Tulsa Industrial Authority

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

Financial Statements
with Independent Auditors' Report

June 30, 2019 and 2018

HINKLE & COMPANY PC
Strategic Business Advisors

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Table of Contents
June 30, 2019 and 2018

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report on Financial Statements

Board of Trustees
Tulsa Industrial Authority
Tulsa, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of the Tulsa Industrial Authority as of and for the years ended June 30, 2019 and 2018, the related notes to the financial statements, which collectively, comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

5028 E. 101st Street
Tulsa, OK 74137
TEL: 918.492.3388
FAX: 918.492.4443
www.hinklecpas.com

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tulsa Industrial Authority as of June 30, 2019 and 2018 and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
On December 10, 2019, we became aware that current assets and deferred inflows of resources were materially misstated on the Statement of Net Position. In our opinion, the revised Statement of Net Position presents fairly, in all material respects, the financial position of the Tulsa Industrial Authority as of June 30, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America. The audit report date of the revised Statement of Net Position is December 16, 2019.

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

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hinkle & Company, PC

Tulsa, Oklahoma
December 5, 2019
Except for page 3 for which the date is December 16, 2019

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2019

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) is intended to aid the reader in recognizing any significant issues and changes in the financial position of Tulsa Industrial Authority. The MD&A should be used in conjunction with the financial statements and notes as a whole.

The Tulsa Industrial Authority (Authority) continued operations of seeking development projects through Brownfields programs and financing arrangements for industrial, commercial and other organizations that include conduit debt and tax increment financing programs.

In April of 2016, TIA entered into an arrangement to provide financing through ad valorem and sales tax increment revenues for various projects. During the year ended June 30, 2018 the Authority received the first tax payments on an initial project and established additional projects for the current year ended June 30, 2019.

Financial Analysis

Condensed Statements of Net Position

	2019	2018
Current Assets	$ 1,566,871	$ 1,034,210
Capital Assets	11,031,915	11,370,490
Total Assets	12,598,786	12,404,700
Current Liabilities	73,351	108,994
Deferred Inflows of Resources	158,496	109,766
Net Position, Investment in capital assets	11,031,915	11,370,490
Net Position, Restricted development programs	581,126	33,326
Net position, Unrestricted	753,898	782,124
Total Net Position	$ 12,366,939	$ 12,185,940

Current assets increased by $532,661. This is due to the increase in restricted pooled cash investments and increase in accounts receivable from the activity related to tax increment financing programs.

(continued)

Financial Analysis (continued)

Capital assets decreased by $338,575 for depreciation recognized for the year.

Current liabilities decreased by $35,643. This is due to net effect of the payment of the accrued cost related to the initial tax increment financing program from prior year and accrual of contract services costs and additional costs related to the initial tax increment financing program for the current year.

Deferred inflows of resources increased by $48,730 from the recognition of ad valorem taxes levied as of January 2019 on tax increment financing programs.

Net position overall increased by $180,999 as a result of tax increment financing programs activity.

The 2019 and 2018 unrestricted net position includes $500,000 designated by the Board of Trustees for use in the Brownfields Redevelopment Program.

Statements of Revenues, Expenses, and Changes in Net Position

	2019	2018
Operating Revenue	$ 126,488	$ 142,847
Operating Expenses	532,890	584,276
Operating Income (Loss)	(406,402)	(441,429)
Non-Operating Income	587,401	115,923
Change in Net Position	$ 180,999	$ (325,506)

Operating revenue decreased by $16,359 from reduced recurring administrative fees and no new fees on conduit debt financing arrangements for the current year.

Operating expenses decreased by $51,386. This is due to a reduction of development activity costs associated with tax increment financing programs.

Non-operating income increased by $471,478 from the increased earnings on pooled cash investments and the ad valorem and sales tax revenue on tax increment financing programs.

