

**TULSA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**FINANCIAL REPORTS**  
**June 30, 2011 and 2010**

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

**Index**

**Years Ended June 30, 2011 and 2010**

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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 years ended June 30, 2011 and 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.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tulsa Development Authority, as of June 30, 2011 and 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.

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 6, 2011

**TULSA DEVELOPMENT AUTHORITY**  
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**Management's Discussion and Analysis**  
**Years Ended June 30, 2011 and 2010**

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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 years ended June 30, 2011 and 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 \$35,892. Of this amount, \$349 is invested in capital assets, \$20,072 is restricted for capital projects, \$8,564 is restricted for other purposes, and \$6,907 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 2010 by \$36,692.

During 2011, the Authority's net assets decreased \$800 to \$35,892. During 2010, the Authority's net assets increased \$1,551.

The Authority's operating revenues decreased to \$400 in 2011 from \$834 in 2010, a 52.0% decrease. In 2010, the Authority's operating revenues decreased from \$2,864 to \$834, a 70.9% decrease.

**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 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 the 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 is the change in the cash balance during the period.

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The Authority's net assets decreased \$800 or 2.2% to \$35,892 at June 30, 2011. The following table provides a summary of net assets:

**SUMMARY OF NET ASSETS**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 3,990	\$ 5,477	\$ 11,882
Capital assets, net	349	3,674	3,732
Noncurrent assets	<u>32,322</u>	<u>28,512</u>	<u>20,219</u>
Total assets	<u>36,661</u>	<u>37,663</u>	<u>35,833</u>
Current liabilities	591	497	455
Noncurrent liabilities	<u>178</u>	<u>474</u>	<u>237</u>
Total liabilities	<u>769</u>	<u>971</u>	<u>692</u>
Net assets:			
Invested in capital assets	349	3,674	3,732
Restricted: Capital projects	20,072	18,599	9,565
Restricted: Other purposes	8,564	7,362	8,101
Unrestricted	<u>6,907</u>	<u>7,057</u>	<u>13,743</u>
Total net assets	<u>\$ 35,892</u>	<u>\$ 36,692</u>	<u>\$ 35,141</u>

In 2011, current assets decreased \$1,487 as a result of an \$1,783 decrease in cash and cash equivalents an increase of \$441 in the receivable from other government related to reimbursements for construction costs on downtown residential development projects.

In 2011, current liabilities increased \$94 primarily as a result of a \$90 increase in accounts payable.

In 2010, current assets decreased \$6,405 due to a \$7,383 decrease in cash and cash equivalents and an \$833 increase in receivable from other government related to the downtown residential development projects.

In 2010, current liabilities increased \$42 due to a \$75 increase in accounts payable and a \$33 decrease in escrow and security deposits.

Noncurrent liabilities decreased \$296 and increased \$237 in 2011 and 2010, respectively. The 2011 decrease is primarily the result of a \$210 forgiveness of liability to primary government and a \$94 decrease in advances from other government. The increase in 2010 is due to a \$210 in due to primary government.

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**SUMMARY OF CHANGES IN NET ASSETS**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 400	\$ 834	\$ 2,864
Investment income	266	302	426
Contributions	1,097	-	-
Payments from primary government	1,397	3,261	7,485
Intergovernmental revenue	1,892	833	-
Ad valorem tax and sales tax	1,131	920	1,628
Other income	357	662	20
	<u>6,540</u>	<u>6,812</u>	<u>12,423</u>
Total revenues			
Depreciation expense	11	100	111
Other operating expense	2,204	1,941	566
Payments to component units	-	1,022	426
Contribution to component unit	-	-	2,050
Loss on impairment of capital assets	1,066	-	-
Nonoperating expense	83	7	2,526
	<u>3,364</u>	<u>3,072</u>	<u>5,679</u>
Total expenses			
Capital contributions to primary government	(3,976)	(2,189)	-
Change in net assets	(800)	1,551	6,744
Net assets, beginning of year, as restated	<u>36,692</u>	<u>35,141</u>	<u>28,397</u>
Net assets, end of year	<u>\$ 35,892</u>	<u>\$ 36,692</u>	<u>\$ 35,141</u>

In 2011, revenues decreased 4.0% and expenses increased 53.1%. The result of revenues exceeding expenses and a capital contribution of \$3,976 was a net decrease in net assets of 2.2%.

