



TULSA INDUSTRIAL AUTHORITY
(a Component Unit of the City of Tulsa, Oklahoma)

FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

WITH

INDEPENDENT AUDITORS' REPORT

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TULSA INDUSTRIAL AUTHORITY
(a Component Unit of the City of Tulsa, Oklahoma)
June 30, 2009

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

	2009	2008
Current assets	\$ 4,462,577	\$ 11,538,928
Long-term assets	9,145,212	36,263
Total assets	\$ 13,607,789	\$ 11,575,191
Total liabilities	\$ 1,761,361	\$ 9,125
Net assets:		
Invested in capital assets	7,394,129	36,263
Restricted for capital projects	2,677,178	9,730,932
Unrestricted	1,775,121	1,798,871
Total liabilities and net assets	\$ 13,607,789	\$ 11,575,191

As of June 30, 2009, Tulsa Industrial Authority's total assets of \$13,607,789 consisted of unrestricted authority cash and investments and a restricted cash account (\$2,677,178) pertaining to the airline hangar construction account. With the exception of activity relating to the construction of the hangar, Tulsa Industrial Authority's balance sheet had minimal change.

Both 2008 and 2009 unrestricted net assets include \$500,000 designated by the Board of Trustees for use in the Brownfields Redevelopment Program.

Statements of Revenues, Expenses, and Changes in Net Assets

	2009	2008
Revenues:		
Fee income	\$ 51,905	\$ 40,585
Other income	13,328	33,396
Brownfields Grant Revenue	-	99,768
Total operating revenue	65,233	173,749
Expenses:		
Industrial development	136,636	116,031
Brownfield	1,489	153,442
Total expenses	138,125	269,473
Operating loss	(72,892)	(95,724)
Non-operating income	103,254	76,438
Transfers from primary government (See Note 6)	250,000	9,759,057
Change in net assets	\$ 280,362	\$ 9,739,771

Fee income increased 28% from 2008 to 2009 due primarily to a new bond issue. Fee income is derived from administrative fees based on a percentage of the outstanding bond balances.

Tulsa Industrial Authority was awarded a Brownfields Assessment grant that became available for funding October 1, 2004. In part, the Brownfields expenses are limited by the amount of funding that is available. This grant was fully expended by June 2008.

Tulsa Industrial Authority does not anticipate any significant change in operations, nor are there any items pending that could have a significant effect on the financial position or operating results of the Authority.



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Tulsa Industrial Authority

We have audited the accompanying statements of net assets of Tulsa Industrial Authority (the Authority) (a Component Unit of the City of Tulsa, Oklahoma), as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. 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. Tullius Taylor Sartain & Sartain LLP audited the financial statements of Tulsa Industrial Authority as of and for the year ended June 30, 2008, and merged with Hogan & Slovacek P.C. to form HoganTaylor LLP effective January 1, 2009.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2009 and 2008, and the results of its operations 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 December 14, 2009, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

Hogan Taylor LLP

December 14, 2009

TULSA INDUSTRIAL AUTHORITY
(a Component Unit of the City of Tulsa, Oklahoma)

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash	\$ 333,406	\$ 798,054
Cash – restricted	2,677,178	9,730,932
Short-term investments	1,441,998	993,305
Accounts receivable	9,851	16,493
Other	144	144
	4,462,577	11,538,928
Fixed assets:		
Construction in progress	9,144,363	36,263
Equipment	10,698	9,636
Furniture and fixtures	9,076	9,076
Accumulated depreciation	(18,925)	(18,712)
	9,145,212	36,263
Fixed assets, net	9,145,212	36,263
Total assets	\$ 13,607,789	\$ 11,575,191
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,761,361	\$ 9,125
Total current liabilities	1,761,361	9,125
Net assets		
Invested in capital assets	7,394,129	36,263
Restricted for capital projects	2,677,178	9,730,932
Unrestricted	1,775,121	1,798,871
	11,846,428	11,566,066
Total net assets	11,846,428	11,566,066
Total liabilities and net assets	\$ 13,607,789	\$ 11,575,191

TULSA INDUSTRIAL AUTHORITY
(a Component Unit of the City of Tulsa, Oklahoma)

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Years ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Industrial development activities:		
Administrative fee income	\$ 51,905	\$ 40,585
Other income	13,328	33,396
Brownfields revenue:		
Grant revenue	-	99,768
	65,233	173,749
Total operating revenues		
Operating expenses:		
Industrial development	136,636	116,031
Brownfield	1,489	153,442
	138,125	269,473
Total operating expenses		
Operating loss	(72,892)	(95,724)
Nonoperating revenues:		
Interest income	83,970	75,932
Net gain on sale of investments	19,284	506
	103,254	76,438
Total nonoperating revenues		
Income (loss) before other revenues, gains, losses and transfers	30,362	(19,286)
Transfers from primary government	250,000	9,759,057
	280,362	9,739,771
Change in net assets		
Net assets, beginning of year	11,566,066	1,826,295
Net assets, end of year	\$ 11,846,428	\$ 11,566,066