Tulsa Industrial Authority

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

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents		
Cash	$ 7,403	$ 6,251
Pooled cash Investments	765,876	773,332
Restricted pooled cash investments	358,153	108,178
Accounts receivable	5,299	4,920
Accounts receivable - ad valorem tax	158,496	109,766
Accounts receivable - sales tax	240,257	-
Accrued interest receivable	2,497	2,873
Prepaid rent	28,890	28,890
Total Current Assets	1,566,871	1,034,210
Capital Assets		
Buildings	11,039,548	11,039,548
Equipment	1,062	1,062
Geothermal wells	3,133,553	3,133,553
Accumulated depreciation	(3,142,248)	(2,803,673)
Total Capital Assets, Net	11,031,915	11,370,490
Total Assets	12,598,786	12,404,700
LIABILITIES		
Current Liabilities		
Accounts payable	44,461	80,104
Unearned rent revenue	28,890	28,890
Total Current Liabilities	73,351	108,994
DEFERRED INFLOWS OF RESOURCES		
Ad valorem tax revenue	158,496	109,766
Total Deferred Inflows of Resources	158,496	109,766
NET POSITION		
Net Investment in capital assets	11,031,915	11,370,490
Restricted - Development programs	581,126	33,326
Unrestricted	753,898	782,124
Total Net Position	$ 12,366,939	$ 12,185,940

Tulsa Industrial Authority

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Industrial development activities		
Administrative fee income	$ 10,857	$ 10,917
New fee income	-	15,000
Other income	71	1,370
Airport hangar revenue	115,560	115,560
Total Operating Revenues	126,488	142,847
Operating Expenses		
Development activities	78,754	130,141
Airport hangar	391,560	391,560
Geothermal wells	62,576	62,575
Total Operating Expenses	532,890	584,276
Operating Loss	(406,402)	(441,429)
Non-Operating Revenues		
Ad valorem tax revenues	291,380	109,766
Sales tax revenues	271,411	-
Investment income	24,610	6,157
Total Non-Operating Revenues	587,401	115,923
Change in Net Position	180,999	(325,506)
Net Position, Beginning of Year	12,185,940	12,511,446
Net Position, End of Year	$ 12,366,939	$ 12,185,940

Tulsa Industrial Authority

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

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Administrative fee income	$ 10,478	$ 23,774
Cash received from other sources	115,631	131,930
Payments to suppliers and contract services	(229,958)	(181,935)
Net Cash used in operating activities	(103,849)	(26,231)
Cash Flows from Noncapital Financing Activities		
Net Proceeds from taxes	322,534	109,766
Net Cash provided by noncapital financing activities	322,534	109,766
Cash Flows from Investing Activities		
Investment income	24,986	5,652
Net cash used in investing activities	24,986	5,652
Net increase (decrease) in cash	243,671	89,187
Cash at beginning of year	887,761	798,574
Cash at year end	$ 1,131,432	$ 887,761
Reconciliation of Decrease in Net Position to Net Cash Used in Operating Activities		
Operating loss	$ (406,402)	$ (441,429)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	338,575	338,575
Changes in operating assets and liabilities		
Accounts receivable	(379)	12,861
Other assets	-	70
Accrued expenses	-	(2,998)
Accounts payable	(35,643)	66,690
Total Adjustments	302,553	415,198
Net cash used in operating activities	$ (103,849)	$ (26,231)
Reconciliation of Cash and Cash Equivalents to Statements of Net Position		
Cash	$ 7,403	$ 6,251
Pooled cash Investments	765,876	773,332
Restricted pooled cash investments	358,153	108,178
	$ 1,131,432	$ 887,761

Note 1: Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows.

Background

Tulsa Industrial Authority (the Authority), is a public trust created under Section 176, Title 60 of the Oklahoma Statutes and Oklahoma Trust Act. The primary purpose of the Authority is to promote economic development within and near Tulsa, Oklahoma through financing of various facilities. Its activities primarily consist of arranging financing to industrial, commercial and other organizations.

The Authority is a component unit to the City of Tulsa's, hereinafter referred to as "the City", financial reporting entity. The Trust indenture was created in 1969 with the City of Tulsa as the beneficiary and the Metropolitan Tulsa Chamber of Commerce as Trustor. The trustees include the Mayor of the City of Tulsa and seven additional trustees appointed by the Mayor subject to the approval of the City Council of the City of Tulsa.

