption from Federal income tax of interest on the Bonds, the Authority has established a separate fund, called the Rebate Fund, for any amount required to be related to the Federal government pursuant to Section 148 of the Code. Payments totaling \$9,131 and \$366,687 were made from the Rebate Fund to the Federal government during the year ended June 30, 2012 and 2011, respectively. As of June 30, 2012 and 2011, the Authority had approximately \$0 and \$15,000, respectively, in the Rebate Fund.

Construction Contracts - At June 30, 2012 and 2011, the Authority had approximately \$9,933,000 and \$14,164,000, respectively, of construction projects outstanding.

Note I – Unrestricted Net Assets

Unrestricted net assets on the entity-wide statements at June 30 consist of:

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The Authority has been given the responsibility of providing the accounting and financing for the 4 to Fix and Vision 2025 sales tax initiatives. Most of the capital assets constructed with the proceeds of the revenue bonds are transferred to other governmental units while the related debt has been retained in the Authority. Three of those projects have been retained and long-term agreements were made with the beneficiary.

The conduit debt operation of the Authority has generated the net assets available for future operations that are recorded as part of the committed fund balance in the general fund.

Notes to Financial Statements

June 30, 2012 and 2011

Note J – Deficits

The Authority finances capital expenditures for other governmental entities, including those that are not in the component unit group. The expenditure of funds for other entities has created deficits within the Authority. These deficits will be eliminated over time as sales tax is collected by the County and transferred to the Authority for payment of debt used to finance the projects of other governments.

Note K – Sales Tax Pledges

1. The Authority pledged 2/12 of one cent sales tax revenue received from the County to repay \$12,910,000 of Series 2006 A and \$47,090,000 of Series 2006 D Capital Improvement Revenue Bonds. Proceeds from the bonds provided financing for 4 to Fix Projects related to the juvenile justice center and courthouse complex, Tulsa County parks improvements, Expo Square Master plan - Phase III, and Tulsa County road improvements. The bonds are payable from these sales tax revenues and are payable through 2012 and 2011, respectively. There is no remaining principal and interest payable on these bonds. Total pledged sales taxes received from the County in the current fiscal year were \$6,611,859. Debt service payments for the current fiscal year of \$13,345,875 were 202% of the pledged sales taxes. The Series 2006 D bond was paid in full during fiscal year 2011 and the Series 2006 A debt was paid in full in fiscal year 2012. The collections of pledged sales taxes ended November 2011.
2. The Authority also pledged 6/10 of one cent sales tax revenue received from the County to repay \$242,150,000 of Series 2003 A & B; \$150,000,000 of Series 2005 A & B; \$60,000,000 of Series 2005 C; and \$31,650,000 of Series 2006 B & C Capital Improvement Revenue Bonds. Proceeds from the bonds provided financing for Vision 2025 Projects related to: 1) American Airlines capital improvements; 2) education, health care and events facilities; and 3) community enrichment capital improvements. The bonds are payable from these sales tax revenues and are payable through 2017. The total principal and interest payable for the remainder of the life of these bonds is \$260,660,275. Total pledged sales taxes received from the County in the current fiscal year were \$55,626,806. Debt service payments for the current fiscal year of \$51,007,900 were 91.7% of the pledged sales taxes. The collections of pledged sales taxes end February 2017.

Note L – Recent Accounting Pronouncements

In June 2011, The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Statement 63 also specifies that the statement of net position should report the residual amount as net position rather than net assets. Under the Statement, net position should be displayed in three components similar to those currently required for net assets; net investment in capital assets, restricted, and unrestricted. The provisions of this Statement are effective for periods beginning after December 15, 2012 and will be applied on a prospective basis. The Authority is currently evaluating the effects that Statement No. 63 may have on their financial statements.

Notes to Financial Statements

June 30, 2012 and 2011

Note L – Recent Accounting Pronouncements - Continued

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. One of the requirements is that debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The provisions of this Statement are effective for periods beginning after December 15, 2012, and will be applied on a prospective basis. The Authority is currently evaluating the effects that Statement No. 65 may have on their financial statements.

Note M – Transfer from Tulsa County Public Facilities Authority

In May, 2012, the Tulsa County Public Facilities Authority (TCPFA) transferred \$1,971,603 to the Industrial Authority. 4 to Fix the County II Funds were transferred in 2007, at the inception of the voter approved measure, to the TCPFA based on estimated sales tax collections. Actual sales taxes collected were different than the 2007 estimate and TCPFA returned the difference to the Industrial Authority.



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

Board of Trustees
Tulsa County Industrial Authority
Tulsa, Oklahoma

We have audited the financial statements of the governmental activities and each major fund of the Tulsa County Industrial Authority, Tulsa, Oklahoma (the Authority) a component unit of Tulsa County, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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

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 object 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 of the Board of Trustees and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Tulsa, Oklahoma
November 13, 2012

Stanfield & O'Sell P.C.