

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORTS
June 30, 2010 and 2009

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)

Index

Years Ended June 30, 2010 and 2009

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Independent Auditor's Report

Board of Trustees
Tulsa Development Authority
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of the Tulsa Development Authority (the "Authority"), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2010, as listed in the table of contents. 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 audit. The financial statements of the Authority for the year ended June 30, 2009, before they were restated for the matter discussed in Note 11 to the financial statements, were audited by other auditors whose report, dated December 21, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the Tulsa Development Authority, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the Authority restated beginning net assets to correct the recording of certain notes receivables of the Authority.

We also audited the adjustments described in Note 11 that were applied to restate the June 30, 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

The accompanying management's discussion and analysis on pages 2 through 5 are not a required part of the basic financial statements but are 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.

McGladrey & Pullen, LLP

Kansas City, Missouri
December 9, 2010

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

As the management of the Tulsa Development Authority (the "Authority"), a component unit of the City of Tulsa, Oklahoma (the "City"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and notes as a whole. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of the current year by \$36,692. Of this amount, \$3,674 invested in capital assets, \$18,599 is restricted for capital projects, \$7,362 is restricted for other purposes, and \$7,057 is unrestricted and may be used to meet the Authority's ongoing obligations. The assets of the Authority exceeded its liabilities at the close of 2009 by \$35,141.

During 2010, the Authority's net assets increased \$1,551 to \$36,692. During 2009, the Authority's net assets increased \$6,744.

The Authority's operating revenues decreased to \$834 in 2010 from \$2,864 in 2009, a 70.9% decrease. In 2009, the Authority's operating revenues increased from \$1,358 to \$2,864 a 110.9% increase.

Overview of the Financial Statements

The Authority, a legally separate public trust, is reported by the City as a discretely presented component unit in the City's Comprehensive Annual Financial Report. The primary function of the Authority is to benefit the City by the rehabilitation, conservation, redevelopment, or a combination thereof, of blighted areas to ensure the public health, safety, morals, and welfare of its residents.

Required Financial Statements

The Authority uses fund accounting in its financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the period.

TULSA DEVELOPMENT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

The Authority's net assets increased \$1,551 or 4.4% to \$36,692 at June 30, 2010. The following table provides a summary of net assets:

SUMMARY OF NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 15,121	\$ 14,171	\$ 16,085
Capital assets, net	3,674	3,732	3,853
Noncurrent assets	<u>18,868</u>	<u>17,930</u>	<u>11,115</u>
Total assets	<u>37,663</u>	<u>35,833</u>	<u>31,053</u>
Current liabilities	439	455	2,325
Noncurrent liabilities	<u>532</u>	<u>237</u>	<u>331</u>
Total liabilities	<u>971</u>	<u>692</u>	<u>2,656</u>
Net assets:			
Invested in capital assets	3,674	3,732	3,853
Restricted: Capital projects	18,599	9,565	7,012
Restricted: Other purposes	7,362	8,101	10,819
Unrestricted	<u>7,057</u>	<u>13,743</u>	<u>6,713</u>
Total net assets	<u>\$ 36,692</u>	<u>\$ 35,141</u>	<u>\$ 28,397</u>

In 2010, current assets, net increased \$950 primarily as a result of \$833 increase receivables due from other governments related to the downtown residential development projects.

In 2010, current liabilities increased \$194 primarily as a result of a \$210 increase due to other governments and a \$33 decrease in escrow and security deposits.

In 2009, current assets, net decreased \$1,824 because of an increase in rehabilitation loans and grants and an allowance to decrease rents receivable for the Hartford Building.

In 2009, current liabilities, net decreased \$1,870 because of a decrease in accounts payable.

