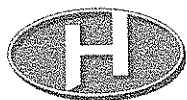


Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Financial Statements
with Independent Auditors' Report

June 30, 2011 and 2010



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2011 and 2010

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**Independent Auditors' Report
on Financial Statements**

Board of Trustees
Tulsa Industrial Authority
Tulsa, Oklahoma

We have audited the accompanying statement of financial position of Tulsa Industrial Authority (the Authority), as of June 30, 2011 and 2010. The related statements of activities and cash flows for the audit year are also included. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011 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.

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Tulsa, Oklahoma
October 18, 2011

Hinkle & Company, LLC

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2011

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.

Financial Statements

Condensed Statements of Net Assets

	2011	2010
Current Assets	\$ 2,751,221	\$ 1,822,299
Long Term Assets	11,516,960	10,833,524
Total Assets	\$ 14,268,181	\$ 12,655,823
Total Liabilities	\$ 1,061,975	\$ 106,595
Net Assets Invested in Capital		
Assets	11,483,079	10,782,015
Restricted for capital projects	588,940	—
Funds to be returned to the City of Tulsa	—	80,500
Unrestricted	1,134,187	1,686,713
Total Liabilities and Net Assets	\$ 14,268,181	\$ 12,655,823

For the year ended June 30, 2011 the significant changes include the completion of the Hangar Project in the prior year and the start of the Geothermal Project in the current year. The assets reflect a restricted cash balance of \$588,351 provided by matching funds, a grants receivable of \$457,009 representing billings to the governmental agency for cost incurred but not collected and construction-in-progress of \$959,535 related to the Geothermal Project.

The liabilities have increased for cost accrued on the Geothermal Project and unpaid at year-end and the deferred revenue of \$561,149 associated with matching funds collected prior to costs incurred.

Both 2011 and 2010 unrestricted net assets include \$500,000 designated by the Board of Trustees for use in the Brownfields Redevelopment Program.

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2011

Financial Statements (Continued)

Statements of Revenues, Expenses, and Changes in Net Assets

	2011	2010
Revenues		
Fee Income	\$ 160,512	\$ 35,276
Other Income	225	29,870
Airport Hangar Revenue	20,000	15,000
Geothermal Project	959,535	36,932
Total Operating Revenue	\$ 1,140,272	\$ 117,078
Expenses		
Industrial Development	\$ 194,938	\$ 246,131
Airport Hangar	295,887	221,661
Geothermal Project	—	36,932
Brownfields	2,925	4,338
Total Expenses	\$ 493,750	\$ 509,062
Operating Loss	646,522	(391,984)
Non operating Income	10,456	16,248
Transfers from Primary Government (See note 6)	—	1,078,356
Change in Net Assets	\$ 656,978	\$ 702,800

Fee income increased significantly from 2010 to 2011 primarily due to a new American Recovery Bond issue. Fee income is derived from administrative fees on bonds issued. Fees are paid in full at the date of issue or are computed based upon bond balances and paid over the life of the bond.

The Geothermal Project consist of 120 geothermal wells that will service multiple non-profit entities (including Tulsa University, Gilcrease and Philbrook Museums and the Arts and Humanities Council) to offer low cost alternative heating and air in the adjacent newly renovated Brady District Buildings. This project is funded through federal and private grants. It is an ongoing project with an expected completion of 2012-2013.

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
<u>ASSETS</u>		
Current Assets		
Cash	\$ 123,940	\$ 126,093
Cash-restricted	588,351	80,500
Short-term investments	1,570,659	1,560,620
Accounts receivable	6,156	49,370
Grants receivable	457,009	—
Other	5,106	5,716
Total Current Assets	<u>2,751,221</u>	<u>1,822,299</u>
Fixed Assets		
Buildings	11,039,548	11,039,548
Construction in progress	959,535	—
Equipment	3,982	3,982
Furniture and fixtures	9,076	9,076
Accumulated depreciation	<u>(495,181)</u>	<u>(219,082)</u>
Fixed Assets, Net	<u>11,516,960</u>	<u>10,833,524</u>
Total Assets	<u>\$14,268,181</u>	<u>\$12,655,823</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 500,826	\$ 106,595
Deferred revenue	<u>561,149</u>	<u>—</u>
Total Current Liabilities	<u>1,061,975</u>	<u>106,595</u>
Net Assets		
Invested in capital assets	11,483,079	10,782,015
Restricted for		
Capital projects	588,940	—
Excess capital projects fund	—	80,500
Unrestricted	<u>1,134,187</u>	<u>1,686,713</u>
Total Net Assets	<u>13,206,206</u>	<u>12,549,228</u>
Total Liabilities and Net Assets	<u>\$14,268,181</u>	<u>\$12,655,823</u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Industrial development activities		
Administrative fee income	\$ 160,512	\$ 35,276
Other income	225	29,870
Airport hangar revenue	20,000	15,000
Geothermal project	959,535	36,932
Total Operating Revenues	1,140,272	117,078
Operating Expenses		
Industrial development	194,938	246,131
Airport hangar	295,887	221,661
Geothermal project	—	36,932
Brownfields	2,925	4,338
Total Operating Expenses	493,750	509,062
Operating Income (Loss)	646,522	(391,984)
Non-Operating Revenues		
Interest income	10,456	16,248
Income (loss) before other revenues, gains, losses and transfers	656,978	(375,736)
Transfers from primary government	—	1,078,536
Change in Net Assets	656,978	702,800
Net Assets, Beginning of Year	12,549,228	11,846,428
Net Assets, End of Year	\$13,206,206	\$12,549,228