In 2011, operating revenues decreased \$434 or 54.3% because of a decrease in gains on sale of land offset by an increase in property rentals.

Investment income decreased \$36 in 2011.

Total expenses increased \$292 or 9.5% in 2011. Other operating expenses increased \$263.

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**CAPITAL ASSETS**

The Authority's investment in capital assets as of June 30, 2011 was \$349 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There were \$26 of capital asset acquisitions during the year.

	<u>2011</u>	<u>2010</u>
Land	\$ 35	\$ 928
Construction in progress	26	-
Buildings	566	3,810
Equipment	<u>152</u>	<u>218</u>
Capital assets, total	779	4,956
Less accumulated depreciation	<u>(430)</u>	<u>(1,282)</u>
Capital assets, net	<u>\$ 349</u>	<u>\$ 3,674</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Authority's appointed officials considered many factors when setting the 2012 budget. At the national level, unemployment remains above nine percent. Unemployment in the City of Tulsa was 6.7 percent at the end of fiscal-year 2011. The Authority has not experienced a decline in collection rates for accounts receivable during this economic downturn.

Economic activity in the state of Oklahoma remains below pre-recession levels. However, Oklahoma's economy has grown strongly and greatly outpaced the nation this year.

The Authority acquires properties in Tulsa in order to rehabilitate, conserve, or redevelop blighted or underserved areas of Tulsa. The Authority uses 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 during fiscal-year 2011 increased approximately 2% during the fiscal year. Vacant office space in Tulsa's central business district was approximately 23 percent at June 30, 2011. The Authority participates in several projects to convert vacant downtown office buildings to residential living units. Expenditures related to these projects are financed by the City of Tulsa from its 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**  
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**STATEMENTS OF NET ASSETS**  
**June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
	(In thousands of dollars)	
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,690	\$ 4,473
Receivables	3	8
Prepaid expense	23	13
Due from primary government	-	150
Due from other governments	1,274	833
Total current assets	<u>3,990</u>	<u>5,477</u>
<b>Noncurrent assets:</b>		
Cash and cash equivalents - restricted	10,476	9,554
Receivables - restricted	28	38
Land held for resale - restricted, net	7,926	6,650
Non-depreciable capital assets	61	928
Depreciable capital assets, net	288	2,746
Notes receivable	3,679	2,542
Notes receivable - restricted, net	10,213	9,728
Total noncurrent assets	<u>32,671</u>	<u>32,186</u>
<b>Total assets</b>	<u>36,661</u>	<u>37,663</u>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Accounts payable	435	345
Vested compensated absences	1	-
Escrow and security deposits	148	143
Escrow and security deposits - restricted	7	9
Total current liabilities	<u>591</u>	<u>497</u>
<b>Noncurrent liabilities:</b>		
Unearned revenue	4	4
Vested compensated absences	8	-
Advances from primary government	-	94
Due to other government	-	210
Pollution remediation obligation	166	166
Total noncurrent liabilities	<u>178</u>	<u>474</u>
<b>Total liabilities</b>	<u>769</u>	<u>971</u>
<b><u>NET ASSETS</u></b>		
Invested in capital assets	349	3,674
Restricted for:		
Capital projects	20,072	18,599
Other purposes	8,564	7,362
Unrestricted net assets	<u>6,907</u>	<u>7,057</u>
<b>Total net assets</b>	<u>\$ 35,892</u>	<u>\$ 36,692</u>

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



**TULSA DEVELOPMENT AUTHORITY**  
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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years Ended June 30, 2011 and 2010**