Noncurrent liabilities increased \$295 and decreased \$94 in 2010 and 2009, respectively. The 2010 increase is primarily the result of an increase of \$166 in pollution remediation and a \$210 liability to other government.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

SUMMARY OF CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 834	\$ 2,864	\$ 1,358
Investment income	302	426	617
Other income	<u>5,676</u>	<u>9,133</u>	<u>4,953</u>
 Total revenues	 <u>6,812</u>	 <u>12,423</u>	 <u>6,928</u>
Depreciation expense	100	111	112
Other operating expense	4,130	566	5,199
Nonoperating expense	<u>1,031</u>	<u>5,002</u>	<u>1,399</u>
 Total expenses	 <u>5,261</u>	 <u>5,679</u>	 <u>6,710</u>
 Change in net assets	 1,551	 6,744	 218
 Net assets, beginning of year, as restated	 <u>35,141</u>	 <u>28,397</u>	 <u>28,179</u>
 Net assets, end of year	 <u>\$ 36,692</u>	 <u>\$ 35,141</u>	 <u>\$ 28,397</u>

In 2010, revenues decreased 45.2% and expenses decreased 7.4%. The result of revenues exceeding expenses resulted in an increase in net assets of 4.4%.

In 2010, operating revenues decreased \$2,030 or 70.9% because of a decrease in gains on sale of land offset by an increase in property rentals.

Investment income decreased in \$124 in 2010 as a result of a decrease in interest rates.

Total expenses net decreased \$418 or 7.4% in 2010. Other operating expenses increased \$3,564.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

CAPITAL ASSETS

The Authority's investment in capital assets as of June 30, 2010 was \$3,674 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There were no capital asset acquisitions during the year.

	<u>2010</u>	<u>2009</u>
Land	\$ 928	\$ 928
Buildings	3,810	3,810
Equipment	<u>218</u>	<u>204</u>
Capital assets, total	4,956	4,942
Less accumulated depreciation	<u>(1,282)</u>	<u>(1,210)</u>
Capital assets, net	<u>\$ 3,674</u>	<u>\$ 3,732</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2011 budget. At the national level, unemployment remains above 9 percent. Unemployment in the City of Tulsa was 7.7 percent at the end of fiscal-year 2010. The Authority has not experienced a decline in collection rates for accounts receivable during this economic downturn.

The Authority acquires properties in Tulsa in order to rehabilitate, conserve or redevelop blighted or underserved areas of Tulsa. The Authority uses sub-grants from the United States Government to fund most of the residential real estate rehabilitation. The real estate market in Tulsa has not declined as dramatically as in other areas of the United States. The Authority did not experience any significant losses related to the remarketing of these properties.

Office vacancies at the end of fiscal-year 2010 rose to their highest levels in Tulsa since 1991. Vacant office space in Tulsa's central business district was approximately 25 percent at June 30, 2010. The Authority participates in several projects to convert vacant downtown office buildings to residential living units. Expenditures related to these projects are reimbursed from sales tax collections.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tulsa, Office of the Controller, 175 E. Second Street, Tulsa, Oklahoma 74103.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

	2010	2009
	(In Thousands of Dollars)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 4,473	\$ 11,856
Cash and cash equivalents - restricted	9,554	2,148
Receivables	8	26
Receivables - restricted	38	84
Prepaid expense	13	-
Due from primary government	150	-
Due from other governments	833	-
Current portion of notes receivable - restricted	52	57
Total current assets	<u>15,121</u>	<u>14,171</u>
Noncurrent assets:		
Land held for resale, net	6,650	6,780
Non-depreciable capital assets	928	928
Depreciable capital assets, net	2,746	2,804
Notes receivable	2,542	2,000
Notes receivable - restricted, net	9,676	9,150
Total noncurrent assets	<u>22,542</u>	<u>21,662</u>
Total assets	<u>37,663</u>	<u>35,833</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	287	270
Escrow and security deposits	143	176
Escrow and security deposits - restricted	9	9
Total current liabilities	<u>439</u>	<u>455</u>
Noncurrent liabilities:		
Deferred revenue	4	-
Other post employment benefits	54	32
Net pension obligation	4	-
Advances from primary government	94	205
Due to other government	210	-
Pollution remediation obligation	166	-
Total noncurrent liabilities	<u>532</u>	<u>237</u>
Total liabilities	<u>971</u>	<u>692</u>
<u>NET ASSETS</u>		
Invested in capital assets	3,674	3,732
Restricted for:		
Capital projects	18,599	9,565
Other purposes	7,362	8,101
Unrestricted net assets	<u>7,057</u>	<u>13,743</u>
Total net assets	<u>\$ 36,692</u>	<u>\$ 35,141</u>

