

Tulsa County Industrial Authority

Financial Statements
and
Independent Auditors' Report

June 30, 2014 and 2013

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Independent Auditors' Report

Board of Trustees
Tulsa County Industrial Authority
Tulsa, Oklahoma

Report on the Financial Statements

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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2014 and 2013, and the respective changes in its financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-13 be 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.

Emphasis of a Matter

As discussed in Note M to the financial statements, the Authority has changed its accounting for debt issued for the benefit of components of the reporting entity.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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* in considering the Authority's internal control over financial reporting and compliance.

Tulsa, Oklahoma
December 15, 2014

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, 2014, June 30, 2013, and June 30, 2012.

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 component 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. These Capital Improvement Revenue Bonds are to be repaid from a dedicated revenue source, e.g., monthly sales tax collections. 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.

Additionally, the Authority has issued revenue bonds for certain capital projects of Tulsa County and the Tulsa City-County Health Department (TCCHD), a discretely presented component unit of Tulsa County. These bonds are funded solely by capital lease revenue paid by Tulsa County and TCCHD. The capital lease agreements are written so that the capital lease revenue will be sufficient to make all debt service payments on the bonds. These bonds and capital leases are accounted for in a separate governmental debt service fund set up specifically for that activity.

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

Financial Highlights

- The change in net position totaled \$50.7 million and \$43.3 for the fiscal year ended June 30, 2014 and 2013, respectively.
- The "4 to Fix the County I" projects were 100% complete as of the end of fiscal year 2011. Nearly \$61.5 million has been spent project-to-date on these capital improvements.

- Approximately \$1.0 million and \$3.4 million were spent during fiscal years ending June 30, 2014 and June 30, 2013, respectively, on “4 to Fix II” capital improvements; nearly \$61.3 million has been spent project-to-date on these capital improvements. The “4 to Fix II” projects are now approximately 97% complete when compared to the original budget.
- \$2.0 million and \$1.4 million were spent during fiscal years ending June 30, 2014 and June 30, 2013, respectively, on Vision 2025 capital improvements; nearly \$510.4 million has been spent project to date on these capital improvements. The Vision 2025 projects are now approximately 98% complete when compared to the original budget.
- The amount of outstanding conduit debt obligations as of June 30, 2014 and 2013 was \$611.4 million and \$647.8 million respectively. The amount of outstanding conduit debt obligations as of June 30, 2014 is \$36.4 million lower than the balance on June 30, 2013.

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 Governmental 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 Position 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, Sales Tax Debt Service Fund, and Capital Lease 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 Position

The Statement of Net Position shows the financial position of asset, deferred outflow, liability, deferred inflow and net position accounts as of the last day of the fiscal year. The excess of assets and deferred outflows over liabilities and deferred inflows is reported as net position. The following Table 1 is a condensed summary of the Statement of Net Position for the fiscal years ending June 30, 2014, 2013, and 2012.

Table 1
Net Position
(In Thousands)

	2014	Restated 2013	%Inc. (Dec.)	Restated 2012	%Inc. (Dec.)
Cash and cash equivalents	\$ 471	\$ 1,036	-55%	\$ 1,296	-20%
Restricted cash and cash equivalents	88,276	86,633	2%	85,796	1%
Other current assets-restricted	8,753	7,832	12%	10,289	-24%
Lease receivable	15,591	16,286	-4%	14,625	11%
Capital assets	<u>2,361</u>	<u>2,361</u>	0%	<u>2,361</u>	0%
Total assets	115,452	114,148	1%	114,367	0%
Deferred outflows of resources	<u>461</u>	<u>506</u>	-9%	<u>552</u>	-8%
Total assets and deferred outflows of resources	<u>\$ 115,913</u>	<u>\$ 114,654</u>	1%	<u>\$ 114,919</u>	0%
Current liabilities	\$ 51,806	\$ 50,091	3%	\$ 44,401	13%
Noncurrent liabilities	<u>112,893</u>	<u>164,069</u>	-31%	<u>213,291</u>	-23%
Total liabilities	<u>164,699</u>	<u>214,160</u>	-23%	<u>257,692</u>	-17%
Deferred inflows of resources	<u>89</u>	<u>95</u>	-6%	<u>102</u>	-7%
Net position:					
Net investment in capital assets	1,450	1,121	29%	1,121	0%
Restricted for debt service/capital projects	45,237	41,072	10%	35,907	14%
Unrestricted	<u>(95,562)</u>	<u>(141,794)</u>	-33%	<u>(179,903)</u>	-21%
Total net position (deficit)	<u>(\$ 48,875)</u>	<u>(\$ 99,601)</u>	-51%	<u>(\$ 142,875)</u>	-30%
Total Liabilities, deferred inflows of resources, and net position	<u>\$ 115,913</u>	<u>\$ 114,654</u>	1%	<u>\$ 114,919</u>	0%

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

Other current assets-restricted (2013) – decreased \$2.5 million (24%) due mainly to a decrease in the estimated accrued sales taxes due from Tulsa County. The estimate decreased from 2 months of sales tax accrual to 1 ½ months.

Noncurrent liabilities (2013) - decreased \$49.2 million (23%) due mainly to the first principal payment due in 2014 on the 2003 A bonds of \$33.7 million, which decreased the noncurrent portion of the long-term debt.

Unrestricted net position deficit (2013) – decreased by \$38.1 million (21%) due mainly to excess unrestricted revenues over expenses of \$43.3 million.