TULSA INDUSTRIAL AUTHORITY
(a Component Unit of the City of Tulsa, Oklahoma)

STATEMENTS OF CASH FLOWS

Years ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Administrative fee income	\$ 59,122	\$ 47,566
Grant revenue	-	115,157
Other income	13,328	33,396
Payments to suppliers and employees	(136,760)	(266,524)
	(64,310)	(70,405)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,435,470	994,796
Purchases of investments	(3,781,484)	(258,734)
	(346,014)	736,062
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(7,358,078)	(36,263)
Transfers in from primary government	250,000	9,759,057
	(7,108,078)	9,722,794
Net cash provided by (used in) financing activities	(7,108,078)	9,722,794
Net increase (decrease) in cash	(7,518,402)	10,388,451
Cash at beginning of year	10,528,986	140,535
Cash at end of year	\$ 3,010,584	\$ 10,528,986
Reconciliation of Decrease in Net Assets to Net Cash Used in Operating Activities		
Operating loss	\$ (72,892)	\$ (95,724)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	213	263
Changes in operating assets and liabilities:		
Accounts receivable	7,216	22,370
Other current assets	-	459
Accounts payable	1,153	2,227
	8,582	25,319
Total adjustments	8,582	25,319
Net cash used in operating activities	\$ (64,310)	\$ (70,405)
Cash consists of the following at June 30:		
Cash	\$ 333,406	\$ 798,054
Cash – restricted	2,677,178	9,730,932
	\$ 3,010,584	\$ 10,528,986
Total cash	\$ 3,010,584	\$ 10,528,986

See notes to financial statements.

TULSA INDUSTRIAL AUTHORITY
(a Component Unit of the City of Tulsa, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Organization

The Tulsa Industrial Authority (the Authority) (a Component Unit of the City of Tulsa, Oklahoma), is a public trust created March 7, 1969, with the City of Tulsa, Oklahoma (the City) as beneficiary, and the Metropolitan Tulsa Chamber of Commerce (the Chamber) as Trustor. Trustees include the Mayor of the City of Tulsa (ex officio trustee) and seven additional trustees appointed by the Mayor subject to approval of the City Council of the City of Tulsa. The Authority is an agency of the State of Oklahoma.

The 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'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, 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 nonoperating revenues and expenses.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements. The Authority uses the accrual basis of accounting under which revenues are accrued as earned and expenses are recorded as they are incurred.

Receivables

Receivables primarily represent amounts due for 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 provided no allowance. The Authority typically does not charge interest or require collateral on receivables.

Capital assets

Capital assets are recorded at cost and are depreciated principally under the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to operations when incurred, and improvements are capitalized.

Brownfields revenues and expenses

Brownfields costs, primarily consisting of environmental assessment, project redevelopment and administrative, are expensed as incurred. Brownfields revenue is recognized as costs are incurred that are recoverable from grants, participating funding or other committed sources. Proceeds from sales of Brownfields sites are recognized as revenue when realized. Advance funding received for redevelopment projects is deferred. Beginning in fiscal 2004, the Authority began allocating overhead costs to Brownfield expenses. These costs are not reimbursable under the Brownfields grants. Overhead allocated to Brownfields expenses for the year ended June 30, 2008, total \$54,009. There were no such costs allocated for the year ended June 30, 2009.

Income taxes

No provision has been made for federal and state income taxes since the Authority is a tax-exempt organization as an agency of the State of Oklahoma.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

Net assets

The Authority's net assets are classified as follows:

Invested in capital assets: This represents the Authority's total investment in capital assets, net of outstanding debt obligations and accounts payable related to those capital assets.

Restricted net assets: Restricted net assets include resources in which the Authority is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from administrative fee income and grant revenue. These resources are used for transactions relating to the general operations of the Authority, and may be used at the discretion of the governing board to meet current expenses for any purpose. The Authority's Board of Trustees has designated \$500,000 of unrestricted net assets to be used for Brownfields projects.

Classification of revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) administrative fee income, (2) bond redemptions, and (3) grant revenue.

Nonoperating revenues: 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 of 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.

Note 2 – Cash and Short-term Investments

Investments are summarized as follows:

	2009	2008
Certificates of deposit	\$ 741,285	\$ 301,530
Money market account-Schwab	700,713	691,775
	<u>\$ 1,441,998</u>	<u>\$ 993,305</u>

The carrying amount of the Authority's investments in certificates of deposit and money market funds approximate market value.

The City of Tulsa has restricted \$2,677,178 and \$9,730,932 of cash for the construction of an airport hangar at June 30, 2009 and 2008, respectively.

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy for addressing exposure to custodial credit risk. The Authority's bank balances as of June 30, 2009 and 2008, are entirely collateralized with a letter of credit from the custodial bank.

Note 3 – Capital Assets

Capital assets are valued at historical cost. Donated capital assets are valued at the estimated fair value at the date of donation. Depreciation is provided over the estimated useful lives using the straight-line method. Depreciation expense is \$213 and \$263 for the years ended June 30, 2009 and 2008, respectively.