The accompanying notes are an integral part of these financial statements.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
	(In Thousands of Dollars)	
Operating revenues:		
Property rentals	\$ 305	\$ 108
Other income, including gain on sale of land held for resale	529	2,756
Total operating revenues	<u>834</u>	<u>2,864</u>
Operating expenses:		
Salaries and wages	386	411
Materials and supplies	173	8
Other services and charges	2,768	114
Relocation and improvement	200	374
Unrealized gain/loss on land held for resale	70	(341)
Depreciation	100	111
Provision for uncollectible accounts	533	-
Total operating expenses	<u>4,230</u>	<u>677</u>
Operating income (loss)	<u>(3,396)</u>	<u>2,187</u>
Nonoperating revenues (expenses):		
Investment income	302	426
Ad Valorem tax and sales tax revenue	920	1,628
Federal and state grant revenues	660	-
Contributions	-	(2,050)
Payments to Tulsa Parking Authority	(1,022)	(426)
Payments to primary government	(9)	(2,526)
Payments from primary government	3,261	7,485
Intergovernmental revenue	833	-
Other income	2	20
Total nonoperating revenues (expenses)	<u>4,947</u>	<u>4,557</u>
Change in net assets	1,551	6,744
Net assets, beginning of year, as restated	<u>35,141</u>	<u>28,397</u>
Net assets, end of year	<u>\$ 36,692</u>	<u>\$ 35,141</u>

The accompanying notes are an integral part of these financial statements.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	2010	2009
	(In Thousands of Dollars)	
Cash flows from operating activities:		
Receipts from customers	\$ 879	\$ 444
Payments to suppliers	(2,731)	(3,707)
Payments to employees	(386)	(411)
Net cash used for operating activities	<u>(2,238)</u>	<u>(3,674)</u>
Cash flows from noncapital financing activities:		
Payments to Tulsa Parking Authority	(1,022)	(426)
Payments to primary government	(9)	(983)
Payments from primary government	3,000	7,485
Other noncapital transactions, including issuance of notes receivable	(1,594)	(6,249)
Operating grants and contributions	660	12
Ad Valorem and sales tax receipts	920	1,628
Net cash provided by noncapital financing activities	<u>1,955</u>	<u>1,467</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(42)	-
Net cash provided by capital and related financing activities	<u>(42)</u>	<u>-</u>
Cash flows from investing activities:		
Investment income	348	499
Net cash provided by investing activities	<u>348</u>	<u>499</u>
Net increase in cash and equivalents	23	(1,708)
Cash and cash equivalents, beginning of year	14,004	15,712
Cash and cash equivalents, end of year	<u>\$ 14,027</u>	<u>\$ 14,004</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (3,396)	\$ 2,187
Adjustments		
Depreciation	100	111
Gain on sale and cost adjustments on land held for resale	130	(341)
Provision for uncollectible accounts	533	-
Increase in receivables and other assets	5	(3,667)
Increase (decrease) in payables and other liabilities	390	(1,964)
Net (decrease) in cash used in operating activities	<u>\$ (2,238)</u>	<u>\$ (3,674)</u>
Noncash noncapital financing activities:		
Donation of land to City of Tulsa	<u>\$ -</u>	<u>\$ 1,543</u>

The accompanying notes are an integral part of these financial statements.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

1 – NATURE OF BUSINESS, REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

The Tulsa Development Authority (the “Authority”) is accounted for as a special purpose government engaged solely in business-type activities. The Authority was created under the provisions of the Oklahoma Public Trust Act. The purpose of the Authority is to benefit of the City of Tulsa (the “City”) by the rehabilitation, conservation, redevelopment, or a combination thereof, of blighted areas to ensure the public health, safety, morals, and welfare of its residents.

REPORTING ENTITY

The Authority is a discretely presented component unit of the City and is included in the City’s comprehensive annual financial report.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Authority prepares its financial statements in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The Authority applies 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. Pursuant to GASB Statement No. 20, the Authority has elected not to follow subsequent private sector guidance. The Authority uses the accrual basis of accounting under which revenues are accrued as earned and expenses are recorded as they are incurred. All amounts, unless otherwise noted, are expressed in thousands.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased and any cash held by the City’s internal pool to be cash equivalents. Investment income from pooled cash is allocated monthly based on the percentage of a fund’s average daily equity in pooled cash to the total average daily pooled equity in the pooled cash and investments.

