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Financial Statements and Report of Independent
Certified Public Accountants

Oklahoma Industries Authority, Oklahoma County

June 30, 2011 and 2010

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Oklahoma Industries Authority

Management's Discussion and Analysis

Overview of Financial Statements and Financial Analysis

Oklahoma Industries Authority presents its financial statements for fiscal year 2011, with comparative data presented for fiscal year 2010. The emphasis of discussions concerning these statements will be for the current year. There are three financial statements presented: the Statements of Net Assets; the Statements of Revenues, Expense and Changes in Net Assets and the Statements of Cash Flows. This discussion and analysis of the Authority's financial statements provides an overview of its financial activities for the year.

Statements of Net Assets

The Statements of Net Assets presents the Assets, Liabilities, and Net Assets as of the end of the fiscal year. The purpose of the Statements of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the Oklahoma Industries Authority.

From the data presented, readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the Authority as well as determine how much the Authority owes vendors. Finally, the Statements of Net Assets provides a picture of the net assets and their availability for expenditure by the Authority.

Total Assets of the Authority decreased by \$211,859, this decrease was primarily due to increases in cash and investments of \$851,297 and capital assets of \$876,082 offset by an increase in accumulated depreciation of \$604,436 and a decrease in notes receivable of \$1,331,152.

Total Liabilities for the year decreased by \$1,117,641. The most significant cause for the decrease was a decrease in the Maintenance, Repair and Overhaul Technology Center (MROTC) loan payable of \$1,202,226 and a decrease in accounts payable and accrued liabilities of \$64,652, offset by an increase in deferred revenue of \$149,237. The combination of the decrease in total assets, the decrease in total liabilities and current year distributions of \$33,073 nets to an increase in total net assets of \$905,782.

Oklahoma Industries Authority

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues and Expenses reports the Authority's change in net assets during the fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. The change in net assets increased \$261,965. This increase was attributable to a decrease in operating expenses of \$422,590, primarily from a decrease in grant expenses of \$355,056 and a decrease in interest expense of \$70,293 offset by a decrease in operating revenues of \$145,018.

Statement of Cash Flows

The final statements presented by the Authority are the Statements of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Authority during the year. The statement is divided into four parts.

The first part deals with operating cash flows and shows the net cash used and provided by the operating activities of the Authority. The second section reflects cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The third section reflects the cash flows from financing activities and shows the proceeds received and payments made for financing activities. The fourth section reconciles the net cash used and provided by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets. Operating cash flows increased to \$1,174,717 due primarily to increased collections of revenues during fiscal 2011.

Economic Outlook

The Authority derives the majority of its operating revenues from MROTC revenue, grant revenue and interest income. Investment balances increased while earnings on investments decreased during the year and revenues from lease rentals and administrative fees increased. These trends are expected to continue in future years.



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Report of Independent Certified Public Accountants

Board of Trustees
Oklahoma Industries Authority, Oklahoma County

We have audited the accompanying statements of net assets of Oklahoma Industries Authority, Oklahoma County (the “Authority” an Oklahoma public trust) as of June 30, 2011 and 2010 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 the 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 Oklahoma Industries Authority, Oklahoma County as of June 30, 2011 and 2010, and the changes in net assets and 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 15, 2011 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement 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 effectiveness of the Authority’s 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 audit.

The management's discussion and analysis on pages i through ii is not a required part of the basic financial statements but is supplementary information required by 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Oklahoma Industries Authority, Oklahoma County's basic financial statements. The accompanying supplementary information presented on pages 14 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary 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.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 15, 2011