	(In thousands of dollars)	
<b>Operating revenues:</b>		
Property rentals	\$ 395	\$ 305
Other income, including gain on sale of land held for resale	5	529
Total operating revenues	<u>400</u>	<u>834</u>
<b>Operating expenses:</b>		
Salaries and wages	211	386
Materials and supplies	4	173
Other services and charges	870	579
Relocation and improvement	265	200
Unrealized gain/loss on land held for resale	894	70
Depreciation	11	100
Provision for uncollectible accounts	(40)	533
Total operating expenses	<u>2,215</u>	<u>2,041</u>
<b>Operating loss</b>	<u>(1,815)</u>	<u>(1,207)</u>
<b>Nonoperating revenues (expenses):</b>		
Investment income	266	302
Ad Valorem tax and sales tax revenue	1,131	920
Federal and state grant revenues	357	660
Contributions	1,097	-
Payments to Tulsa Parking Authority	-	(1,022)
Payments to primary government	(41)	(9)
Payments from primary government	1,397	3,261
Intergovernmental revenue	1,892	833
Loss on sale of capital assets	(42)	-
Loss on impairment of capital assets	(1,066)	-
Other (loss) income	-	2
Total nonoperating revenues(expenses)	<u>4,991</u>	<u>4,947</u>
<b>Income before contributions</b>	3,176	3,740
Capital contributions to primary government	(3,976)	(2,189)
Change in net assets	(800)	1,551
Net assets, beginning of year	<u>36,692</u>	<u>35,141</u>
Net assets, end of year	<u>\$ 35,892</u>	<u>\$ 36,692</u>

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

**TULSA DEVELOPMENT AUTHORITY**  
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**STATEMENT OF CASH FLOWS**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
	<u>(In thousands of dollars)</u>	
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 467	\$ 879
Payments to suppliers	(1,056)	(542)
Payments to employees	(202)	(386)
Net cash used for operating activities	<u>(791)</u>	<u>(49)</u>
<b>Cash flows from noncapital financing activities:</b>		
Payments to Tulsa Parking Authority	-	(1,022)
Payments to primary government	(135)	(9)
Payments from primary government	1,337	3,000
Noncapital transactions, including issuance of notes receivable	(1,582)	(1,594)
Operating grants and contributions	1,454	660
Intergovernmental revenue	1,451	-
Ad Valorem and sales tax receipts	1,131	920
Net cash provided by noncapital financing activities	<u>3,656</u>	<u>1,955</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(26)	(42)
Capital contributions to primary government	(3,976)	(2,189)
Net cash provided by capital and related financing activities	<u>(4,002)</u>	<u>(2,231)</u>
<b>Cash flows from investing activities:</b>		
Investment income	276	348
Net cash provided by investing activities	<u>276</u>	<u>348</u>
Net increase in cash and equivalents	(861)	23
Cash and cash equivalents, beginning of year	<u>14,027</u>	<u>14,004</u>
Cash and cash equivalents, end of year	<u>\$ 13,166</u>	<u>\$ 14,027</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss	\$ (1,815)	\$ (1,207)
<b>Adjustments</b>		
Depreciation	11	100
Adjustments on land held for resale	956	130
Provision for uncollectible accounts	(40)	533
(Increase) decrease in receivables and other assets	(5)	5
(Decrease) increase in payables and other liabilities	102	390
Net cash used for operating activities	<u>\$ (791)</u>	<u>\$ (49)</u>
<b>Noncash noncapital financing activities:</b>		
Forgiveness of liability to primary government	<u>\$ 210</u>	<u>\$ -</u>

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

**TULSA DEVELOPMENT AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(in thousands of dollars)**  
**Years Ended June 30, 2011 and 2010**

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1. **NATURE OF BUSINESS, REPORTING ENTITY AND 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 the City of Tulsa (the "City") by the rehabilitation, conservation, redevelopment, or a combination thereof, of blighted areas to ensure the public health, safety, 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 on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. All amounts are expressed in thousands unless otherwise noted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances, other than petty cash, are pooled with the City of Tulsa's cash and investments and are invested by the City of Tulsa's Treasurer. Interest income on pooled cash and investments is allocated monthly based on the percentage of the Authority's average daily equity in the pooled portfolio to the total average daily pooled portfolio balance.