DUE FROM OTHER GOVERNMENTS

Due from other governments represents the amount to be reimbursed to the Authority by other local governments related to development projects. The balance of the due from other governments represents costs that have been incurred during the fiscal year that will be reimbursed in the following year.

TULSA DEVELOPMENT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

1 – NATURE OF BUSINESS, REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NOTES RECEIVABLE - RESTRICTED

Notes receivable-restricted represents loans made by the Authority under the Community Development Block Grant and Home Investment Partnership programs of the United States Department of Housing and Urban Development (HUD). The loans are made to eligible participants for home rehabilitation subject to maximum amounts that can be loaned depending on the loan type. Rehabilitation is to bring the home up to City and HUD standards. The types of loans for home rehabilitation are Deferred Payment, Principal Repayment, and Standard Repayment. Also included in restricted notes receivable are notes made to developers as a part of the Authority's Vision 2025 project. These loans are restricted as they are to be made to promote the economic vitality of the City's downtown. These notes are fully collateralized by the mortgages on the properties.

Terms vary from zero interest and deferred payment, zero interest with principal payment when participant is able, and interest of 4% with standard repayment terms.

CAPITAL ASSETS

Capital assets, with an initial cost of \$5 or more, are stated at cost. Donated assets are recorded at fair market value as of the date donated. Assets placed in service are depreciated on a straight-line basis over the estimated service life below:

	<u>Estimated Service Life</u>
Buildings	48 years
Equipment	3 to 15 years

LAND HELD FOR RESALE

Land acquired for neighborhood revitalization and held for resale by the Authority is recorded at the lower of cost or net realizable value.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Other post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, whereas other benefits, including post-employment healthcare and other OPEB, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Authority accounts for annual OPEB costs on an accrual basis, charging expenses in the period incurred with a corresponding liability for benefits to be paid in future periods.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

1 – NATURE OF BUSINESS, REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS

Net assets of the Authority represent the difference between assets and liabilities. Net assets invested in capital, consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority first applies restricted resources. As of June 30, 2010, \$18,651 and \$7,362 were restricted for capital projects and other purposes, respectively. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested capital assets or restricted.

INCOME TAXES

With regards to federal income taxes, the Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code.

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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial presentation. These reclassifications had no effect on changes in net assets.

REVENUE AND EXPENSES

Revenue is recognized when all applicable eligibility requirements, including time requirements are met. Resources received by the Authority before the eligibility requirements are met are reported as deferred revenue. Some grants consist of resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants that may be used for operating expenses.

Operating revenues consist of property rentals on single-family, multi-family and commercial properties held by the Authority.

TULSA DEVELOPMENT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

1 – NATURE OF BUSINESS, REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating expenses consist of all costs incurred to administer the acquisition, maintenance and resale of properties targeted for redevelopment. All revenues and expenses not meeting these descriptions are considered nonoperating revenues and expenses.

Nonoperating revenue consists of interest earned on investments, payments from primary government, grant revenue from other governmental entities, and ad valorem and sales tax revenue.

Nonoperating expenses include payments to the primary government and other related entities.

2 – CASH DEPOSITS

Cash deposits of the Authority are maintained within the City’s pooled cash and investments account. Pooled cash consists primarily of time deposits guaranteed by the U.S. Government or its agencies. These amounts were pooled with the City of Tulsa and were collateralized by securities that were held by the pledging financial institution or by its trust department or agent in the City of Tulsa’s name.

3 – PAYMENTS BETWEEN THE PRIMARY GOVERNMENT (THE CITY) AND THE AUTHORITY

The Authority records, as nonoperating revenue, payments from the City that are primarily subsidized expenditures associated with the Authority’s purpose. This revenue may be sub-grants from the U.S. Government, sales tax revenue designated for specific projects, or other payments. Payments from the Authority to the primary government are for the return of program income on the CDBG grant and are reported as nonoperating expenses.

4 – NOTES RECEIVABLE - RESTRICTED

Restricted notes receivable as of June 30, 2010 and 2009 consisted of the following:

	2010	2009
HUD rehabilitation notes	\$ 742	\$ 768
Notes to developers	9,519	8,439
	10,261	9,207
Less allowance	(533)	-
Notes receivable restricted, net	\$ 9,728	\$ 9,207

In addition to the notes listed above, the Authority has \$13,075 of HUD Deferred Payment Loans which the Authority has fully reserved and, therefore are not reflected in the Authority’s financial statements.