Oklahoma Industries Authority, Oklahoma County

STATEMENTS OF NET ASSETS

June 30,

ASSETS	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 2,776,918	\$ 928,684
Investments	4,170,199	5,167,136
Accrued interest receivable	94	201
Prepaid insurance	2,611	1,197
Current portion of note receivable	-	167,850
Due from other trusts	1,020	1,020
Accounts receivable	22,940	3,700
Total current assets	<u>6,973,782</u>	<u>6,269,788</u>
Appropriated assets:		
Cash and cash equivalents	738,693	762,830
Accrued interest receivable	25	85
	<u>738,718</u>	<u>762,915</u>
Note receivable, net of current portion and deferred profit on sale	-	1,163,302
Property held for sale	401,263	401,263
Property, plant and equipment - at cost:		
Industrial property	2,835,486	1,754,213
Industrial equipment	57,936	57,936
Office equipment	38,619	38,619
Building MROTC	28,482,739	28,482,739
Construction in progress	-	205,191
Land - MROTC	697,000	697,000
	<u>32,111,780</u>	<u>31,235,698</u>
Less accumulated depreciation	<u>3,177,216</u>	<u>2,572,780</u>
	<u>28,934,564</u>	<u>28,662,918</u>
Total assets	<u>37,048,327</u>	<u>37,260,186</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	29,559	94,211
Total current liabilities	<u>29,559</u>	<u>94,211</u>
Noncurrent liabilities:		
Deferred revenue	2,758,796	2,609,559
MROTC loan payable	22,886,474	24,088,700
Total liabilities	<u>25,674,829</u>	<u>26,792,470</u>
Commitments and contingencies		
Net assets, unrestricted:		
Appropriated	1,260,268	1,283,323
Unappropriated	10,113,230	9,184,393
Total net assets	<u>\$ 11,373,498</u>	<u>\$ 10,467,716</u>

The accompanying notes are an integral part of these statements.

Oklahoma Industries Authority, Oklahoma County

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30,

	<u>2011</u>	<u>2010</u>
Revenues:		
Lease rentals	\$ 120,799	\$ 54,000
Interest income	154,679	151,623
Administrative fees	71,471	53,546
Grant revenue	-	260,700
MROTC revenue	2,690,502	2,694,596
Other	32,023	27
Total operating revenues	<u>3,069,474</u>	<u>3,214,492</u>
Expenses:		
Depreciation	604,436	543,778
Insurance	9,273	6,820
Professional services	61,929	79,289
Management and trustee fees	120,150	124,023
Office rental	7,200	7,200
Printing and office supplies	6,574	6,928
Interest	1,422,038	1,492,331
Grant	78,627	433,683
Repairs and maintenance - Unit Parts	21,715	63,509
Other	11,349	8,320
Total operating expenses	<u>2,343,291</u>	<u>2,765,881</u>
Net earnings from operations	726,183	448,611
Net gain on sale of properties	135,237	133,461
Realized and unrealized gain on investments	77,435	65,633
Distributions for the benefit of other government	<u>(33,073)</u>	<u>(3,888)</u>
	<u>179,599</u>	<u>195,206</u>
CHANGE IN NET ASSETS	905,782	643,817
Total net assets at beginning of year	<u>10,467,716</u>	<u>9,823,899</u>
Total net assets at end of year	<u>\$ 11,373,498</u>	<u>\$ 10,467,716</u>

The accompanying notes are an integral part of these statements.

Oklahoma Industries Authority, Oklahoma County

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2011</u>	<u>2010</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Lease rental payments received	\$ 30,796	\$ 34,202
Interest received	154,846	153,168
Administrative fees received	71,471	53,546
Other income received	2,722,525	2,955,323
Operating expenses paid	<u>(1,804,921)</u>	<u>(2,130,233)</u>
Net cash provided by operating activities	1,174,717	1,066,006
Cash flows from investing activities:		
Change in appropriated cash and temporary investments	24,137	520,550
Net purchases of investments	1,074,372	(4,100,018)
Payments received on notes receivable	1,331,152	168,866
Purchases of property, plant and equipment	(765,018)	(205,191)
Proceeds on sale of property, plant and equipment	24,173	59,160
Change in deferred revenue	<u>220,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	1,908,816	(3,556,633)
Cash flows from financing activities:		
Distributions and return of funds due to other trusts	(33,073)	(23,888)
MROTC loan payments	<u>(1,202,226)</u>	<u>(1,131,933)</u>
Net cash used in financing activities	(1,235,299)	(1,155,821)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,848,234	(3,646,448)
Cash and cash equivalents at beginning of year	<u>928,684</u>	<u>4,575,132</u>
Cash and cash equivalents at end of year	\$ <u>2,776,918</u>	\$ <u>928,684</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Net earnings from operations	\$ 726,183	\$ 448,611
Adjustments to reconcile excess of change in net assets to net cash provided by operating activities:		
Depreciation	604,436	543,778
Amortization of deferred revenue	(70,763)	(35,807)
(Increase) decrease in:		
Accounts and accrued interest receivable	(19,133)	17,296
Prepaid insurance	(1,414)	4,494
Accrued interest - appropriated assets	60	258
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(64,652)</u>	<u>87,376</u>
Net cash provided by operating activities	\$ <u>1,174,717</u>	\$ <u>1,066,006</u>