The Authority's debt issuances are generally secured by a pledge of all receipts received under the lease and loan agreements and by a mortgage on the related property acquired. These obligations are of a limited recourse nature in that the rights and remedies of the Authority's lenders are specifically limited to the security given by the Authority. As a result, these transactions are considered conduit debt and are not recorded as an asset or obligation on the Authority's balance sheet.

Basis of Accounting and Presentation

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Investment income is included in non-operating revenues and expenses.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents reported on the statement of net position includes both the amounts deposited within the City's pooled portfolio and other cash and cash equivalents. The amounts held in the City's pooled portfolio are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

Cash and cash equivalents included in the City's pooled portfolio are recorded at the net asset value of their position in the City's pooled portfolio. The Authority is allocated interest monthly based on their average daily position in the City's pooled portfolio. Changes in fair value of the City's pooled portfolio are allocated annually based on the Authority's position as of June 30.

For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased and any amounts held by the City's portfolio pool, to be cash equivalents.

Receivables

Receivables represent amounts due for administrative fees and property (Ad Valorem) taxes and sales tax from tax increment financing arrangements. A receivable is considered past due if any portion of the receivable balance is outstanding past terms. The Authority has historically not experienced significant uncollectible accounts and has therefore, provided no allowance for doubtful accounts. The Authority typically does not charge interest or require collateral on receivables.

Estimates

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

Financial Statement Presentation

Net position is displayed in three components:

1) Invested in Capital Assets
   This component of net assets includes restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes that are attributable to the acquisition, construction or improvements of those assets.

Note 1: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

2) Restricted Net Position
This component consists of net positions with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws, regulations, or laws through constitutional provisions or enabling legislation. Restricted cash and cash equivalents includes ad valorem tax revenue restricted for capital projects and developer programs by enabling legislation.

3) Unrestricted Net Position
This component consists of all other net positions that do not meet the definition of ‘restricted’ or ‘invested in capital assets, net of related debt.’ The Authority’s policy is to first apply unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available. The Authority’s Board of Trustees has designated $500,000 of unrestricted net assets for Brownfields projects.

Capital Assets

Government Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* requires governmental entities to depreciate all capital assets, except certain non-depreciable assets such as land and construction in progress.

Capital assets are reported at historical cost. Donated capital assets are valued at the estimated fair value at the date of donation. All items with estimated useful lives beyond one year are depreciated principally under the straight-line method. Depreciation expense was $338,575 and $338,575 for June 30, 2019 and 2018 respectively. Maintenance and repairs are charged to operations when incurred and improvements are capitalized.

The Authority’s capitalized furniture and fixtures is depreciated using the straight-line method over estimated useful lives ranging from five (5) to seven (7) years.

The Authority’s capitalized building is depreciated using the straight-line method over estimated useful lives ranging from twenty (20) to forty (40) years.

The Authority’s capitalized equipment is depreciated using the straight-line method over estimated useful lives ranging from five (5) to ten (10) years.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the financial statements include a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position in the financial statements that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The authority receives ad valorem tax on real property located within certain tax-increment financing (TIF) districts. Ad valorem taxes are levied each October 1st on the assessed valuation of non-exempt real property located in the City as of the preceding January 1st, the lien date. Property taxes are due on November 1st following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1st, the second installment is not delinquent until April 1st). Ad valorem taxes are collected by the Treasurer of Tulsa County and are remitted to the City and then, in turn, remitted to the Authority. Property tax receivables are recorded on the lien date, although the related revenue is reported as a deferred inflow of resources and will not be recognized until the year for which it is levied.

Classification of Revenue and Expenses

All revenues and expenses are defined as all revenue sources and uses directly related to the mission of the Authority and are defined according to the following criteria.

> Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as administrative fee income, bond redemption and grant revenue.
>
> Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts and contributions and other revenue sources that are defined as non-operating revenues by GASB No. 9, Reporting Cash Flows and Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments investment income.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation. The reclassification had no effect on the previously reported increase in net position.

Subsequent Events

The Authority has evaluated subsequent events through December 5, 2019, which is the date the financial statements were issued.