TULSA DEVELOPMENT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

5 – LAND HELD FOR RESALE

The cost of land acquired and held for resale was \$8,506 and \$8,614 at June 30, 2010, and 2009, respectively, and was reduced to lower of cost or market value of \$6,650 and \$6,780 for the years ended June 30, 2010, and 2009, respectively. A net decrease in fair value of land held for resale of \$130 and a net increase of \$341 is recognized in the statement of revenues, expenses, and changes in net assets for the years ended June 30, 2010, and 2009, respectively.

6 – CAPITAL ASSETS

2010:	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 928	\$ -	\$ -	\$ 928
Depreciable capital assets:				
Buildings	3,810	-	-	3,810
Equipment	204	42	28	218
	<u>4,014</u>	<u>42</u>	<u>28</u>	<u>4,028</u>
Less accumulated depreciation:				
Buildings	(968)	(99)	-	(1,067)
Equipment	(242)	(1)	(28)	(215)
Total accumulated depreciation	<u>(1,210)</u>	<u>(100)</u>	<u>(28)</u>	<u>(1,282)</u>
Capital assets, net	<u>\$ 3,732</u>	<u>\$ (58)</u>	<u>\$ -</u>	<u>\$ 3,674</u>

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

6 – CAPITAL ASSETS (continued)

2009:	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 928	\$ -	\$ -	\$ 928
Depreciable capital assets:				
Buildings	3,810	-	-	3,810
Equipment	274	(70)	-	204
	<u>4,084</u>	<u>(70)</u>	<u>-</u>	<u>4,014</u>
Less accumulated depreciation:				
Buildings	(869)	(99)	-	(968)
Equipment	(290)	48	-	(242)
	<u>(1,159)</u>	<u>(51)</u>	<u>-</u>	<u>(1,210)</u>
Capital assets, net	<u>\$ 3,853</u>	<u>\$ (121)</u>	<u>\$ -</u>	<u>\$ 3,732</u>

7 – JOINT VENTURE

A joint venture is a legal entity or other organization that results from a contractual agreement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest, or an ongoing financial responsibility.

Prior to fiscal year 2010, the Authority participated in a joint venture through its wholly owned subsidiaries, Tulsa Uptown Redevelopment Corporation (TURC) and Tribune Building Redevelopment Corporation (TBRC). The Authority owned 100% of TURC with a \$3.3 million initial investment. TURC in turn owned 50% of Tulsa Uptown Associates, LLC, a joint venture. Tulsa Uptown Associates was formed July 2, 1997 for the construction and management of an apartment complex in downtown Tulsa, the Renaissance Uptown Apartments. In February 2008, TURC sold its interest in the related joint venture. In consideration for the sale, TURC received \$1.3 million in cash and a \$2 million promissory note, due February 2011, which is reflected as a note receivable on the statement of net assets. In 2010, this note was amended and combined with an additional note for the construction of a residential apartment. TBR can draw up to an additional \$2 million to fund this project. The balance of this note as of June 30, 2010 and 2009 was \$2,542 and \$2,000 respectively. Repayment terms are \$1,000 due on October 15, 2014 and the remaining balance due on October 15, 2020, or ten years after the last date on which an advance is made on the note.

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8 – RESTRICTED ASSETS

Certain assets relating to the Authority's participation in the Community Development Block Grant and Home Investment Partnership programs of HUD as well as resources from the Authority's rehabilitation loan programs are reported as restricted on the statement of net assets because their use is to meet guidelines of original grant programs.

9 – OTHER POST EMPLOYMENT BENEFITS

The City provides post employment healthcare benefits for retired employees and their dependents through the City of Tulsa Postretirement Medical Plan (the "Plan"), a single-employer defined benefit health care plan. The benefits, coverage levels, employee contributions and employer contributions are governed by the City through its personnel and union contracts.

All healthcare benefits are provided through the City's fully insured health plan. The benefit levels are the same as those offered to active employees. Benefits include general inpatient and outpatient medical services and prescriptions. General employees are eligible for membership in the plan if they retire from the City on or after age 55 with 5 years of service or with age and service totaling 80 points. Coverage ceases upon eligibility of the member (retiree or dependent) for Medicare. Coverage for dependents can continue upon the death of the retiree. Spouses of employees eligible for benefits and who die in active service can receive coverage.