The accompanying notes are an integral part of these statements.

Oklahoma Industries Authority, Oklahoma County

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

The Oklahoma Industries Authority, Oklahoma County (the "Authority") is an Oklahoma public trust and an agency of the State of Oklahoma. It was created on December 15, 1966 to promote and encourage the general development of Oklahoma County under the provisions of Title 60, Oklahoma Statutes, and other applicable statutes and laws. Oklahoma County, Oklahoma (the "County") is the beneficiary of this trust and will receive all residual trust funds and assets upon termination of the trust.

The following is a summary of the more significant accounting policies consistently followed in the preparation of the Authority's financial statements.

1. Operations

The Authority arranges bond and loan financing through trustee banks to industrial, manufacturing, medical, civic, cultural and educational enterprises located principally in the County, for the purpose of constructing, purchasing, expanding or otherwise improving the facilities required by such enterprises.

2. Basis of Presentation

The Authority accounts for its operation as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measure focus and use the accrual basis of accounting, similar to private business enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority applies all relevant GASB pronouncements as well as Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

3. Income Taxes

The Authority is exempt from federal income taxes under section 115 of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

4. Property, Plant and Equipment

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of five to 50 years, principally using the straight-line method. Costs incurred during construction of long lived assets are recorded as construction-in-progress and are not depreciated until placed in service. The Authority capitalizes interest as a component of capital assets constructed for its own use. In 2011 and 2010, total interest incurred was \$1,422,038 and \$1,492,331 respectively, of which \$0 was capitalized in each year.

5. Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less, money market mutual funds and deemed accounts to be cash equivalents. The Authority maintains its cash and cash equivalents in accounts, some of which are not federally insured. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Oklahoma Industries Authority, Oklahoma County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

6. Investments

Investments are stated at fair value, based upon quoted prices for governmental debt securities, with changes in fair value included in revenues, expenses and changes in fund equity.

The Authority's investments are categorized as to credit risk as either (1) insured or registered, or securities held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Authority's name. At June 30, 2011 and 2010, the Authority's investments are considered a type (2) credit risk.

7. 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 amounts reported in the financial statements and accompanying notes; accordingly, actual results could differ from those estimates.

8. Deferred Revenue

Grant revenues received for the MROTC project were deferred while construction of the facility was in progress. Revenue is recognized over the useful life of the facility. Grant revenues received for other projects will be deferred and revenue recognized on a systematic basis over the periods which they are intended to benefit.

9. Accounting for Long-Lived Assets

The Authority reviews long-lived assets for impairment whenever indicators of impairment are present to determine if the carrying amounts exceed the estimated future net cash flows to be realized. Impairment losses are recognized based on the estimated fair value of the asset.

NOTE B - CONDUIT DEBT OBLIGATIONS AND OTHER LEASING ARRANGEMENTS

From time to time, the Authority has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on underlying mortgage loans or leasing arrangements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2011, there were 14 series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$165,181,067.

Certain of the Authority's lease arrangements contain an option for the lessees to acquire the leased property at the end of the lease terms at appraised fair value. Rental payments received in connection with such properties are accounted for by the "operating method" and investments in these properties, together with other unleased properties, are reported as industrial property and equipment in the financial statements.

Oklahoma Industries Authority, Oklahoma County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - NOTE RECEIVABLE

The Authority's note receivable of \$1,331,152, net of deferred profit of \$112,024 at June 30, 2010, was paid in full during fiscal year 2011.