A summary of the changes in capital assets is as follows:

	Year ended June 30, 2009			Balance June 30, 2009
	Balance June 30, 2008	Additions	Disposals	
Capital assets, not being depreciated:				
Construction-in-progress	\$ 36,263	\$ 9,108,100	\$ -	\$ 9,144,363
Capital assets, being depreciated:				
Furniture and fixtures	9,076	-	-	9,076
Equipment	9,636	1,062	-	10,698
Total capital assets, being depreciated	18,712	1,062	-	19,774
Accumulated depreciation				
Furniture and fixtures	(9,076)	-	-	(9,076)
Equipment	(9,636)	(213)	-	(9,849)
Total accumulated depreciation	(18,712)	(213)	-	(18,925)
Capital assets, net	\$ 36,263	\$ 9,108,949	\$ -	\$ 9,145,212
	Year ended June 30, 2008			Balance June 30, 2008
	Balance June 30, 2007	Additions	Disposals	
Capital assets, not being depreciated:				
Construction-in-progress	\$ -	\$ 36,263	\$ -	\$ 36,263
Capital assets, being depreciated:				
Furniture and fixtures	9,128	-	(52)	9,076
Equipment	11,674	-	(2,038)	9,636
Total capital assets, being depreciated	20,802	-	(2,090)	18,712
Accumulated depreciation				
Furniture and fixtures	(8,869)	(259)	52	(9,076)
Equipment	(11,670)	(4)	2,038	(9,636)
Total accumulated depreciation	(20,539)	(263)	2,090	(18,712)
Capital assets, net	\$ 263	\$ 36,000	\$ -	\$ 36,263

Note 4 – Brownfield Project

During fiscal 2004, the Authority was awarded a Brownfields Assessment Grant from the Environmental Protection Agency (the EPA Grant) in the amount of \$200,000 covering the period October 1, 2004 through September 30, 2006. During fiscal 2007, the Authority was granted an amendment to the Brownfields Assessment Grant allowing a time extension through September 30, 2008. During fiscal 2008, the Authority incurred \$153,442 in Brownfields related expenses and billed the EPA \$99,768, which is included in Brownfields revenue in the accompanying financial statements. There are no remaining supplemental EPA Grant funds at June 30, 2008.

Note 5 – Conduit Debt Obligations

As indicated in Note 1, the activities of the Authority consist primarily of arranging financing to industrial, commercial and other various organizations in an effort to promote economic development within and near the territorial limits of the City of Tulsa. Over time these transactions have taken on various forms, including notes and bonds. The Authority loans the proceeds from the notes and bonds to the 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 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 \$194 million and \$210 million at June 30, 2009 and 2008, respectively.

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 discussed above, the Authority has not incurred any losses as a result of these defaults. Tulsa Industrial Authority Taxable Industrial Revenue Note Series 2000-A is in default as of June 30, 2008. A series 1999B is in default as of June 30, 2009. There are no other outstanding issues in default at June 30, 2009 or 2008.

Note 6 – Transfers from the Primary Government (City of Tulsa)

During 2008, the City entered into an agreement with the Authority to construct a relocatable hangar (the Hangar) on property leased by the Authority from the Tulsa Airports Improvements Trust (TAIT) located at Tulsa International Airport and lease the Hangar to American Airlines, Inc. (AA) in order to facilitate AA's continued use and expansion of its aircraft maintenance, repair and overhaul operations at Tulsa International Airport.

The City transferred \$250,000 and \$9,759,057 to the Authority to be used solely for the payment of costs associated with construction of the Hangar as of June 30, 2009 and 2008, respectively.

Note 7 – Leases

On June 6, 2008, the Authority signed a sublease agreement with Tulsa Airports Improvement Trust (TAIT) to lease certain lands. The agreement commences with the completion of the construction of the Hangar for a minimum of ten years. The first five years, the lease payment is \$20,000 per year. The second five years, the rate is the standard ground lease rate for TAIT. The Hangar is scheduled for occupancy no later than October 1, 2009.

On June 6, 2008, the Authority signed a sublease agreement with American Airlines (AA) to lease the Hangar and land to AA. The agreement commences with the completion of the construction of the Hangar for a minimum of ten years. The first five years, the lease payment is \$20,000 per year. The second five years, the rate is the standard ground lease rate for TAIT. The Hangar is scheduled for occupancy no later than October 1, 2009. 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 – Construction Commitments

As of June 30, 2009, the Authority has outstanding purchase commitments for construction of the Hangar totaling approximately \$824,670.

OTHER REPORTS

INDEPENDENT AUDITOR'S 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 Industrial Authority

We have audited the financial statements of the Tulsa Industrial Authority (the Authority) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 14, 2009. 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.

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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency below to be a significant deficiency in internal control over financial reporting:

- Invoices for construction in progress incurred in fiscal year 2009, but not paid until after year end were not accrued at year end. The resulting adjustment increased construction in progress and accounts payable, but had no effect on net assets or the results of operations.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

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

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

Hogan Taylor LLP

December 14, 2009