Noncurrent liabilities (2014) – decreased \$51.2 million (31%) due mainly to the normal pay-down of revenue bonds related to the Vision 2025 projects.

Unrestricted net position deficit (2014) – decreased by \$46.2 million (33%) due mainly to excess unrestricted revenues over expenses of \$50.7 million.

Statement of Activities

The Statement of Activities shows the activity that occurred during the fiscal years ended June 30, 2014, 2013, and 2012. 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 position. 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, uncapitalized capital outlay, bond principal expenditure, bond interest expenditure, and transfers from beneficiary, proceeds from revenue bonds, and beginning and ending net position.

Table 2
Changes in Net Position
(In Thousands)

	<u>2014</u>	<u>Restated 2013</u>	<u>% Inc. (Dec.)</u>	<u>2012**</u>	<u>% Inc. (Dec.)</u>
Revenues:					
Program revenues:					
Charges for services	\$ 743	\$ 773	-4%	\$ 44	1657%
General revenues:					
Sales and use taxes	61,896	57,166	8%	62,239	-8%
Other general revenues	696	718	-3%	3,179	-77%
Total revenues	<u>63,335</u>	<u>58,657</u>	8%	<u>65,462</u>	-10%
Program expenses:					
General government	2,271	2,501	-9%	3,109	-20%
Vision 2025	2,035	1,383	47%	7,214	-81%
4 to Fix II	1,029	3,407	-70%	3,282	4%
Interest on long-term debt	7,274	8,092	-10%	9,472	-15%
Total expenses	<u>12,609</u>	<u>15,383</u>	-18%	<u>23,077</u>	-33%
Change in net position	50,726	43,274	17%	42,385	2%
Beginning net position (deficit), restated	(99,601)	(142,875)	-30%	(185,491)	-23%
Ending net position (deficit)	<u>(\$ 48,875)</u>	<u>(\$ 99,601)</u>	-51%	<u>(\$ 143,106)</u>	-30%

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

Other general revenues decreased \$2.5 million (77%) in 2013 mainly due to a \$1.9 million reimbursement in 2012 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.

**2012 has not been restated for the effect of reclassifying conduit debt issued for Tulsa County and its discretely presented component unit.

4 to Fix the County I

Capital Project	Expended this Fiscal Year	Total Expended Project-to-Date	Percentage Completed
Flood Mitigation	\$ -	\$ 7,616,240	100.0%
Parks Construction	-	2,969,323	100.0%
Roads Construction	-	27,025,355	100.0%
Expo Square	-	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 fiscal year 2012, 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, 2014 with the amount expended this fiscal year, the total expended project to date, as well as the percentage of completion as of June 30, 2014 as compared to the budget.

Capital Project	Expended this Fiscal Year	Total Expended Project-to-Date	Percentage Completed
Criminal Justice Construction	\$ 492,118	\$ 7,187,365	92.2%
Streets Construction	360,603	15,954,201	81.5%
Parks Construction	288,939	12,636,052	100.0%
Expo Square	-	23,396,396	100.0%

The 4 to Fix II money spent for Criminal Justice Construction was spent on the remodel of the courthouse. During fiscal year 2014, the Streets Construction funds were primarily spent on construction of the Zinc Dam.

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, 2014 with the amount expended this fiscal year, the total expended project to date, as well as the percentage of completion as of June 30, 2014 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	\$ -	\$ 22,300,000	100.0%
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	348,090	12,268,026	95.2%
Community Enrichment	Route 66	199,849	8,650,408	57.7%
Community Enrichment	Downtown Tulsa	38,505	20,977,370	99.0%
Community Enrichment	Owasso Medical	225,000	4,500,000	100.0%
Community Enrichment	61st Street City	-	2,730,359	100.0%

There is a balance of \$142,485,000 of outstanding bonds as of June 30, 2014, 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 expenditures over revenues of approximately \$48,000. This represents an increase in net expenses from fiscal year 2013 of \$32,000 (or 200%). The major cause for the increase in net expense is receipt of \$42,000 in issuer fees for a new conduit debt issue in fiscal year 2013. The major transactions in the General Fund of the Industrial Authority for the fiscal year ending June 30, 2014, were the receipt of issuer fees of about \$52,000 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, 2014 and 2013:

Table 4
Long-term Debt
(In Thousands)

	Balance 7-1-12	Additions	Deletions	Balance 6-30-13
Revenue bonds payable-2003 A&B	\$ 127,150	\$ -	\$ -	\$ 127,150
Revenue bonds payable-2005 A&B	48,375	-	32,485	15,890
Revenue bonds payable-2005 C	30,325	-	5,600	24,725
Revenue bonds payable-2006 B&C	24,625	-	2,650	21,975
Revenue bonds payable-2010 Rec Fac	5,475	-	365	5,110
Revenue bonds payable-2010 TCCHD	10,890	-	235	10,655
Revenue bonds payable-2013 Sheriff	-	1,660	-	1,660
Total	<u>\$ 246,840</u>	<u>\$ 1,660</u>	<u>\$ 41,335</u>	<u>\$ 207,165</u>

	Balance 7-1-13	Additions	Deletions	Balance 6-30-14
Revenue bonds payable-2003 A&B	\$ 127,150	\$ -	\$ 33,715	\$ 93,435
Revenue bonds payable-2005 A&B	15,890	-	-	15,890
Revenue bonds payable-2005 C	24,725	-	5,850	18,875
Revenue bonds payable-2006 B&C	21,975	-	7,690	14,285
Revenue bonds payable-2010 Rec Fac	5,110	-	370	4,740
Revenue bonds payable-2010 TCCHD	10,655	-	240	10,415
Revenue bonds payable-2013 Sheriff	1,660	-	155	1,505
Total	<u>\$ 207,165</u>	<u>\$ -</u>	<u>\$ 48,020</u>	<u>\$ 159,145</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 position in the Statement of Net Position. 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 Position. 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 position 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 the office of the Finance Officer, 500 South Denver Avenue, Room 114, Tulsa, Oklahoma 74103-3832.

