

**TULSA DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF TULSA, OKLAHOMA)**

FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

WITH

INDEPENDENT AUDITORS' REPORT

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(in thousands)

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, 2009. 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 \$26,702. Of this amount, \$3,732 is invested in capital assets, \$8,265 is restricted for capital projects, \$8,101 is restricted for other purposes and \$6,604 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 2008 by \$28,397.
- During 2009, the Authority's net assets decreased \$1,695 to \$26,702. During 2008, the Authority's net assets increased by \$1,126.
- The Authority's operating revenues increased to \$2,864 in 2009 from \$1,358 in 2008, a 111% increase. This is due to the appreciation in value of land donated by the Authority to the Tulsa Stadium Trust. In 2008, the Authority's operating revenues increased from \$1,268 to \$1,358, a 7% 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 financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- 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 revenues, 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 cash balance during the period.

Net Assets

The Authority's net assets decreased \$1,695 and 6% to \$26,702 at June 30, 2009. The following table provides a summary of net assets:

SUMMARY OF NET ASSETS

	2009	2008
Current assets	\$ 14,171	\$ 16,085
Noncurrent assets	13,223	14,968
Total assets	27,394	31,053
Current liabilities	455	2,325
Noncurrent liabilities	237	331
Total liabilities	692	2,656
Net assets:		
Invested in capital assets	3,732	3,853
Restricted: Capital projects	8,265	7,012
Restricted: Other purposes	8,101	10,819
Unrestricted	6,604	6,713
Total net assets	\$ 26,702	\$ 28,397

In 2009, current assets decreased \$1,914 to \$14,171 due to an increase in rehabilitation loans and grants and an allowance to decrease rents receivable for the Hartford Building.

In 2009, current liabilities decreased \$1,870 to \$455 due to a decrease in accounts payable.

In 2008, current assets increased \$2,996 to \$16,085 due to an increase in cash and cash equivalents from the sale of the Authority's interest in the Tulsa Uptown and Tribune Building partnership and from Tax Increment Financing (TIF) funds.

In 2008, current liabilities increased \$1,955 to \$2,325 due to an increase in accounts payable and escrow / security deposits. There was also a \$1,500 increase in "due to primary government" when the Authority agreed to repay the City for HUD funds described in an OIG report.

Noncurrent Liabilities

The Authority's noncurrent liabilities decreased \$94 in 2009 and decreased \$335 in 2008. The 2009 changes are due to continued TIF fund's payments to reimburse the Sales Tax fund for funds advanced in previous years as seed monies. The 2008 changes were due to those TIF fund's payments.

SUMMARY OF CHANGES IN NET ASSETS

	2009	2008
Operating revenues	\$ 2,864	\$ 1,358
Investment income	426	617
Other income	9,133	6,483
Total revenues	12,423	8,458
Depreciation expense	111	112
Other operating expense	9,005	5,821
Nonoperating expense	5,002	1,399
Total expenses	14,118	7,332
Change in net assets	(1,695)	1,126
Net assets, beginning of year	28,397	27,271
Net assets, end of year	\$ 26,702	\$ 28,397

In 2009, the Authority's revenues increased 47% and expenses increased 93%. These were both due to increased activity with the Mayo Hotel and Lofts projects, and the sale of land by the Authority. The result of expenditures exceeding revenues is a decrease in net assets of 6%.

In 2009, operating revenues showed an increase of \$1,506 or 111% as a result of the gain on sales of land held for resale, offset by a decrease in property rentals.

Investment income in 2009 is \$191 lower than the prior year.

Total expenses increased 93% in 2009. The change is related to the increase in the expenditures in the Sales Tax projects (Mayo Hotel Lofts, Mayo Building, 1st Street Lofts, etc), and the donation of land by the Authority to the Tulsa Stadium Trust.

Capital Assets

The Authority's investment in capital assets as of June 30, 2009, amounts to \$3,732 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There were no capital asset acquisitions during the year.

	2009	2008
Land	\$ 928	\$ 928
Buildings	3,810	3,810
Equipment	204	274
Capital assets, total	4,942	5,012
Less: accumulated depreciation	(1,210)	(1,159)
Capital assets, net	<u>\$ 3,732</u>	<u>\$ 3,853</u>



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Tulsa Development Authority

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Authority as of June 30, 2009 and 2008, and the consolidated changes in financial position 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 21, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages i to iv 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.