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.

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**1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued**

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.

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. 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.

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.

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 fair value.

VESTED COMPENSATED ABSENCES

Vacation and sick leave are granted to all regular employees. The annual amount of vacation and sick time is ten days per year, respectively. The maximum amount of vacation time that may be accumulated is twice the amount that may be earned in one calendar year.

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1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued**

Accumulated vacation and sick leave vests and the Authority is obligated to make payment even if the employee terminates. The amount of unpaid vacation and sick leave is charged to expense currently and a corresponding liability is established.

**VESTED COMPENSATED ABSENCES:**

<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</u>	<u>Due in one year</u>
<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 8</u>	<u>\$ 9</u>	<u>\$ 1</u>

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, 2011, \$20,072 and \$8,564 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.

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1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued**

RECLASSIFICATIONS

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 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 unearned 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.

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 contributions, payments from primary government, grant revenue from other governmental entities, contributions, and ad valorem and sales tax revenue.

Nonoperating expenses include payments to the primary government and other related entities, as well as impairment loss on capital assets..

**2 – CASH DEPOSITS AND INVESTMENTS**

Cash deposits of the Authority are maintained within the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities 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.

**Interest Rate Risk** – In accordance with the City's investment policy, the city manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the city's pooled investment portfolio is 2.07 years.

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**2 – CASH DEPOSITS AND INVESTMENTS, continued**

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority utilizes the City of Tulsa’s investment policy to limit its exposure to credit risks. The City’s investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2011 and 2010, the U.S. agencies obligations included in the City’s pooled investment portfolio were rated Aaa and AAA by Moody’s and Standard & Poor’s respectively.

**Custodial Credit Risk** – The City’s investment policy requires that demand deposits be collateralized at least by 110% of the amounts that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City’s approval and release of the security. Certificates of deposit are, according to the City’s investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2011 and 2010, none of the deposits in the pooled portfolio were exposed to custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All safekeeping receipts for investment instruments are held in accounts in the City’s name and all securities are registered in the City’s name, therefore, none of the Authority’s investments as of June 30, 2011 and 2010 were exposed to custodial credit risk.

**Concentration of Credit Risk** – The Authority utilizes the City’s investment policy to determine the amount that may be invested in any one issuer. While the city may choose to maintain one-hundred percent of its investment portfolio in U.S. Treasury bills, notes and bonds, at no time will the portfolio be composed of more than seventy percent of related federal agencies. At June 30, 2011, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 17%, 15%, 19% and 13%, respectively of its total pooled investment portfolio. At June 30, 2010, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 11%, 10%, 14%, and 10%, respectively of its total pooled investment portfolio.

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

The Authority records, as nonoperating revenue, payments from the City that are primarily provided to subsidize expenditures associated with the Authority’s purpose. This revenue may be sub-grants from the U.S. Government, payments from the City 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. The Authority records, as capital contributions to the primary government, land related to properties that have been acquired and the buildings and structures have been demolished by the Authority.

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**4 – NOTES RECEIVABLE – RESTRICTED**

Restricted notes receivable as of June 30, 2011 and 2010 consisted of the following:

	2011	2010
HUD rehabilitation notes	\$ 759	\$ 742
Notes to developers	9,947	9,519
	<u>10,706</u>	<u>10,261</u>
Less allowance	(493)	(533)
Notes receivable restricted, net	<u>\$ 10,213</u>	<u>\$ 9,728</u>

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.