Financial Statements

Tulsa County Industrial Authority

Statements of Net Position

June 30,

	Governmental Activities	
	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 471,032	\$ 1,035,999
Restricted cash, cash equivalents and investments	88,275,550	86,633,090
Interest receivable - restricted	93,810	94,450
Loan to Tulsa County	500,000	-
Due from Tulsa County - restricted	8,159,378	7,737,350
Current portion of lease receivable	716,559	695,207
	<u>98,216,329</u>	<u>96,196,096</u>
Non-Current Assets		
Land	2,360,964	2,360,964
Lease receivable from related party	14,874,313	15,590,871
Total assets	<u>115,451,606</u>	<u>114,147,931</u>
Deferred Outflows of Resources		
Deferred charge on refunding	460,941	506,279
Total Assets and Deferred Outflows of Resources	<u>\$ 115,912,547</u>	<u>\$ 114,654,210</u>
Liabilities		
Current Liabilities		
Accounts payable from restricted assets	\$ 1,047,786	\$ 826,579
Interest payable from restricted assets	997,944	1,244,715
Revenue bonds payable - current portion paid from restricted assets	49,760,000	48,020,000
	<u>51,805,730</u>	<u>50,091,294</u>
Non-Current Liabilities		
Revenue bonds payable - long-term portion paid from restricted assets	109,385,000	159,145,000
Unamortized revenue - bond premium - restricted	3,508,054	4,923,992
Total Liabilities	<u>164,698,784</u>	<u>214,160,286</u>
Deferred Inflows of Resources		
Deferred gain on refunding	88,571	95,092
Net Position (Deficit)		
Net investment in capital assets	1,449,972	1,121,251
Restricted for debt service/capital projects	45,237,135	41,072,141
Unrestricted deficit	(95,561,915)	(141,794,560)
Total Net Position (Deficit) - (Note J)	<u>(48,874,808)</u>	<u>(99,601,168)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 115,912,547</u>	<u>\$ 114,654,210</u>

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

Tulsa County Industrial Authority

Statement of Activities

Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions / Programs					
Primary government	\$ 2,271,113	\$ 51,592	\$ -	\$ -	\$ (2,219,521)
General government:					
Vision 2025 expenses for other governmental entities	2,035,095	-	-	-	(2,035,095)
4 to Fix II expenses for other governmental entities	1,029,455	-	-	-	(1,029,455)
Interest on long-term debt	7,273,501	691,771	-	-	(6,581,730)
Total Government Activities	\$ 12,609,164	\$ 743,363	\$ -	\$ -	\$ (11,865,801)

Changes in Net Position:

Net (expense) revenue		\$ (11,865,801)
Sales tax collections transferred from County		61,895,517
Investment earnings		<u>696,644</u>
Change in net position		50,726,360
Net position (deficit) - beginning of year		<u>(99,601,168)</u>
Net position (deficit) - end of year		<u><u>\$ (48,874,808)</u></u>

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

Tulsa County Industrial Authority

Statement of Activities

Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions / Programs					
Primary government, restated (Note L)	\$ 2,501,279	\$ 87,465	\$ -	\$ -	\$ (2,413,814)
General government:					
Vision 2025 expenses for other governmental entities	1,382,675	-	-	-	(1,382,675)
4 to Fix II expenses for other governmental entities	3,407,472	-	-	-	(3,407,472)
Interest on long-term debt	8,092,274	685,623	-	-	(7,406,651)
Total Government Activities	\$ 15,383,700	\$ 773,088	\$ -	\$ -	\$ (14,610,612)

Changes in Net Position:

Net (expense) revenue		\$ (14,610,612)
Sales tax collections transferred from County		57,165,925
Investment earnings		699,136
Other		18,919
Change in net position		43,273,368
Net position (deficit) - beginning of year, restated (Note L)		(142,874,536)
Net position (deficit) - end of year		\$ (99,601,168)