The note was received in exchange for land and building in a transaction accounted for under the installment method, which provided for initial deferral of profit on the sale. The remaining deferred profit on the sale of \$112,024 was recognized as income for the year ended June 30, 2011 upon the payoff of the note.

NOTE D - APPROPRIATED ASSETS

Appropriated assets are held for the benefit of the County and, upon termination of the trust, the County will receive the funds. The earnings on these investments are contributed annually to an organization that benefits the County. Accordingly, such contributions (\$33,073 and \$3,888 for the years ended June 30, 2011 and 2010, respectively) have been reported as distributions.

Appropriated cash and cash equivalents consist of approximately \$739,000 and \$763,000 are invested in one money market fund at June 30, 2011 and 2010, respectively, which is not federally insured. The Authority has not experienced any issues in such accounts and believes it is not exposed to any significant credit risk.

NOTE E - DISTRIBUTIONS

In addition to the distributions of interest on appropriated assets, the Authority also disbursed or committed to disburse funds for various expenditures which promote the economic development and benefit of the County. These expenditures are within the scope of the Authority, but do not relate to the operations of the Authority; therefore, such amounts are reported as distributions of retained earnings. During 2006, the Authority made a \$100,000 pledge to the Oklahoma Centennial Commemoration Fund, Inc. to be paid in five installments of \$20,000 per year ending in January 2010.

NOTE F - PROPERTY HELD FOR SALE

Property held for sale consists of a parcel of real estate to be used for future expansion of Tinker Air Force Base and a parcel of land zoned for commercial use. The properties are recorded at their cost of \$401,263 as of June 30, 2011 and 2010, respectively (which reflects valuation at the lower of cost or net realizable value), in the accompanying statements of net assets.

Oklahoma Industries Authority, Oklahoma County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE G - COMMITMENTS AND CONTINGENCIES

The Authority is guarantor of the first \$700,000 of a \$1,750,000 third-party note agreement collateralized by certain facilities of the Oklahoma City Downtown Airpark (the "Project") and by personal guarantees of all investee's in the Project. Outstanding principal on this note was \$1,328,938 at June 30, 2001, of which the Authority was guarantor of \$278,938. During the year ended June 30, 2002, the holder of the note changed and the Authority has been unable to obtain the current note balance. Additionally, the Authority has requested to be relieved of the guaranty, which is currently under negotiations with the new holder.

From time to time, the Authority is engaged in lawsuits either as plaintiff or defendant which arise in the conduct of its business, which, in the opinion of management and based upon advice of counsel, would not have a material effect on the Authority's financial position or results of operations.

NOTE H - MROTC PROJECT

During 2005, the Authority entered into an agreement with Boeing Company (Boeing) and MROTC Development Partners LLC (MDP) to provide for the construction of a 156,254 square foot Maintenance, Repair and Overhaul Technology Center (MROTC) near Tinker Air Force Base for maintenance and repair of airplanes which was completed in 2009. The total project cost approximately \$28 million. Initial financing for the project was provided by a bank construction loan and two Federal EDI-Special Project Grants. Upon completion of the project in 2009, the construction loan was converted to a long-term note payable in the form of a lease-back mortgage. The loan bears interest at 6.04% and payments of \$218,689 are due monthly with \$438,869 due at maturity on October 14, 2023.

Future minimum debt service requirements for the note payable are as follows at June 30, 2011:

Fiscal year ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,276,871	\$ 1,347,381	\$ 2,624,252
2013	1,356,165	1,268,087	2,624,252
2014	1,440,383	1,183,869	2,624,252
2015	1,529,832	1,094,420	2,624,252
2016	1,624,835	999,417	2,624,252
Thereafter	<u>15,658,388</u>	<u>3,806,377</u>	<u>19,464,765</u>
	<u>\$ 22,886,474</u>	<u>\$ 9,699,551</u>	<u>\$ 32,586,025</u>

The MROTC facility has been leased by MDP and is subleased to Boeing. The lease term began August 14, 2008 and ends on October 14, 2058. The amount of the lease includes an amount equal to the debt service plus an annual administrative fee.

