

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

June 30, 2010 and 2009



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2010 and 2009

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Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2010

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

	2010	2009
Current Assets	\$ 1,822,299	\$ 4,462,577
Long Term Assets	<u>10,833,524</u>	<u>9,145,212</u>
Total Assets	<u>\$ 12,655,823</u>	<u>\$ 13,607,789</u>
Total Liabilities	<u>\$ 106,595</u>	<u>\$ 1,761,361</u>
Net Assets Invested in Capital		
Assets	10,782,015	7,394,129
Restricted for capital projects	—	2,677,178
Funds to be returned to the City of Tulsa	80,500	—
Unrestricted	<u>1,686,713</u>	<u>1,775,121</u>
Total Liabilities and Net Assets	<u>\$ 12,655,823</u>	<u>\$ 13,607,789</u>

As of June 30, 2010, Tulsa Industrial Authority's total assets of \$12,655,823 consisted of unrestricted Authority cash and investments and a restricted cash account \$80,500 pertaining to the airline hangar construction amount. With the exception of activity relating to the construction and completion of the hangar, Tulsa Industrial Authority's balance sheet had minimal change.

Both 2009 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, 2010

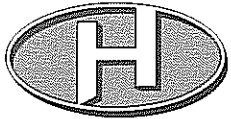
Financial Statements (Continued)

Statements of Revenues, Expenses, and Changes in Net Assets

	2010	2009
Revenues		
Fee Income	\$ 35,276	\$ 51,905
Other Income	29,870	13,328
Airport Hangar Revenue	15,000	—
Brady I Project	<u>36,932</u>	<u>—</u>
Total Operating Revenue	<u>\$ 117,078</u>	<u>\$ 65,233</u>
Expenses		
Industrial Development	\$ 246,131	\$ —
Airport Hangar	221,661	136,636
Brady I Project	36,932	—
Brownfields	<u>4,338</u>	<u>1,489</u>
Total Expenses	<u>\$ 509,062</u>	<u>\$ 138,125</u>
Operating Loss	(391,984)	(72,892)
Non operating Income	16,248	103,254
Transfers from Primary Government (See note 6)	<u>1,078,356</u>	<u>250,000</u>
Change in Net Assets	<u>\$ 702,800</u>	<u>\$ 280,362</u>

Fee income decreased 32% from 2009 to 2010 due to no new bond issues. Fee income is derived from administrative fees based on a percentage of the outstanding bond balances.

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.



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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, 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. The financial statements of the Authority as of June 30, 2009, were audited by another firm whose report dated December 14, 2009, expressed an unqualified opinion on those statements.

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, 2010, 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 November 29, 2010 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
November 29, 2010

Hinkle & Company, P.C.

Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Assets
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 126,093	\$ 333,406
Cash-restricted	80,500	2,677,178
Short-term investments	1,560,620	1,441,998
Accounts receivable	49,370	9,851
Other	<u>5,716</u>	<u>144</u>
Total Current Assets	<u>1,822,299</u>	<u>4,462,577</u>
Fixed Assets		
Buildings	11,039,548	—
Construction in progress	—	9,144,363
Equipment	3,982	10,698
Furniture and fixtures	9,076	9,076
Accumulated depreciation	<u>(219,082)</u>	<u>(18,925)</u>
Fixed Assets, Net	<u>10,833,524</u>	<u>9,145,212</u>
Total Assets	<u>\$12,655,823</u>	<u>\$13,607,789</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ <u>106,595</u>	\$ <u>1,761,361</u>
Total Current Liabilities	<u>106,595</u>	<u>1,761,361</u>
Net Assets		
Invested in capital assets	10,782,015	7,394,129
Restricted for		
Capital projects	—	2,677,178
Excess capital projects fund	80,500	—
Unrestricted	<u>1,686,713</u>	<u>1,775,121</u>
Total Net Assets	<u>12,549,228</u>	<u>11,846,428</u>
Total Liabilities and Net Assets	<u>\$12,655,823</u>	<u>\$13,607,789</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, 2010 and 2009

	2010	2009
Operating Revenues		
Industrial development activities		
Administrative fee income	\$ 35,276	\$ 51,905
Other income	29,870	13,328
Airport hangar revenue	15,000	—
Brady I project	36,932	—
Total Operating Revenues	117,078	65,233
Operating Expenses		
Industrial development	246,131	136,636
Airport hangar	221,661	—
Brady I project	36,932	—
Brownfields	4,338	1,489
Total Operating Expenses	509,062	138,125
Operating Loss	(391,984)	(72,892)
Non-Operating Revenues		
Interest income	16,248	83,970
Net gain on sale of investments	—	19,274
Total Non-Operating Revenue	16,248	103,254
Income (loss) before other revenues, gains, losses and transfers	(375,736)	30,362
Transfers from primary government	1,078,536	250,000
Change in Net Assets	702,800	280,362
Net Assets, Beginning of Year	11,846,428	11,566,066
Net Assets, End of Year	\$12,549,228	\$11,846,428