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

Tulsa County Industrial Authority

Balance Sheet - Governmental Funds

June 30, 2014

	General Fund	Capital Projects Fund	Sales Tax Debt Service Fund	Capital Lease Debt Service Fund	Total Governmental Fund
Assets					
Cash and cash equivalents	\$ 471,032	\$ -	\$ -	\$ -	\$ 471,032
Restricted assets					
Restricted cash, cash equivalents and investments	-	4,312,410	83,079,605	883,535	88,275,550
Interest receivable	6	36	87,187	6,581	93,810
Due from Tulsa County	500,000	-	7,987,664	171,714	8,659,378
Capital leases receivable	-	-	-	15,590,872	15,590,872
Total Assets	<u>\$ 971,038</u>	<u>\$ 4,312,446</u>	<u>\$ 91,154,456</u>	<u>\$ 16,652,702</u>	<u>\$ 113,090,642</u>
Liabilities, Deferred Inflows, and Fund Balance					
Liabilities					
Accounts payable from restricted assets	\$ 17,500	\$ 1,030,286	\$ -	\$ -	\$ 1,047,786
Interest payable from restricted assets	-	-	-	239,160	239,160
Total Liabilities	<u>17,500</u>	<u>1,030,286</u>	<u>-</u>	<u>239,160</u>	<u>1,286,946</u>
Deferred Inflows					
Unavailable revenue	-	-	87,187	15,590,872	15,678,059
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>87,187</u>	<u>15,590,872</u>	<u>15,678,059</u>
Fund Balance					
Restricted	-	3,282,160	91,067,269	822,670	95,172,099
Committed	953,538	-	-	-	953,538
Total Fund Balances	<u>953,538</u>	<u>3,282,160</u>	<u>91,067,269</u>	<u>822,670</u>	<u>96,125,637</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 971,038</u>	<u>\$ 4,312,446</u>	<u>\$ 91,154,456</u>	<u>\$ 16,652,702</u>	<u>\$ 113,090,642</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, 2014

Reconciliation to Statement of Net Position

Total fund balance - total governmental fund	\$ 96,125,637
Amounts reported for governmental activities in the statement of net position 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 2013 principal payments. Revenue bonds represent long-term liabilities.	(93,435,000)
Proceeds from the 2005 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$38,085,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities.	(34,765,000)
Proceeds from the 2006 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$2,650,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities.	(14,285,000)
Proceeds from the 2010 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$610,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities.	(15,155,000)
Proceeds from the 2013 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$155,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities.	(1,505,000)
Unamortized bond premium is not reported in the funds. This premium is amortized to interest expense as bonds are paid.	(3,508,054)
Accrued interest due within one year but not payable from current financial resources, is not reported in governmental fund statements.	(758,784)
Unamortized deferred charge on refunding is not a current financial resource, and is therefore, not reported in the funds. The deferred charge is amortized to interest expense as the bonds are paid.	460,941
Unamortized deferred gain on refunding is not a current financial obligation and is, therefore not reported in the funds. The deferred gain is amortized to interest expense as bonds are paid.	(88,571)
Long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds: deferred gain on refunding of \$87,811 and capital lease receivable of \$15,590,872.	15,678,059
Land costs capitalized upon completion of specified projects. These costs are expenses in governmental funds, but capitalized in the entity-wide statements.	2,360,964
Net position (deficit) of governmental activities.	<u><u>\$ (48,874,808)</u></u>

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

Tulsa County Industrial Authority

Balance Sheet - Governmental Funds

June 30, 2013

	General Fund	Capital Projects Fund	Restated Sales Tax Debt Service Fund	Restated Capital Lease Debt Service Fund	Restated Total Governmental Fund
Assets					
Cash and cash equivalents	\$ 1,035,999	\$ -	\$ -	\$ -	\$ 1,035,999
Restricted assets					
Restricted cash, cash equivalents and investments	-	5,384,041	80,199,150	1,049,899	86,633,090
Interest receivable	8	44	87,155	7,243	94,450
Due from Tulsa County	-	12,508	7,724,842	-	7,737,350
Capital leases receivable	-	-	-	16,286,078	16,286,078
Total Assets	<u>\$ 1,036,007</u>	<u>\$ 5,396,593</u>	<u>\$ 88,011,147</u>	<u>\$ 17,343,220</u>	<u>\$ 111,786,967</u>
Liabilities, Deferred Inflows, and Fund Balance					
Liabilities					
Accounts payable from restricted assets	\$ 35,000	\$ 791,577	\$ -	\$ -	\$ 826,577
Interest payable from restricted assets	-	-	-	243,833	243,833
Total Liabilities	<u>35,000</u>	<u>791,577</u>	<u>-</u>	<u>243,833</u>	<u>1,070,410</u>
Deferred Inflows					
Unavailable revenue	-	-	86,638	16,286,078	16,372,716
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>86,638</u>	<u>16,286,078</u>	<u>16,372,716</u>
Fund Balance					
Restricted	-	4,605,016	87,924,509	813,309	93,342,834
Committed	1,001,007	-	-	-	1,001,007
Total Fund Balances	<u>1,001,007</u>	<u>4,605,016</u>	<u>87,924,509</u>	<u>813,309</u>	<u>94,343,841</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,036,007</u>	<u>\$ 5,396,593</u>	<u>\$ 88,011,147</u>	<u>\$ 17,343,220</u>	<u>\$ 111,786,967</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, 2013

Reconciliation to Statement of Net Position

Total fund balance - total governmental fund	\$ 94,343,841
Amounts reported for governmental activities in the statement of net position 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 2013 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 \$38,085,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities.	(40,615,000)
Proceeds from the 2006 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$2,650,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities.	(21,975,000)
Proceeds from the 2010 series revenue bonds are not financial resources and, therefore, are not reported in the funds. Principal payments of \$600,000 are not financial uses, but a reduction of the liability. Revenue bonds represent long-term liabilities.	(15,765,000)
Proceeds from the 2013 series revenue bonds are not financial resources and, therefore, are not reported in the funds. There were no 2013 principal payments. Revenue bonds represent long-term liabilities.	(1,660,000)
Unamortized bond premium is not reported in the funds. This premium is amortized to interest expense as bonds are paid.	(4,923,992)
Accrued interest due within one year but not payable from current financial resources is not reported in governmental fund statements.	(1,000,883)
Unamortized deferred charge on refunding is not a current financial resource, and is therefore, not reported in the funds. The deferred charge is amortized to interest expenses as the bonds are paid.	506,279
Unamortized deferred gain on refunding is not a current financial obligation and is, therefore not reported in the funds. The deferred gain is amortized to interest expense as bonds are paid.	(95,092)
Long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds: accrued interest receivable of \$86,639 and capital lease receivable of \$16,286,078.	16,372,715
Land costs capitalized upon completion of specified projects. These costs are expenses in governmental funds, but capitalized in the entity-wide statements.	2,360,964
Net position (deficit) of governmental activities, restated (Note L)	<u>\$ (99,601,168)</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, 2014