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Administrative fee income	\$ 203,726	\$ 32,689
Grant income	1,063,675	
Other income	20,225	44,870
Payments to suppliers and employees	<u>177,190</u>	<u>(1,969,243)</u>
Net Cash provided by (used in) operating activities	<u>1,464,816</u>	<u>(1,891,684)</u>
Cash Flows from Investing Activities		
Interest income	10,456	16,248
Proceeds for sales and maturities of investments	669,727	1,384,916
Purchases of investments	<u>(679,766)</u>	<u>(1,503,538)</u>
Net cash provided by (used in) investing activities	<u>417</u>	<u>(102,374)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(977,163)	(1,102,146)
Transfers in from primary government	<u>17,628</u>	<u>292,213</u>
Net cash provided by (used in) financing activities	<u>(959,535)</u>	<u>(809,933)</u>
Net increase (decrease) in cash	505,698	(2,803,991)
Cash at beginning of year	<u>206,593</u>	<u>3,010,584</u>
Cash at year end	<u>\$ 712,291</u>	<u>\$ 206,593</u>
Reconciliation of Decrease in Net Assets to Net Cash Used in Operating Activities		
Operating income (loss)	\$ 646,522	\$ (391,984)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	276,099	200,157
Changes in operating assets and liabilities		
Accounts receivable	(413,795)	(39,519)
Other current assets	610	(5,572)
Accounts payable	<u>394,231</u>	<u>(1,654,766)</u>
Total Adjustments	<u>257,145</u>	<u>(1,499,700)</u>
Net cash provided by (used in) operating activities	<u>\$ 903,667</u>	<u>\$ (1,891,684)</u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

(Continued)

	<u>2011</u>	<u>2010</u>
Cash Consists of the following at June 30		
Cash	\$ 123,940	\$ 126,093
Cash - restricted	<u>588,351</u>	<u>80,500</u>
Total cash	<u>\$ 712,291</u>	<u>\$ 206,593</u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2011 and 2010

Note 1: Summary of Significant Accounting Policies

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

Background

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

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

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

Basis of Presentation

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

The Authority prepares its financial statements as a business-type activity in conformity with applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2011 and 2010

Note 1: Summary of Significant Accounting Policies (Continued)

The Authority is considered a "special purpose government" involved in business type activities as defined in Governmental Accounting Standards Board No. 34.

Receivables

Receivables primarily represent amounts due from administrative fees. A receivable is considered past due if any portion of the receivable balance is outstanding past terms. The Authority has historically not experienced significant uncollectible accounts and has therefore, provided no allowance for doubtful accounts. The Authority typically does not charge interest or require collateral on receivables.

Estimates

The preparation of financial statements in conformity with the cash receipts and disbursements method of accounting 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 assets are displayed in three components:

1) Invested in Capital Assets, net of related debt

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

2) Restricted net assets

This component consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws or regulations, or law through constitutional provisions or enabling legislation.

3) Unrestricted Net Assets

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



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2011 and 2010

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Government Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* requires governmental entities to depreciate all capital assets, except certain nondepreciable 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 \$276,099 and \$206,873 for June 30, 2011 and 2010 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.

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.

Nonoperating revenue: Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as gifts and contributions, and other revenue sources that are defined as nonoperating 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.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2011 and 2010

Note 2: Capital Asset Activity

Capital asset activity for the Authority for the year ended June 30, 2011 and 2010 was:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Construction in Progress	\$ —	\$ 959,535	\$ —	\$ 959,535
Buildings	11,039,548	—	—	11,039,548
Equipment	3,982	—	—	3,982
Furniture & Fixtures	<u>9,076</u>	<u>—</u>	<u>—</u>	<u>9,076</u>
Total capital assets being depreciated	11,052,606	959,535	—	12,012,141
Less accumulated depreciation	<u>(219,082)</u>	<u>(276,099)</u>	<u>—</u>	<u>(495,181)</u>
Net	<u>\$ 10,833,524</u>	<u>\$ 683,436</u>	<u>\$ —</u>	<u>\$ 11,516,960</u>

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010
Construction in Progress	\$ 9,144,363	\$ —	\$ (9,144,363)	\$ —
Buildings	—	11,039,548	—	11,039,548
Equipment	10,698	—	(6,716)	3,982
Furniture & Fixtures	<u>9,076</u>	<u>—</u>	<u>—</u>	<u>9,076</u>
Total capital assets being depreciated	9,164,137	11,039,548	(9,151,079)	11,052,606
Less accumulated depreciation	<u>(18,925)</u>	<u>(206,873)</u>	<u>6,716</u>	<u>(219,082)</u>
Net	<u>\$ 9,145,212</u>	<u>\$ 10,832,675</u>	<u>\$ (9,144,363)</u>	<u>\$ 10,833,524</u>

Note 3: Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and time deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation. All bank deposits at June 30, 2011, were insured.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2011 and 2010

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: Deposits

The Authority has a deposit policy for addressing the exposure to custodial credit risk. The Authority's bank balances as of June 30, 2011 and 2010 were both entirely collateralized with a letter of credit from the custodial bank.