Hagan Taylor LLP

December 21, 2009

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

CONSOLIDATED STATEMENTS OF NET ASSETS

June 30, 2009 and 2008
(in thousands)

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,451	\$ 12,591
Cash and cash equivalents – restricted	553	3,121
Accounts receivable	26	197
Accounts receivable – restricted	84	156
Notes receivable, current portion – restricted	57	20
	14,171	16,085
Noncurrent assets:		
Land held for resale, net	6,780	8,600
Capital assets, net	3,732	3,853
Notes receivable	2,000	2,000
Notes receivable – restricted	711	515
	13,223	14,968
Total assets	27,394	31,053
Liabilities		
Current liabilities:		
Accounts payable	270	637
Due to primary government	-	1,500
Escrow and security deposits	176	184
Escrow and security deposits – restricted	9	4
	455	2,325
Noncurrent liabilities:		
Advances from primary government	205	291
Vested compensated absences	32	40
	237	331
Total liabilities	692	2,656
Net assets		
Invested in capital assets, net of related debt	3,732	3,853
Restricted for:		
Capital projects	8,265	7,012
Other purposes	8,101	10,819
Unrestricted	6,604	6,713
Total net assets	\$ 26,702	\$ 28,397

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

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

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

Years ended June 30, 2009 and 2008
(in thousands)

	2009	2008
Operating revenues:		
Property rentals	\$ 108	\$ 1,026
Other income	2,756	332
	2,864	1,358
Operating expenses:		
Salaries and wages	411	514
Materials and supplies	8	51
Other services and charges	8,553	4,864
Relocation and improvement expenses	374	1,002
Write-up on land held for resale	(341)	(610)
Depreciation	111	112
	9,116	5,933
Operating loss	(6,252)	(4,575)
Nonoperating revenues (expenses):		
Investment income	426	617
Gain on disposal of joint ventures	-	1,530
Other income	20	163
Payments to component units	(426)	(1,006)
Transfers with primary government:		
Ad valorem tax and sales tax	1,628	1,977
Federal and state grants revenues	-	623
Contributions	(2,050)	-
Payments from primary government	7,485	2,190
Payments to primary government	(2,526)	(393)
	4,557	5,701
Change in net assets	(1,695)	1,126
Net assets, beginning of year	28,397	27,271
Net assets, end of year	\$ 26,702	\$ 28,397

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2009 and 2008
(in thousands)

	2009	2008
Cash Flows from Operating Activities		
Receipts from customers	\$ 440	\$ 1,620
Payments to suppliers	(10,899)	(2,235)
Payments to employees	(411)	(514)
	(10,870)	(1,129)
Net cash used in operating activities		
Cash Flows from Noncapital Financing Activities		
Payments to component units	(426)	(1,006)
Payments to primary government	(983)	(393)
Payments from primary government	7,485	2,190
Other noncapital transactions	(213)	125
Operating grants and contributions	12	623
Ad valorem tax and sales tax proceeds	1,628	1,977
	7,503	3,516
Net cash provided by noncapital financing activities		
Cash Flows from Capital and Related Financing Activities		
Disposition of capital assets	1,158	-
	1,158	-
Net cash provided by capital and related financing activities		
Cash Flows from Investing Activities		
Interest on investments	501	616
Loss on assets	-	(180)
	501	436
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	(1,708)	2,823
Cash and cash equivalents at beginning of year	15,712	12,889
Cash and cash equivalents at end of year	\$ 14,004	\$ 15,712
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (6,252)	\$ (4,575)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	111	112
Increase in market value of land held for resale	(341)	(610)
Gain on sale of land	(2,580)	-
Change in assets and liabilities:		
Receivables and other assets	156	2,037
Payables and other liabilities	(1,964)	1,907
	\$ (10,870)	\$ (1,129)
Net cash used in operating activities		
Noncash Noncapital Financing Activities		
Donation of land to the City of Tulsa	\$ 1,543	\$ -

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 CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009 and 2008
(in thousands)

Note 1 – Summary of Significant Accounting Policies

Organization and purpose

The Tulsa Development Authority (the Authority) is a public trust under provisions of Oklahoma Statute Title 11, created November 17, 1959. The purpose of the Authority is to benefit 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.

The Authority is governed by a board comprised of five commissioners appointed by the Mayor of the City and confirmed by the City Council. The City approves urban renewal plans that define blighted areas. The City must approve all modifications to the plan. The Authority's primary sources of funding are from property rentals, sub-grants of Federal funds through the City, and from sales tax projects assigned to the Authority. The City provides staffing to, and maintains the accounting records of the Authority.

Basis of accounting

The Authority is accounted for as a special purpose government engaged solely in business-type activities. 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.

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.

Notes receivable – restricted

Notes receivable represents loans made by the Authority under the Community Development Block Grant and Home Investment Partnership programs of 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. 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 \$5,000 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.

Net assets

The Authority's net assets are classified as follows:

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

Restricted net assets: Restricted net assets represent assets that have third party limitations on their use. The third party limitations are the restrictions on program income from federal sources, the restrictions of the federal programs themselves, and the restrictions arising from the City of Tulsa sales tax ordinances of 1996 and 2001.

Unrestricted net assets: These resources are used for transactions relating to the general operations of the Authority, and may be used at the discretion of the governing board.

Income taxes

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Revenue

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.

Note 2 – Cash Deposits and Concentration of Credit Risk

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.

The cash of the Authority that is in the pooled cash of the City represents a credit risk. The Authority believes the risk is minimal because of the City's requirements that demand deposits and investments be collateralized at 110% of the amount not federally insured, and by the policy that requires all securities to be held in the name of the City. Collateral is held by a third party. Additionally, state statutes limit permissible investments to those with a low risk of loss.