	General Fund	Capital Projects Fund	Sales Tax Debt Service Fund	Capital Lease Debt Service Fund	Total Governmental Fund
Revenue					
Charges for services	\$ 51,592	\$ -	\$ -	\$ -	\$ 51,592
Lease income - Tulsa County	-	-	-	700,207	700,207
Lease income - TCCHD	-	-	-	686,771	686,771
Investment income	224	470	695,320	77	696,091
Total Revenue	<u>51,816</u>	<u>470</u>	<u>695,320</u>	<u>1,387,055</u>	<u>2,134,661</u>
Expenditures					
General government	99,285	884,035	1,287,793	-	2,271,113
Expenditures for Vision 2025 projects	-	2,035,095	-	-	2,035,095
Expenditures for 4 to Fix II projects	-	1,029,455	-	-	1,029,455
Bond principal	-	-	47,255,000	765,000	48,020,000
Bond interest	-	-	8,280,025	612,694	8,892,719
Total Expenditures	<u>99,285</u>	<u>3,948,585</u>	<u>56,822,818</u>	<u>1,377,694</u>	<u>62,248,382</u>
Deficiency of revenues under expenditures	(47,469)	(3,948,115)	(56,127,498)	9,361	(60,113,721)
Other financing sources (uses):					
Transfers from beneficiary	-	-	61,895,517	-	61,895,517
Operating transfers in	-	3,684,173	1,058,914	-	4,743,087
Operating transfers out	-	(1,058,914)	(3,684,173)	-	(4,743,087)
Net Other Financing Sources (Uses)	<u>-</u>	<u>2,625,259</u>	<u>59,270,258</u>	<u>-</u>	<u>61,895,517</u>
Excess (deficiency) of revenues over (under) expenditures - other financing sources (uses):	<u>(47,469)</u>	<u>(1,322,856)</u>	<u>3,142,760</u>	<u>9,361</u>	<u>1,781,796</u>
Fund balance at June 30, 2013	<u>1,001,007</u>	<u>4,605,016</u>	<u>87,924,509</u>	<u>813,309</u>	<u>94,343,841</u>
Fund balance at June 30, 2014	<u>\$ 953,538</u>	<u>\$ 3,282,160</u>	<u>\$ 91,067,269</u>	<u>\$ 822,670</u>	<u>\$ 96,125,637</u>
Reconciliation to Statement of Activities					
Net change in fund balances - total governmental funds					\$ 1,781,796
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 position.					48,020,000
Amortization of bond premium over the term of the related debt.					1,415,937
Amortization of deferred charge on refunding					(45,338)
Amortization of deferred gain on refunding					6,521
Change in accrued interest payable not recorded on governmental funds.					242,098
Change in interest earnings not recorded on governmental funds.					552
Capital lease principal payments received recorded as revenue in governmental funds., but reduces long-term receivable on statement of net position					(695,206)
Change in net position of governmental activities					<u>\$ 50,726,360</u>

Tulsa County Industrial Authority

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

June 30, 2013

	General Fund	Capital Projects Fund	Sales Tax Debt Service Fund	Restated Capital Lease Debt Service Fund	Restated Total Governmental Fund
Revenue					
Charges for services	\$ 87,465	\$ -	\$ -	\$ -	\$ 87,465
Lease income - Tulsa County	-	-	-	567,827	567,827
Lease income - TCCHD	-	-	-	685,957	685,957
Investment income	323	1,237	697,443	133	699,136
Total Revenue	87,788	1,237	697,443	1,253,917	2,040,385
Expenditures					
General government	104,056	1,163,438	1,419,813	80,006	2,767,313
Expenditures for Vision 2025 projects	-	1,382,675	-	-	1,382,675
Expenditures for 4 to Fix II projects	-	3,407,472	-	-	3,407,472
Bond principal	-	-	40,735,000	600,000	41,335,000
Bond interest	-	-	10,316,775	603,490	10,920,265
Total Expenditures	104,056	5,953,585	52,471,588	1,283,496	59,812,725
Deficiency of revenues under expenditures	(16,268)	(5,952,348)	(51,774,145)	(29,579)	(57,772,340)
Other financing sources (uses):					
Transfers from beneficiary	-	-	57,165,925	-	57,165,925
Capital lease payments	-	-	-	(2,229,308)	(2,229,308)
Bond proceeds	-	-	-	1,660,000	1,660,000
Bond premium	-	-	-	25,311	25,311
Other	-	18,919	-	-	18,919
Operating transfers in	-	2,985,074	980,276	-	3,965,350
Operating transfers out	-	(980,276)	(2,985,074)	-	(3,965,350)
Net Other Financing Sources (Uses)	-	2,023,717	55,161,127	(543,997)	56,640,847
Excess (deficiency) of revenues over (under) expenditures - other financing sources (uses):	(16,268)	(3,928,631)	3,386,982	(573,576)	(1,131,493)
Fund balance at June 30, 2012	1,017,275	8,533,647	84,537,527	1,386,885	94,088,449
Fund balance at June 30, 2013	\$ 1,001,007	\$ 4,605,016	\$ 87,924,509	\$ 813,309	\$ 92,956,956