Custodial Credit Risk: Exposure to custodial credit risk related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement.

Investment maturities were as follows at June 30, 2011 and 2010 respectively:

2011 Investment Type	Fair Market	Investment Maturities (in Years)				
		Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Certificates of Deposit	679,766	679,766	—	—	—	—
Money Market	890,893	890,893	—	—	—	—
	<u>\$ 1,570,659</u>	<u>\$ 1,570,659</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

2010 Investment Type	Fair Market	Investment Maturities (in Years)				
		Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Certificates of Deposit	859,779	859,779	—	—	—	—
Money Market	700,841	700,841	—	—	—	—
	<u>\$ 1,560,620</u>	<u>\$ 1,560,620</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Note 6: Conduit Debt

The notes and bonds issued by the Authority are special and limited obligations of the Authority; payable solely out of revenues derived from and in connection with the underlying loan agreements and the underlying security provided under the loan agreements. The Authority or any political subdivision thereof is not obligated in any manner for repayment of the notes and bonds. Accordingly, the notes and bonds are not reported as liabilities in the accompanying financial statements nor are the related investments reported as assets.

The aggregate outstanding principal balances due on these notes and bonds are approximately \$180 million and \$204 million at June 30, 2011 and 2010 respectively.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2011 and 2010

Note 6: Conduit Debt (Continued)

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, 2011 and 2010, respectively.

Note 7: Leases

On June 6, 2008, the Authority signed a sublease agreement with Tulsa Airports Improvements Trust (TAIT) to lease certain lands. The agreement commenced with the completion of the construction of the Hangar in October of 2009 for a minimum of 10 years. Scheduled payments will be \$20,000 per year for the first 5 (five) years and the standard ground lease rate for TAIT will be implemented for the remaining 5 years.

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

Note 8: Related Party Transactions

The City of Tulsa transferred cash in the amount of \$0 and \$292,213 to the Authority to be used solely for the payment of costs associated with construction of the Hangar as of June 30, 2011 and 2010 respectively. The City of Tulsa also transferred non-cash capital expenditures to the Authority in the amount of \$0 and \$118,399 as of June 30, 2011 and 2010.

Note 9: Subsequent Events

Subsequent events have been evaluated through October 18, 2011, which is the date the financial statements were issued.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2011 and 2010

Note 10: Recently Issued Accounting Pronouncements

In 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB No. 54 addresses how this information is reported by state and local governments. A key provision in the Statement is to improve the usefulness of the amount reported in the fund balance by providing more structured classification along with clarifying the definition of existing governmental fund types and the constraints placed on fund balances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. Management has not yet determined the effect this Statement will have on the Authority's financial condition or results of operations.



Exhibit





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**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting 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 the financial statements of Tulsa Industrial Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Board of Trustees
Tulsa Industrial Authority
Page 2

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Hill & Company, LLC

Tulsa, Oklahoma
October 18, 2011





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**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and Internal Control over Compliance in Accordance with OMB
Circular A-133 and the Schedule of Expenditures of Federal Awards**

Board of Trustees
Tulsa Industrial Authority
Tulsa, Oklahoma

Compliance

We have audited the compliance of Tulsa Industrial Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the compliance of the Authority based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Tulsa Industrial Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

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Internal Control over Compliance

The management of Tulsa Industrial Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is more than a reasonable possibility that non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Tulsa Industrial Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Hick & Company, P.C.

Tulsa, Oklahoma
October 18, 2011



Tulsa Industrial Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Expenditures
U.S. Department of Energy Passed through Oklahoma Department of Commerce Stimulus State Energy Program	81.041	<u>543,140</u>
Total Expenditures of Federal Awards		\$ <u>543,140</u>



Tulsa Industrial Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Note 1: Summary of Significant Accounting Policies

The schedule of expenditures of federal awards includes the federal awards activity of Tulsa Industrial Authority (the Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of, the basic financial statements.

Note 2: Subrecipients

During the year ended June 30, 2011, the Authority did not provide any federal awards to sub-recipients.



**Tulsa Industrial Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The College's major program was:

Program/Cluster	CFDA Number
Stimulus State Energy Program	81.041

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms defined by OMB Circular A-133.

9. The Authority qualifies as a low-risk auditee as defined by OMB Circular A-133.

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.



**Tulsa Industrial Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

No matters were reportable for the year ended June 30, 2011.