Oklahoma Industries Authority, Oklahoma County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE H - MROTC PROJECT - CONTINUED

Future minimum rental payments to be received under this lease are as follows at June 30, 2011:

Fiscal year ending June 30	<u>Amount</u>
2012	\$ 2,639,252
2013	2,639,252
2014	2,639,252
2015	2,639,252
2016	2,639,252
Thereafter	<u>20,544,825</u>
	<u>\$ 33,741,085</u>

NOTE I - SUBSEQUENT EVENT

The Authority has evaluated events or transactions that occurred subsequent to June 30, 2011 through December 15, 2011, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

Oklahoma Industries Authority, Oklahoma County

COMBINING STATEMENTS OF TRUST FUNDS AND CHANGES IN TRUST FUNDS ADMINISTERED

June 30, 2011

	Total (memorandum only)	Amateur Softball Association 2002	American Cancer Society 2002	API Realty 2008	Casady School 1998	Casady School Project 2001
Assets						
Cash & temporary investments:						
Project fund	\$ 13,819,289	-	-	-	-	-
Sinking fund	2,997,362	-	6,000	-	-	3
Interest fund	-	-	-	-	-	-
Reserve fund	6,693,511	-	-	-	-	-
Accrued interest receivable	23	-	-	-	-	-
Discount on Bonds Payable	709,647	-	-	-	-	-
Unamortized bond issue costs	150,619	-	-	-	-	-
Total assets	24,370,451	6,000	6,000	-	-	3
Liabilities						
Accrued bond interest payable	1,934,644	-	1,029	-	-	-
Bonds payable	165,181,067	465,000	7,570,000	2,752,516	3,305,000	1,470,000
Total liabilities	167,115,711	465,000	7,571,029	2,752,516	3,305,000	1,470,000
NET OBLIGATIONS	142,745,260	465,000	7,565,029	2,752,516	3,305,000	1,469,997
Increase in net obligations						
Interest expense	5,493,993	4,831	32,162	150,784	16,063	7,172
Amortization expense	162,162	-	-	-	-	-
Other	59,563	-	-	-	-	-
Advances of bond proceeds	-	-	-	-	-	-
Distributions	84,101,984	-	-	-	-	-
Administrative and trustee fees	17,308	-	-	-	-	-
Decrease in net obligations	89,835,010	4,831	32,162	150,784	16,063	7,172
Defeased Bond	-	-	-	-	-	-
Funds transferred (from) OMRF Series 2001 to Series 2010	-	-	-	-	-	-
Earnings on cash and temporary investments	112,867	-	-	-	-	-
Payments received from borrower	52,990,405	149,831	508,692	255,014	362,828	177,965
	53,103,272	149,831	508,692	255,014	362,828	177,965
NET INCREASE (DECREASE) IN NET OBLIGATIONS	36,731,738	(145,000)	(476,530)	(104,230)	(346,765)	(170,793)
Net obligations at beginning of year	106,013,522	610,000	8,041,559	2,856,746	3,651,765	1,640,790
Net obligations at end of year	\$ 142,745,260	\$ 465,000	\$ 7,565,029	\$ 2,752,516	\$ 3,305,000	\$ 1,469,997