Reconciliation to Statement of Activities

Net change in fund balances - total governmental funds					\$ (1,131,493)
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 position.					41,335,000
Amortization of bond premium over the term of the related debt.					2,620,608
Bond payments made recorded as expenditure in governmental funds, but as decrease in long-term liability in statement of net position.					2,229,308
Bond proceeds recorded as revenue on governmental funds, but as increase in long-term liabilities on statement of net position					(1,660,000)
Bond premiums recorded as revenue in governmental funds, but are reported as liabilities in statement of net position					(25,311)
Amortization of deferred charge on refunding					(45,338)
Amortization of deferred gain on refunding					6,521
Change in accrued interest payable not recorded on governmental funds.					246,200
Change in estimated liability for rebatable arbitrage not record on governmental funds					266,035
Capital lease principal payments received recorded as revenue on governmental funds, but reduces long-term receivables on statement of net position					(567,827)

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013

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 position 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, 2014 and 2013

Note B – Summary of Significant Accounting Policies - Continued

The statements of net position 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 deferred outflows and its liabilities and deferred inflows, is its net position. Net position is displayed in three components – net investment in capital assets, 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 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, 2014 and 2013

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 No. 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 assessed 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 Funds – The Debt Service Funds account 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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013 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. *Unearned 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. Amortization in 2014 and 2013 was approximately \$1,400,000 and \$2,600,000, respectively, and that has been recorded as an offset to interest expense.

Accumulated amortization was \$30,063,486 and \$28,645,779 in June 30, 2014 and 2013, respectively.

Notes to Financial Statements

June 30, 2014 and 2013

Note B – Summary of Significant Accounting Policies - Continued

8. *Income Tax* – The Authority is exempt from federal and state income taxes.
9. *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.
10. *Reclassification* – Certain items in the 2013 financial statements have been reclassified to conform with the 2014 presentation.
11. *Subsequent Events* – In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through December 15, 2014, the date the financial statements were available to be issued.

Note C – Deposits and Investments

1. *Deposits* – On June 30, 2014 and 2013, the cash balance includes demand accounts in the Authority's name of \$79,599 and \$124,896, 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, 2014 and 2013

Note C – Deposits and Investments - Continued

As of June 30, 2014, 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	2.38
Cavanal Hill Cash Management Fund	23,606,889	23,606,889	AAA	0.13
BOK Short-Term Cash Fund I	49,615,108	49,615,108	N/A	N/A
Cash	79,599	79,599	N/A	N/A
	<u>\$ 88,746,582</u>	<u>\$ 88,746,582</u>		
Total Investments	<u>\$ 88,746,582</u>	<u>\$ 88,746,582</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, 2014, 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	\$ 15,444,986	0%	100%	0%	0%
Cavanal Hill Cash Management Fund	23,606,889	100%	N/A	N/A	N/A
BOK Short-Term Cash Fund I	49,615,108	N/A	N/A	N/A	N/A
Cash	79,599	N/A	N/A	N/A	N/A
	<u>\$ 88,746,582</u>	<u>100%</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>
Total	<u>\$ 88,746,582</u>	<u>100%</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>

Tulsa County Industrial Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note C – Deposits and Investments - Continued

As of June 30, 2013, 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	3.38
Cavanal Hill Cash Management Fund	23,605,519	23,605,519	AAA	0.15
BOK Short-Term Cash Fund I	48,493,688	48,493,688	N/A	N/A
Cash	124,896	124,896	N/A	N/A
Total Investments	\$ 87,669,089	\$ 87,669,089		

- 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, 2013, 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	\$ 15,444,986	0%	100%	0%	0%
Cavanal Hill Cash Management Fund	23,605,519	100%	N/A	N/A	N/A
BOK Short-Term Cash Fund I	48,493,688	N/A	N/A	N/A	N/A
Cash	124,896	N/A	N/A	N/A	N/A
Total	\$ 87,669,089	100%	100%	0%	0%

Notes to Financial Statements

June 30, 2014 and 2013

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 debt obligations for the benefit of Tulsa County and the Tulsa City-County Health Department to construct facilities. The Authority received lease payments from these entities totaling approximately \$1,400,000 and \$1,200,000 for the years ended June 30, 2014 and June 30, 2013, respectively, which corresponded to the debt service payments due on the conduit debt. The Authority has recognized lease receivables from the benefiting party as follows:

	<u>2014</u>	<u>2013</u>
Tulsa City-County Health Department	\$ 10,041,318	\$ 10,240,172
Tulsa County	4,832,995	5,350,699
	<u>\$ 14,874,313</u>	<u>\$ 15,590,871</u>

During 2014 and 2013, capital outlay for designated projects for Tulsa County was approximately \$1,377,000 and \$3,429,000, respectively.