Note 2: Cash and Cash Equivalents

Cash deposits of the Authority are maintained within the City's pooled portfolio. The City's portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2019 and 2018, the Authority maintained balances of $1,124,029 and $881,510, respectively, in the City's portfolio which represented 0.10% ownership per year of the City's pool portfolio.

The City's cash and investments pool is collateralized by securities held by the City or its agent in the City's name as of June 30, 2019 and June 30, 2018.

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

Deposits with banks and financial institutions are carried at cost. The table presented below is designed to disclose the level of custody credit risk assumed by the Authority based upon how its deposits were insured or secured with collateral at June 30, 2019 and 2018. The categories of credit risk are defined as follows:

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

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

Category 3 – Deposits which are not collateralized or insured.

A summary of the deposits at June 30, 2019 consisted of the following:

	June 30, 2019				
Types of Deposits	Total Bank Balance	Custody (Category 1)	Credit Risk (Category 2)	Uninsured (Category 3)	Carrying Value
Demand Deposits					
Operating Account	$ 7,403	$ 7,403	$ -	$ -	$ 7,403
Pooled Cash Investments	765,876	-	765,876	-	765,876
Restricted Pooled Cash Investments	358,153	-	358,153	-	358,153
Total Deposits	$ 1,131,432	$ 7,403	$ 1,124,029	$ -	$ 1,131,432

Note 2: Cash and Cash Equivalents (Continued)

A summary of the deposits at June 30, 2018 consisted of the following:

	June 30, 2018				
Types of Deposits	Total Bank Balance	Custody (Category 1)	Credit Risk (Category 2)	Uninsured (Category 3)	Carrying Value
Demand Deposits					
Operating Account	$ 6,251	$ 6,251	$ -	$ -	$ 6,251
Pooled Cash Investments	773,332	-	773,332	-	773,332
Restricted Pooled Cash Investments	108,178	-	108,178	-	108,178
Total Deposits	$ 887,761	$ 6,251	$ 881,510	$ -	$ 887,761

Note 3: Capital Asset Activity

Capital asset activity for the Authority for the year ended June 30, 2019 was:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Geothermal Well	$ 3,133,553	$ -	$ -	$ 3,133,553
Buildings	11,039,548	-	-	11,039,548
Equipment	1,062	-	-	1,062
Total capital assets being depreciated	14,174,163	-	-	14,174,163
Less accumulated depreciation	(2,803,673)	(338,575)	-	(3,142,248)
Capital Assets, Net	$ 11,370,490	$ (338,575)	$ -	$ 11,031,915

Note 3: Capital Asset Activity (Continued)

Capital asset activity for the Authority for the year ended June 30, 2018 was:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Geothermal Well	$ 3,133,553	$ -	$ -	$ 3,133,553
Buildings	11,039,548	-	-	11,039,548
Equipment	1,062	-	-	1,062
Total capital assets being depreciated	14,174,163	-	-	14,174,163
Less accumulated depreciation	(2,465,098)	(338,575)	-	(2,803,673)
Capital Assets, Net	$ 11,709,065	$ (338,575)	$ -	$ 11,370,490

Note 4: Tax-Exempt Status

The Authority is recognized as a subdivision of the State of Oklahoma and is therefore not subject to income taxes.

Note 5: Conduit Debt

The notes and bonds issued by the Authority are special and limited obligations of the Authority; payable solely out of revenues derived from and in connection with the underlying loan agreements and the underlying security provided under the loan agreements. Neither the Authority nor any political subdivision thereof is obligated in any manner for repayment of the notes and bonds. Accordingly, the notes and bonds are not reported as liabilities in the accompanying financial statements nor are the related investments reported as assets.

The aggregate outstanding principal balances due on these notes and bonds are approximately $183 million and $140 million at June 30, 2019 and 2018 respectively.

The Authority loans the proceeds from notes and bonds to organizations or the Authority leases the facilities acquired with the proceeds to the organizations under financing lease arrangements providing for transfer of the property to such organizations at the end of the lease.