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Administrative fee income	\$ 32,689	\$ 59,122
Other income	44,870	13,328
Payments to suppliers and employees	<u>(1,969,243)</u>	<u>(136,760)</u>
Net Cash Used In Operating Activities	<u>(1,891,684)</u>	<u>(64,310)</u>
Cash Flows from Investing Activities		
Interest income	16,248	—
Proceeds for sales and maturities of investments	1,384,916	3,435,470
Purchases of investments	<u>(1,503,538)</u>	<u>(3,781,484)</u>
Net cash provided by (used in) investing activities	<u>(102,374)</u>	<u>(346,014)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(1,102,146)	(7,358,078)
Transfers in from primary government	<u>292,213</u>	<u>250,000</u>
Net cash provided by (used in) financing activities	<u>(809,933)</u>	<u>(7,108,078)</u>
Net decrease in cash	(2,803,991)	(7,518,402)
Cash at beginning of year	<u>3,010,584</u>	<u>10,528,986</u>
Cash at year end	\$ <u><u>206,593</u></u>	\$ <u><u>3,010,584</u></u>
Reconciliation of Decrease in Net Assets to Net Cash Used in Operating Activities		
Operating loss	\$ (391,984)	\$ (72,892)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	200,157	213
Changes in operating assets and liabilities		
Accounts receivable	(39,519)	7,216
Other current assets	(5,572)	—
Accounts payable	<u>(1,654,766)</u>	<u>1,153</u>
Total Adjustments	<u>(1,499,700)</u>	<u>8,582</u>
Net cash used in operating activities	\$ <u><u>(1,891,684)</u></u>	\$ <u><u>(64,310)</u></u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009
(Continued)

	2010	2009
Cash Consists of the following at June 30		
Cash	\$ 126,093	\$ 333,406
Cash - restricted	80,500	2,677,178
Total cash	\$ 206,593	\$ 3,010,584



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2010 and 2009

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, 2010 and 2009

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.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2010 and 2009

Note 1: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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.

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 \$206,873 and \$213 for June 30, 2010 and 2009 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.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2010 and 2009

Classification of Revenue and Expenses (Continued)

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.

Note 3: Capital Asset Activity

Capital asset activity for the Authority for the year ended June 30, 2010 and 2009 was:

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010
Construction in Progress	\$ 9,144,363	\$ —	\$ (9,144,363)	\$ —
Buildings	—	11,021,920	—	11,021,920
Equipment	10,698	—	(6,716)	3,982
Furniture & Fixtures	9,076	—	—	9,076
Total capital assets being depreciated	19,774	11,021,920	(6,716)	11,034,978
Less accumulated depreciation	(18,925)	(206,873)	6,716	(219,082)
Net	<u>\$ 9,145,212</u>	<u>\$ 10,815,047</u>	<u>\$ (9,144,363)</u>	<u>\$ 10,815,896</u>
	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009
Construction in Progress	\$ 36,263	\$ 9,108,100	\$ —	\$ 9,144,363
Buildings	—	—	—	—
Equipment	9,636	1,062	—	10,698
Furniture & Fixtures	9,076	—	—	9,076
Total capital assets being depreciated	18,712	1,062	—	19,774
Less accumulated depreciation	(18,712)	(213)	—	(18,925)
Net	<u>\$ 36,263</u>	<u>\$ 9,108,949</u>	<u>\$ —</u>	<u>\$ 9,145,212</u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2010 and 2009

Note 4: 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, 2010, were insured.

Note 5: Tax-Exempt Status

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

Note 6: Deposits

The Authority has a deposit policy for addressing the exposure to custodial credit risk. The Authority's bank balances as of June 30, 2010 and 2009 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, 2010 and 2009 respectively:

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>

2009 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	741,285	741,285	—	—	—	—
Money Market	700,713	700,713	—	—	—	—
	<u>\$ 1,441,998</u>	<u>\$ 1,441,998</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2010 and 2009

Note 7: 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 \$204 million and \$194 million at June 30, 2010 and 2009 respectively.

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

The Authority as a conduit bond issuer has had outstanding issues which have been in default in the payment of principal and interest. Since the notes and bonds issued by the Authority are only limited obligations of the Authority as noted above, the Authority has not incurred any losses as a result of these defaults. Series 1999B is in default as of June 30, 2009 and there are no other outstanding issues in default as of June 30, 2010 and 2009, respectively.

Note 8: 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.



Tulsa Industrial Authority
(a Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2010 and 2009

Note 9: Related Party Transactions

The City of Tulsa transferred cash in the amount of \$292,213 and \$250,000 to the Authority to be used solely for the payment of costs associated with construction of the Hangar as of June 30, 2010 and 2009 respectively. The City of Tulsa also transferred non-cash capital expenditures to the Authority in the amount of \$786,323 as of June 30, 2010.

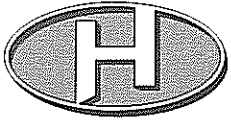
Note 10: Subsequent Events

Subsequent events have been evaluated through November 18, 2010, which is the date the financial statements were issued.

Note 11: 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.





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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, 2010, and have issued our report thereon dated November 29, 2010. 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
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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.

H. J. Hill & Company, P.C.

Tulsa, Oklahoma
November 29, 2010