Oklahoma Industries Authority, Oklahoma County

COMBINING STATEMENTS OF TRUST FUNDS AND CHANGES IN TRUST FUNDS ADMINISTERED - CONTINUED

June 30, 2011

	Metrotech 2009	Oklahoma Christian University 2005	Oklahoma Christian University 2006	OK County Courthouse Project-2001	OK County Facilities Project- 2003	OK County Juvenile Detention 1997
Assets						
Cash & temporary investments:						
Project fund	\$ 438,121	-	-	-	\$ 1,570,076	-
Sinking fund	248,430	-	-	181,469	123,819	-
Interest fund	-	-	-	-	-	-
Reserve fund	1,006,941	-	-	488,893	-	250,008
Accrued interest receivable	-	-	-	-	-	-
Discount on Bonds Payable	212,367	-	-	-	-	-
Unamortized bond issue costs	-	-	-	-	-	-
Total assets	1,905,859	-	-	670,362	1,693,895	250,008
Liabilities						
Accrued bond interest payable	248,427	-	-	-	408,127	5,321
Bonds payable	12,975,000	-	-	2,010,000	15,125,000	515,000
Total liabilities	13,223,427	-	-	2,010,000	15,533,127	520,321
NET OBLIGATIONS	11,317,568	-	-	1,339,638	13,839,232	270,313
Increase in net obligations						
Interest expense	501,403	5,158	8,626	70,405	800,701	36,787
Amortization expense	-	60,138	102,024	-	-	-
Other	4,800	-	-	-	1,200	-
Advances of bond proceeds	-	-	-	-	-	-
Distributions	5,580,351	6	408	-	-	-
Administrative and trustee fees	-	-	-	-	-	-
Total	6,086,554	65,302	111,058	70,405	801,901	36,787
Decrease in net obligations						
Defaced Bond	-	-	-	-	-	-
Funds transferred (from) OMRF Series 2001 to Series 2010	-	-	-	-	-	-
Earnings on cash and temporary investments	3,752	-	-	-	65	-
Payments received from borrower	924,497	14,158,990	23,114,676	465,694	1,711,348	274,215
Total	928,249	14,158,990	23,114,676	465,694	1,711,413	274,215
NET INCREASE (DECREASE) IN NET OBLIGATIONS	5,158,305	(14,093,688)	(23,003,618)	(395,289)	(909,512)	(237,428)
Net obligations at beginning of year	6,159,263	14,093,688	23,003,618	1,734,927	14,748,744	507,741
Net obligations at end of year	\$ 11,317,568	\$ -	\$ -	\$ 1,339,638	\$ 13,839,232	\$ 270,313

Oklahoma Industries Authority, Oklahoma County

COMBINING STATEMENTS OF TRUST FUNDS AND CHANGES IN TRUST FUNDS ADMINISTERED - CONTINUED

June 30, 2011

	OK Medical Research Foundation 2008	OK Medical Research Foundation 2010	Scott OK Plant- 2003	Tealidge Manor 2001	YMCA of OKC Earlywine 2006	Oklahoma City University 2010
Assets						
Cash & temporary investments:						
Project fund	\$ 11,811,092	\$ -	\$ -	\$ -	\$ -	\$ -
Sinking fund	2,137,125	341	-	-	300,156	19
Interest fund	-	-	-	-	-	-
Reserve fund	3,316,750	1,218,339	-	-	412,580	-
Accrued interest receivable	23	-	-	-	-	-
Discount on Bonds Payable	497,280	-	-	-	-	-
Unamortized bond issue costs	-	-	-	-	150,619	-
Total assets	<u>17,762,270</u>	<u>1,218,680</u>	<u>-</u>	<u>-</u>	<u>863,355</u>	<u>19</u>
Liabilities						
Accrued bond interest payable	1,157,638	-	387	-	113,715	-
Bonds payable	41,955,000	12,185,000	1,365,000	-	4,650,000	58,838,551
Total liabilities	<u>43,112,638</u>	<u>12,185,000</u>	<u>1,365,387</u>	<u>-</u>	<u>4,763,715</u>	<u>58,838,551</u>
NET OBLIGATIONS	<u>25,350,368</u>	<u>10,966,320</u>	<u>1,365,387</u>	<u>-</u>	<u>3,900,360</u>	<u>58,838,532</u>
Increase in net obligations						
Interest expense	2,295,500	371,685	8,965	5,642	223,834	954,275
Amortization expense	-	-	-	-	-	-
Other	-	53,563	-	-	-	-
Advances of bond proceeds	-	-	-	-	-	-
Distributions	18,521,218	-	-	20	-	-
Administrative and trustee fees	15,308	2,000	-	-	-	59,999,981
Decrease in net obligations	20,832,026	427,248	8,965	5,662	223,834	60,954,256
Defeased Bond	-	-	-	-	-	-
Funds transferred (from) OMRF Series 2001 to Series 2010	-	-	-	-	-	-
Earnings on cash and temporary investments	105,300	2,020	-	-	1,730	-
Payments received from borrower	3,172,425	371,685	114,421	4,702,220	410,180	2,115,724
Total	<u>3,277,725</u>	<u>373,705</u>	<u>114,421</u>	<u>4,702,220</u>	<u>411,910</u>	<u>2,115,724</u>
NET INCREASE (DECREASE) IN NET OBLIGATIONS	<u>17,554,301</u>	<u>53,543</u>	<u>(105,456)</u>	<u>(4,696,558)</u>	<u>(188,076)</u>	<u>58,838,532</u>
Net obligations at beginning of year	7,796,067	10,912,777	1,470,843	4,696,558	4,088,436	-
Net obligations at end of year	<u>\$ 25,350,368</u>	<u>\$ 10,966,320</u>	<u>\$ 1,365,387</u>	<u>\$ -</u>	<u>\$ 3,900,360</u>	<u>\$ 58,838,532</u>