The actuarial valuation of liabilities under the plan is calculated using the entry age normal cost method as of the July 1, 2009 and 2008 actuarial valuations. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$33,852 and \$33,036 for the City as of June 30, 2010 and 2009, respectively. The Authority's portion of the unfunded actuarial accrued liability is not separately determinable.

The City's actuarial determined annual required contribution (ARC) for years ending June 30, 2010 and 2009 was \$3,239 and \$3,072, of which \$522 and \$285, was paid on a pay-as-you-go basis, respectively. The Authority was allocated \$54 and \$32 of the net obligation for the years ending June 30, 2010 and 2009, respectively, which has been reflected in the financial statements. The amount allocated to the Authority is based on the percentage of the Authority's payroll cost compared to the total payroll cost of the active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

10 – POLLUTION REMEDIATION

In June 2010, the Authority conducted an environmental site assessment of the EVANS-FINTUBE location in Tulsa, OK. The assessment indicates there was evidence of groundwater contamination, asbestos, and lead paint on the subject property. The estimated cost to remediate the asbestos was \$8. The estimated cost to remediate the lead paint ranged from \$109 to \$207. The Authority is unable to estimate the remediation cost related to the groundwater contamination. The Authority recorded an estimated liability of \$166 to

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10 – POLLUTION REMEDIATION (continued)

recognize the estimated pollution remediation costs, using the weighted probability of expected cash flows in accordance with GASB Statement No. 49.

11 – RESTATEMENT

The Authority restated beginning net assets to record various notes receivable transactions that should have been recorded in fiscal year 2009 as notes receivable instead of operating expenses. The effect on fiscal year 2009 is as follows:

	2009 Previously Presented	Restatement	2009 Restated
Notes receivable	\$ 2,768	\$ 8,439	\$ 11,207
Unrestricted net assets	6,604	7,139	13,743
Restricted for capital projects	8,265	1,300	9,565
Operating expenses	9,116	(8,439)	677
Operating (loss) income	(6,252)	8,439	2,187
Change in net assets	(1,695)	8,439	6,744

12 – RISK MANAGEMENT

The Authority participates in the City's insurance programs through payment for services. The City retains all risk of loss. Significant losses are covered by commercial insurance for all major programs except workers' compensation, for which the City retains all risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

13 – RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2010 and 2009, the Authority conducted the following transactions with related parties.

	2010	2009
Payments to Tulsa Parking Authority	\$ 1,022	\$ 426
Payments from City of Tulsa	3,261	7,485
Payments to City of Tulsa	9	2,526

14 – MUNICIPAL EMPLOYEES' PENSION PLAN

The Authority contributes to the Municipal Employees Pension System (the "Plan"), a cost sharing multiple employer defined benefit pension plan administered by the City of Tulsa, Oklahoma. The pension plan was established by the City in accordance with the City Charter and State Statutes, and is reported in the City's Pension Trust Fund. Non-uniform, non-elected

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14 – MUNICIPAL EMPLOYEES’ PENSION PLAN (continued)

full-time employees of the Authority along with other employees of the City of Tulsa and certain related agencies participate in this plan immediately upon employment. Employees become 100% vested after five years of employment.

Pension provisions include death benefits for the surviving spouse. The Plan does not provide a monthly income for disabled participants; however, under certain conditions, employees who become disabled may be eligible to receive their full retirement at age 65 even though they were unable to work up to the retirement age.

The authority to establish and amend requirements of the Plan is set forth in the City Charter and State Statutes and is vested in the plan’s board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute 4.0% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate; the rate was 8.9%, 6.3% and 6.3% for the years ended 2010, 2009 and 2008, respectively. The Authority’s contributions to the plan for the years ended June 30, 2010, 2009 and 2008 were \$19, \$21 and \$23 respectively, which equaled 73%, 100% and 100% of the annual required contributions for each year. The difference between the required contributions to the Plan and the actual contributions made by the Authority was \$4 and zero as of June 30, 2010 and 2009, respectively.

The Plan is reported as a Pension Trust Fund in the City’s 2010 Comprehensive Annual Financial Reports. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.