The Authority as a conduit bond issuer has had outstanding issues which have been in default in the payment of principal and interest. Since the notes and bonds issued by the Authority are only limited obligations of the Authority as noted above, the Authority has not incurred any losses as a result of these defaults. Series 1999B is in default as of June 30, 2009 and there are no other outstanding issues in default as of June 30, 2019 and 2018, respectively.

Note 6: Leases

On June 6, 2008, the Authority signed a sublease agreement with Tulsa Airports Improvements Trust (TAIT) to lease certain lands. The agreement commenced with the completion of the construction of the Hangar in October of 2009 for a minimum of 10 years. Scheduled payments were $20,000 per year for the first 5 years and the standard ground lease rate for TAIT was implemented for the remaining 5 years. On July 11, 2019, the Authority exercised the 15 year option period under the current Agreement and TAIT consented to and acknowledged the Authority's execution of its option to extend the term of the agreement for an additional 15 years ending September 24, 2034. The future annual minimum lease payment schedule is $122,783.

On June 6, 2008, the Authority also signed a sublease agreement with American Airlines (AA) to lease the Hangar and land to AA. The agreement commenced with the completion of the construction of the Hangar in October of 2009 for a minimum of 10 years. Scheduled payments from AA to the Authority were $20,000 per year for the first 5 years and the standard ground lease rate was implemented for the remaining 5 years. There are covenants that provide TIA the option to terminate the agreement or increase the rent for the remainder of the term to a market rate as determined by TAIT, if certain conditions are not met. On September 11, 2019, AA formally requested to remain as a tenant while a new sublease agreement is being negotiated.

On August 23, 2012, the Authority signed an Assignment and Lease Agreement with the George Kaiser Family Foundation (GKFF). TIA is the Lessee of certain real estate in Tulsa County, Oklahoma, commonly known as the Guthrie Green Park (Park Property). Over and across the Park Property, TIA has constructed certain improvements consisting of a geothermal well field and solar energy panel system consisting of underground piping and other appurtenances and facilities supporting ground source heat pump heating and cooling systems for adjoining buildings. The term is effective beginning on August 23, 2012 and expires July 31, 2062 for the sum of One Dollar ($1.00).

On August 23, 2012, the Authority signed a Ground Lease Agreement with the George Kaiser Family Foundation (GKFF) that provides GKFF the right of occupancy of the Real Property that will be granted and assigned back to GKFF. The term is effective beginning on August 1, 2012 and expires July 31, 2062. TIA agrees to pay to GKFF as rental for the use and occupancy of the Real Property the sum of One Dollar ($1.00) per year, due in advance for the entire lease term. GKFF and TIA agree and recognize that the token rental amount is set in recognition of the fact that the Ground Lease is entered into in order to facilitate the construction, lease-back and operation of the geothermal well field on the real property pursuant to the terms of a separate lease agreement.

Note 7: Related Party Transactions

The Authority is a component unit of the City of Tulsa. During the years ended June 30, 2019 and 2018, the City of Tulsa was reimbursed $20,000 and $17,986 of administrative personnel expenses by the Authority, respectively.

Note 8: New Accounting Standards Issued not yet Adopted

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has issued several new accounting pronouncements which will be effective to the Authority in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the Authority's consideration of the impact of the material pronouncements effecting the Authority are described below:

- GASB Statement No. 87, Leases

  GASB No. 87 was issued June 2017 and the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The authority has not yet determined the impact that implementation will have on its financials.

Note 8: New Accounting Standards Issued not yet Adopted (Continued)

- GASB Statement No. 91, Conduit Debt Obligations

  GASB No. 91 was issued May 2019 and the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The authority has not yet determined the impact that implementation will have on its financials.

HINKLE & COMPANY PC
Strategic Business Advisors

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

Board of Trustees
Tulsa Industrial Authority
Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tulsa Industrial Authority, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise Tulsa Industrial Authority's basic financial statements and have issued our report thereon dated December 5, 2019.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

5028 E. 101st Street
Tulsa, OK 74137
TEL: 918.492.3388
FAX: 918.492.4443
www.hinklecpas.com

Compliance and Other Matters

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

Purpose of this Report

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

Hinkle & Company, PC

Tulsa, Oklahoma
December 5, 2019