Note E – Capital Assets

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

Notes to Financial Statements

June 30, 2014 and 2013

Note F – Long-Term Debt

Long term debt consists of the following:

Series	Principal
2003 A&B	\$ 93,435,000
2005 A&B	15,890,000
2005 C	18,875,000
2006 B&C	14,285,000
2010	15,155,000
2013	1,505,000
	<u>159,145,000</u>
Less current	49,760,000
Long term	<u><u>\$ 109,385,000</u></u>

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 no longer outstanding - they reached maturity on May 15, 2011. The amounts outstanding at June 30, 2014 and June 30, 2013 were \$93,435,000 and \$127,150,000, respectively. Debt requirements for the years ended June 30 are as follows:

Year	Principal	Interest	Total
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
	<u>\$ 93,435,000</u>	<u>\$ 6,924,200</u>	<u>\$ 100,359,200</u>

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013 was \$15,890,000. Debt requirements for the years ended June 30 are as follows:

Year	Principal	Interest	Total
2015	\$ -	\$ 535,175	\$ 535,175
2016	-	535,175	535,175
2017	15,890,000	535,175	16,425,175
	<u>\$ 15,890,000</u>	<u>\$ 1,605,525</u>	<u>\$ 17,495,525</u>

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.

Notes to Financial Statements

June 30, 2014 and 2013

Note F – Long-Term Debt - Continued

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, 2014 and 2013 was approximately \$18,875,000 and \$24,725,000, respectively. Debt requirements for the years ended June 30 are as follows:

Year	Principal	Interest	Total
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
\$	18,875,000	\$ 1,907,500	\$ 20,782,500

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, 2014 and 2013 was \$14,285,000 and \$21,975,000, respectively. Debt requirements for the years ended June 30 are as follows:

Year	Principal	Interest	Total
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
\$	14,285,000	\$ 1,151,250	\$ 15,436,250

Notes to Financial Statements

June 30, 2014 and 2013

Note F – Long-Term Debt - Continued

The Series 2010 consists of debt issued for the benefit of Tulsa City-County Health Department and Tulsa County. The debt is payable from lease payments from these entities.

Year	Principal	Interest	Total
2015	\$ 625,000	\$ 578,213	\$ 1,203,213
2016	630,000	564,855	1,194,855
2017	650,000	548,738	1,198,738
2018	665,000	531,595	1,196,595
2019	685,000	513,815	1,198,815
Thereafter	11,900,000	5,581,403	17,481,403
	\$ 15,155,000	\$ 8,318,619	\$ 23,473,619

The Series 2013 consists of debt issued for Tulsa County and is payable from lease payments.

Year	Principal	Interest	Total
2015	\$ 155,000	\$ 28,795	\$ 183,795
2016	160,000	25,695	185,695
2017	160,000	22,495	182,495
2018	165,000	12,945	177,945
2019	165,000	15,995	180,995
Thereafter	700,000	36,505	736,505
	\$ 1,505,000	\$ 142,430	\$ 1,647,430

Tulsa County Industrial Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note F – Long-Term Debt - Continued

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

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014	Due Within One Year
Capital Improvement Series 2003 A&B Revenue Bonds	\$ 127,150,000	\$ -	\$ 33,715,000	\$ 93,435,000	\$ 35,020,000
Capital Improvement Series 2005 A&B Revenue Bonds	15,890,000	-	-	15,890,000	-
Capital Improvement Series 2005 C Revenue Bonds	24,725,000	-	5,850,000	18,875,000	6,100,000
Capital Improvement Series 2006 B&C Revenue Bonds	21,975,000	-	7,690,000	14,285,000	7,860,000
Capital Improvement Series 2010 Revenue Bonds	15,765,000	-	610,000	15,155,000	625,000
Capital Improvement Series 2013 Revenue Bonds	1,660,000	-	155,000	1,505,000	155,000
	<u>\$ 207,165,000</u>	<u>\$ -</u>	<u>\$ 48,020,000</u>	<u>\$ 159,145,000</u>	<u>\$ 49,760,000</u>

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

	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013	Due Within One Year
Capital Improvement Series 2003 A&B Revenue Bonds	\$ 127,150,000	\$ -	\$ -	\$ 127,150,000	\$ 33,715,000
Capital Improvement Series 2005 A&B Revenue Bonds	48,375,000	-	32,485,000	15,890,000	-
Capital Improvement Series 2005 C Revenue Bonds	30,325,000	-	5,600,000	24,725,000	5,850,000
Capital Improvement Series 2006 B&C Revenue Bonds	24,625,000	-	2,650,000	21,975,000	7,690,000
Capital Improvement Series 2010 Revenue Bonds	16,365,000	-	600,000	15,765,000	610,000
Capital Improvement Series 2013 Revenue Bonds	-	1,660,000	-	1,660,000	155,000
	<u>\$ 246,840,000</u>	<u>\$ 1,660,000</u>	<u>\$ 41,335,000</u>	<u>\$ 207,165,000</u>	<u>\$ 48,020,000</u>

Notes to Financial Statements

June 30, 2014 and 2013

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 2014 and 2013 amounted to \$628,087,707 and \$665,182,856, respectively. The amounts outstanding at June 30, 2014 are as follows:

Note payable of \$500,000 issued May 4, 1995 and maturing January 1, 2016.*	\$ 43,750
Note payable of \$279,000 issued May 18, 1995 and maturing December 1, 2015.*	20,925
Note payable of \$2,235,000 issued July 7, 2005 and maturing July 1, 2015.	1,471,419
Revenue bonds payable of \$7,047,000 issued May 26, 2006 and maturing October 1, 2037.	5,742,000
Revenue bonds payable of \$219,390,000 issued November 14, 2006 and maturing December 15, 2036.	206,045,000
Revenue bonds payable of \$35,440,000 issued January 31, 2008 and maturing September 1, 2014.	9,020,000
Revenue bonds payable of \$104,420,000 issued July 1, 2009 and maturing September 1, 2020.	72,600,000
Revenue bonds payable of \$7,070,000 issued September 1, 2009 and maturing September 1, 2019.	6,270,000
Revenue bonds payable of \$115,615,000 issued March 17, 2010 and maturing November 1, 2040.	<u>104,140,000</u>
Subtotal to next page	\$ 405,353,094

*-Designates loans from Oklahoma Department of Commerce

Tulsa County Industrial Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note G – Conduit Debt Obligations - Continued

Subtotal from previous page	\$ 405,353,094
Revenue bonds payable of \$15,655,000 issued April 6, 2010 and maturing September 1, 2015.	14,570,000
Revenue bonds payable of \$25,030,000 issued June 9, 2010 and maturing September 1, 2024.	20,755,000
Revenue bonds payable of \$19,510,000 issued August 19, 2010 and maturing September 1, 2021.	16,935,000
Revenue bonds payable of \$1,725,000 issued September 29, 2010 and maturing September 1, 2017.	1,035,000
Revenue bonds payable of \$78,845,000 issued May 1, 2011 and maturing September 1, 2019.	66,865,000
Revenue bonds payable of \$67,300,000 issued June 1, 2012 and maturing September 1, 2022.	66,605,000
Revenue bonds payable of \$7,210,000 issued August 1, 2012 and maturing August 1, 2024.	6,785,000
Revenue bonds payable of \$5,700,000 issued March 1, 2014 and maturing March 1, 2044.	5,075,000
Revenue bonds payable of \$1,700,000 issued April 1, 2014 and maturing April 16, 2024.	1,676,567
Revenue bonds payable of \$5,467,000 issued November 1, 2013 and maturing November 1, 2023.	5,148,046
Revenue bonds payable of \$625,000 issued March 21, 2014 and maturing March 1, 2023.	<u>625,000</u>
Total outstanding conduit debt	<u>\$ 611,427,707</u>

*-Designates loans from Oklahoma Department of Commerce

Notes to Financial Statements

June 30, 2014 and 2013

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 June 26, 2013 and April 30, 2012 which has been utilized for calculating the liability of approximately \$0 and \$0 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, 2014 and 2013. 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. No payments were made from the Rebate Fund to the Federal government during the years ended June 30, 2014 and 2013. As of June 30, 2014 and 2013, the Authority had \$0 in the Rebate Fund.

Construction Contracts - At June 30, 2014 and 2013, the Authority had approximately \$7,926,000 and \$9,933,000, respectively, of construction projects outstanding.

Note I – Unrestricted Net Position

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

	2014	2013
Net position available for future operations	\$ 471,032	\$ 1,035,999
Amount to be provided by future sales tax collection for retirement of revenue bonds	(96,032,947)	(142,830,559)
Unrestricted deficit	<u>\$ (95,561,915)</u>	<u>\$ (141,794,560)</u>

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 position available for future operations that are recorded as part of the committed fund balance in the general fund.

Notes to Financial Statements

June 30, 2014 and 2013

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

The Authority 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 \$154,073,475. Total pledged sales taxes received from the County in the current fiscal year were \$61,895,517. Debt service payments for the current fiscal year of \$55,535,025 were 89.7% of the pledged sales taxes. The collections of pledged sales taxes end February 2017.

Note L – Adoption of Governmental Accounting Standards Board (GASB) Statements No. 63 and 65

In 2013, the Authority adopted GASB Statement No. 63 - *Financial Reporting of Deferred Outflows, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. Statement No. 63 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 No. 63 also specifies that the statement of net position should report the residual amount as net position rather than net assets. Under this statement, net position should be displayed in three components; net investment in capital assets, restricted, and unrestricted.

Statement No. 65 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 any expense in the period. The provisions of this Statement were applied retroactively.

Notes to Financial Statements

June 30, 2014 and 2013

Note M – Change in Prior Year Statements

During the year the Authority determined that debt issued for the benefit of related parties should not be reported as conduit debt. The Authority has restated its 2013 statements to reflect these specific bond issues, with a balance at June 30, 2013 of \$17,425,000, as liabilities of the Authority and reflect an offsetting lease receivable from the related parties of \$16,286,078. The Authority also recognized cash held for future construction and debt service payments and other related balances. The net effect on net position and debt service fund balance as of June 30, 2014 was a increase of \$190,171 and \$813,306. In addition, the Authority is reporting separate funds for debt service from sales tax versus debt service from lease payments.

Note N – Subsequent Events

Voters of Tulsa County approved increases in the County's sales tax effective July 1, 2014. The sales tax is to be used to construct, operate and maintain a Juvenile Justice Courts and Detention Center and expand the David L Moss Criminal Justice Center (DLM Center). In connection with expansion of the DLM Center, the Authority issued Series 2014 Capital Improvement Bonds in the amount of \$9,595,000. The bonds are payable over 15 years from the voter approved sales tax.

In connection with the "State Energy Program American Recovery and Reinvestment Act Revolving Loan Program" in October 2014, the Authority obtained a loan for \$1,055,000 payable in 15 annual installments with interest at 1%.



**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, 2014, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2014. 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
December 15, 2014

Stanfield & O'Sell P.C.