Note 3 – Payments between the Primary Government (the City) and the Authority

The Authority records, as 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 reported as expenses.

Note 4 – Notes Receivable – Restricted

Notes receivable of \$711 and \$515 at June 30, 2009 and 2008, respectively, represents the CDBG and HOME loans receivable from eligible recipients. Depending on the terms of the loans, interest and principal may be repaid at intermittent times. During 2009, principal received was \$21. During 2008 principal received was \$32. The notes are fully collateralized by mortgages on the properties; therefore, TDA believes the amounts are fully recoverable and no allowance for the notes is necessary. Amounts expected to be collected are as follows: 2010 - \$57; 2011 - \$20; 2012 - \$19; 2013 – \$18; 2014 - \$16, and thereafter - \$638.

Note 5 – Land Held for Resale

The cost of land acquired and held for resale was \$8,614 and \$12,278 at June 30, 2009, and 2008, respectively, and was reduced to lower of cost or market value of \$6,780 and \$8,600 for the years ended June 30, 2009 and 2008, respectively. A net increase in fair value of land held for resale of \$341 and \$610 is recognized in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008, respectively.

Note 6 – Capital Assets

	Balance June 30, 2008	Additions	Balance June 30, 2009
Non-depreciable assets:			
Land	\$ 928	\$ -	\$ 928
Depreciable assets:			
Buildings	3,810	-	3,810
Equipment	274	(70)	204
	4,084	(70)	4,014
Total capital assets	5,012	(70)	4,942
Accumulated depreciation:			
Buildings	(869)	(99)	(968)
Equipment	(290)	48	(242)
	(1,159)	(51)	(1,210)
Capital assets, net	\$ 3,853	\$ (121)	\$ 3,732

	Balance June 30, 2007	Additions	Balance June 30, 2008
Non-depreciable assets:			
Land	\$ 928	\$ -	\$ 928
Depreciable assets:			
Buildings	3,810	-	3,810
Equipment	245	29	274
	4,055	29	4,084
Total capital assets	4,983	29	5,012
Accumulated depreciation:			
Buildings	(770)	(99)	(869)
Equipment	(249)	(41)	(290)
	(1,019)	(140)	(1,159)
Capital assets, net	\$ 3,964	\$ (111)	\$ 3,853

Note 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.

The Authority participated in two joint ventures 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.

TBRC was formed on July 2, 1997, and is 100% owned by the Authority. TBRC in turn owned 50% of Tribune Building Associates, LLC. Tribune Building Associates, LLC invested \$700 in Tribune Redevelopment, LLC to become a 0.1% partner. The property for redevelopment is the Tribune building in downtown Tulsa. In February 2008, TBRC sold its interest in the related joint venture for \$700.

During the period from July 1997 to February 2008, the net incomes of the joint ventures were accounted for on the equity basis. The Authority's investment was adjusted for its shares of the net incomes or losses from the joint ventures.

Note 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.

Note 9 – Compensated Absences

Accumulated vacation and sick leave of City employees, up to a maximum of twice the annual leave earned, vests with the employees. Employees who spend time working for the Authority have a proportionate share of the City's liability for their compensated absences charged to the Authority.

Note 10 – Net Assets Restricted

Net assets are restricted for capital projects and other purposes. The details of the amounts are:

	2009	2008
Restricted for capital projects	\$ 8,265	\$ 7,012
Other purposes:		
Federal program income	\$ 1,321	\$ 2,219
Land for resale	6,780	8,600
Total restricted for other purposes	\$ 8,101	\$ 10,819

Note 11 – Payment to the City

During fiscal 2009, the Office of Inspector General (OIG) issued an audit report dated August 4, 2008, that recommended the City repay \$1.5 million for funds that the Authority could not support in performing its acquisition, clearance, relocation and disposition activities. On October 31, 2008 the City requested that the Authority reimburse the disallowed costs to the City. On November 13, 2008 the Authority's Board of Commissioners voted to make payment to the City for the \$1.5 million, which was fully paid to the City during the year ended June 30, 2009.

Note 12 – Subsequent Event

Subsequent to year end, Tribune Acquisition, LLC executed a mortgage and promissory note in the amount of \$4,000 with TURC and TBRC for the construction of a residential apartment. The Authority holds this note and will receive scheduled payments on the note as payee agent for the TURC and TBRC. The balance consists of \$2,000 received in the form of the merger of the outstanding note receivable balance of \$2,000 and an additional \$2,000 that will be advanced to Tribune Acquisition, LLC upon funding of this loan. Repayment terms are \$1,000 is due on October 15, 2014, and \$3,000 is due on October 15, 2020, or ten years after the last date on which an advance is made on the note.

OTHER REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Tulsa Development Authority

We have audited the consolidated financial statements of Tulsa Development Authority (the Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, others within the entity, the City of Tulsa, and the U.S. Department of Housing and Urban Development, and is not intended to be and should not be used by anyone other than those specified parties.

Hogan Taylor LLP

December 21, 2009