**5 – LAND HELD FOR RESALE**

The cost of land acquired and held for resale was \$8,267 and \$8,506 at June 30, 2011, and 2010, respectively, and was reduced to lower of cost or market value of \$7,926 and \$6,650 for the years ended June 30, 2011, and 2010, respectively. A decrease in the fair value of land held for sale of \$894 and \$70 is recognized in the statement of revenues, expenses, and changes in net assets for the years ended June 30, 2011, and 2010, respectively.

**6 - CAPITAL ASSETS**

<b>2011:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-depreciable capital assets:				
Land	\$ 928	\$ -	\$ 893	\$ 35
Construction in progress	-	26	-	26
Total non-depreciable capital assets	<u>928</u>	<u>26</u>	<u>893</u>	<u>61</u>
Depreciable capital assets:				
Buildings	3,810	-	3,244	566
Equipment	218	-	66	152
Total depreciable capital assets	<u>4,028</u>	<u>-</u>	<u>3,310</u>	<u>718</u>
Less accumulated depreciation:				
Buildings	(1,067)	(11)	(801)	(277)
Equipment	(215)	-	(62)	(153)
Total accumulated depreciation	<u>(1,282)</u>	<u>(11)</u>	<u>(863)</u>	<u>(430)</u>
Total depreciable capital assets, net	<u>2,746</u>	<u>(11)</u>	<u>2,447</u>	<u>288</u>
Capital assets, net	<u>\$ 3,674</u>	<u>\$ 15</u>	<u>\$ (3,340)</u>	<u>\$ 349</u>



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**6- CAPITAL ASSETS (continued)**

<b>2010:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-depreciable capital assets:				
Land	\$ 928	\$ -	\$ -	\$ 928
Depreciable capital assets:				
Buildings	3,810	-	-	3,810
Equipment	204	42	28	218
Total depreciable capital assets	4,014	42	28	4,028
Less accumulated depreciation:				
Buildings	(968)	(99)	-	(1,067)
Equipment	(242)	(1)	(28)	(215)
Total accumulated depreciation	(1,210)	(100)	(28)	(1,282)
Total depreciable capital assets, net	2,804	(58)	-	2,746
Capital assets, net	\$ 3,732	\$ (58)	\$ -	\$ 3,674

In the current year, management of the Authority made the decision to permanently vacate the Hartford building, which had previously been used in operations. As a result of this decision, the property was written down to the estimated market value and transferred to land held for resale, net. As a result of this, the Authority recognized a loss on impairment of capital assets of \$1,066, which has been reported as nonoperating expense on the statement of revenues, expenses and changes in net assets for the year ended June 30, 2011.

**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

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**7 – JOINT VENTURE, continued**

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. TBRC can draw up to an additional \$2 million to fund this project. The balance of this note as of June 30, 2011 and 2010 was \$3,679 and \$2,542 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.

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

**10 – 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.

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**11 – RELATED-PARTY TRANSACTIONS**

During the years ended June 30, 2011 and 2010, the Authority conducted the following transactions with related parties.

	<u>2011</u>	<u>2010</u>
Payments to Tulsa Parking Authority for capital improvements	<u>\$ -</u>	<u>\$ 1,022</u>
Payments from City of Tulsa for subsidizing expenditures of the Authority	<u>1,397</u>	<u>3,261</u>
Payments to City of Tulsa for CDBG program income	<u>41</u>	<u>9</u>
Capital contributions to City of Tulsa	<u>3,976</u>	<u>2,189</u>

**12 –PENSION PLAN**

The Tulsa Development Authority Pension Plan (the “Plan”) is a defined contribution plan outlined by Internal Revenue Code Section 403(b). The Plan provides benefits at retirement to the employees of the Authority. The Plan was adopted by the Authority on November 12, 2009. Employees may contribute the lesser of forty nine thousand dollars or 100% of their annual compensation. At June 30, 2011, there were two plan members.

**13 –SUBSEQUENT EVENTS**

On September 8, 2011, the Authority’s board of commissioners approved entering into negotiations with three developers to rehabilitate three commercial properties in downtown Tulsa. The Authority committed to loan three million dollars to the developers as financing assistance to the projects.