Oklahoma Industries Authority, Oklahoma County

SCHEDULE OF BONDS PAYABLE - TRUST FUNDS ADMINISTERED

June 30, 2011

Indentures	Interest rate	Principal maturity date	Principal amount of bond issued	Bonds retired prior to July 1, 2010	Balance June 30, 2010	2011 Bond activity		Balance June 30, 2011
						Retired	Deceased / Additions	
Amateur Softball Association 2002	Various	June 1, 2014	\$ 1,600,000	\$ 990,000	\$ 610,000	\$ 145,000	\$ -	\$ 465,000
American Cancer Society 2002	Various	June 1, 2022	11,000,000	2,955,000	8,045,000	475,000	-	7,570,000
API Realty 2008	5.88%	September 1, 2028	3,000,000	157,219	2,842,781	90,265	-	2,752,516
Casady School 1998	Various	August 1, 2018	6,500,000	2,850,000	3,650,000	345,000	-	3,305,000
Casady School Project 2001	Various	August 1, 2019	3,000,000	1,360,000	1,640,000	170,000	-	1,470,000
Meterotech 2009	Various	January 1, 2030	13,430,000	-	13,430,000	455,000	-	12,975,000
Oklahoma Christian University 2005	Various	December 1, 2035	14,150,000	-	14,150,000	14,150,000	-	-
Oklahoma Christian University 2006	Various	June 1, 2036	23,100,000	-	23,100,000	23,100,000	-	-
Oklahoma County Courthouse Project 2001	4.3% to 5.125%	February 1, 2016	4,765,000	2,410,000	2,355,000	345,000	-	2,010,000
Oklahoma County Facilities Project 2003	Various	July 1, 2020	20,560,000	4,540,000	16,020,000	895,000	-	15,125,000
Oklahoma County Juvenile Detention Center 1997	4.7% to 5.7%	November 1, 2012	2,750,000	2,000,000	750,000	235,000	-	515,000
Oklahoma Medical Research Foundation 2008	Various	July 1, 2034	43,955,000	1,000,000	42,955,000	1,000,000	-	41,955,000
Oklahoma Medical Research Foundation 2010	4.38%	February 1, 2021	12,185,000	-	12,185,000	-	-	12,185,000
Scott Oklahoma Plant, LLC 2003	Various	October 1, 2023	2,100,000	630,000	1,470,000	105,000	-	1,365,000
Tealridge Manor Corporation 2001	Various	November 1, 2018	7,385,000	2,690,000	4,695,000	4,695,000	-	-
YMCA Of Earlywine 2006	Various	July 1, 2027	5,395,000	565,000	4,830,000	180,000	-	4,650,000
Oklahoma City University 2010	Various	November 20, 2035	60,000,000	-	-	1,161,449	60,000,000	58,838,551
			<u>\$ 234,875,000</u>	<u>\$ 22,147,219</u>	<u>\$152,727,781</u>	<u>\$ 47,546,714</u>	<u>\$ 60,000,000</u>	<u>\$165,181,067</u>



Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters

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Board of Trustees
Oklahoma Industries Authority, Oklahoma County

We have audited the basic financial statements of Oklahoma Industries Authority, Oklahoma County (the “Authority”) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 an 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 express no such opinion.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Authority’s internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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 management, the Board of Trustees, the Oklahoma State Auditor and Inspector and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 15, 2011