

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORTS
June 30, 2023 and 2022

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
Index
Years Ended June 30, 2023 and 2022

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RSM US LLP

Independent Auditor's Report

Board of Commissioners
Tulsa Development Authority

Opinion

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Kansas City, Missouri
November 7, 2023

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

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, 2023. 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 and deferred inflows at the close of the current year by \$10,295. Of this amount, \$217 is invested in capital assets, \$2,648 is restricted for capital projects, \$4,607 is restricted for developer programs, \$37 is restricted for other purposes, and \$2,786 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 2022 by \$12,567.

During 2023, the Authority’s net position decreased \$2,272 to \$10,295.

The Authority’s operating revenues decreased to \$302 in 2023 from \$597 in 2022, a 49% decrease.

Overview of the Financial Statements

The Authority, a legally separate special purpose entity, is reported by the City as a discretely presented component unit in the City’s Annual Comprehensive 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, and welfare of its residents.

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The basic financial statements include: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

Financial Analysis

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 Position includes all of the Authority’s assets, liabilities, deferred outflows and inflows of resources, 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 Position. 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.

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Financial Analysis, continued

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. This statement allows financial statement users to assess whether the Authority's current cash flows are sufficient to pay its obligations. 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. The notes to the financial statements provide additional information necessary for a full and complete understanding of the data provided in the financial statements.

NET POSITION

The Authority's net position decreased \$2,272 or 18% to \$10,295 during the year ended June 30, 2023. The Authority's net position decreased \$7,696 or 38% to \$12,567 during the year ended June 30, 2022. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	2023	2022	2021 (Not Restated)
Current assets	\$ 6,923	\$ 9,289	\$ 14,594
Capital assets, net	217	234	251
Noncurrent assets	3,436	3,417	5,930
Total assets	10,576	12,940	20,775
Current liabilities	45	111	161
Noncurrent liabilities	224	238	351
Total liabilities	269	349	512
Deferred Inflows of Resources:			
Leases	12	24	-
Total Deferred Inflows	12	24	-
Net position:			
Investment in capital assets	217	234	251
Restricted: Capital projects	2,648	3,663	7,964
Restricted: Developer programs	4,607	5,659	8,459
Restricted: Other purposes	37	26	27
Unrestricted	2,786	2,985	3,562
Total net position	\$ 10,295	\$ 12,567	\$ 20,263

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Net Position, continued

The following changes occurred in 2023:

- Current assets decreased \$2,366 primarily attributable to the payment of \$1,000 to the City of Tulsa in capital contributions, and \$962 payment to the primary government.
- Current liabilities decreased \$66 due to timing of invoice payments.
- Noncurrent assets increased \$2 in 2023 primarily as a result of an increase in land held for resale of \$14, an increase in interest receivable of \$17, offset by a decrease in depreciable capital assets of \$17, and a decrease in lease receivable of \$12.
- Noncurrent liabilities decreased \$14 in 2023. The 2023 decrease is the result of refunds of escrow deposits on land sales for development.

The following changes occurred in 2022:

- Current assets decreased \$5,305 due to the collection of \$6,102 of notes receivable–restricted which were subsequently remitted to the City of Tulsa, partially offset by an increase in current portion of notes receivable.
- Current liabilities decreased \$51 due to timing of invoice payments partially offset by an increase in unearned revenue.
- Noncurrent assets decreased \$2,529 in 2022 primarily as a result of a decrease in notes receivable, a decrease in land held for resale of \$3 and a decrease in depreciable capital assets of \$17.
- Noncurrent liabilities decreased \$113 in 2022. The 2022 decrease is the result of refunds of escrow deposits on land sales for development.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2023 and 2022

SUMMARY OF CHANGES IN NET POSITION

	2023	2022	2021 (Not Restated)
Operating revenues	\$ 302	\$ 597	\$ 111
Investment income (loss)	81	(119)	185
Contributions of sales tax from City	-	-	321
Total revenues	<u>383</u>	<u>478</u>	<u>617</u>
Depreciation expense	17	17	17
Other operating expense	643	1,799	879
Payments to Primary Government	962	6,198	6,574
Total expenses	<u>1,622</u>	<u>8,014</u>	<u>7,470</u>
Capital contributions to primary government	(1,033)	(160)	(466)
Change in net position	(2,272)	(7,696)	(7,319)
Net position, beginning of year	<u>12,567</u>	<u>20,263</u>	<u>27,582</u>
Net position, end of year	<u>\$ 10,295</u>	<u>\$ 12,567</u>	<u>\$ 20,263</u>

In 2023, operating revenues decreased due to lower gains on the sale of property held for resale. Other operating expenses decreased due to lower developer program assistance.

In 2022, operating revenues increased due to the gain on sale of property held for resale. Other operating expenses increased due to additional developer program assistance.

TULSA DEVELOPMENT AUTHORITY
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CAPITAL ASSETS

The Authority’s investment in capital assets as of June 30, 2023 was \$217 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There were no acquisitions during the year.

CAPITAL ASSETS

	2023	2022	2021 (Not Restated)
	<u> </u>	<u> </u>	<u> </u>
Land	\$ 35	\$ 35	\$ 35
Buildings	629	629	629
Equipment	<u>13</u>	<u>13</u>	<u>13</u>
Capital assets, total	677	677	677
Less accumulated depreciation	<u>(460)</u>	<u>(443)</u>	<u>(426)</u>
Capital assets, net	<u>\$ 217</u>	<u>\$ 234</u>	<u>\$ 251</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Authority’s appointed officials considered many factors when setting the 2024 budget and fees charged for business-type activities. Lease revenues on commercial office space owned by the Authority are governed by rates negotiated in long-term leases.

At the national level, unemployment remained at 3.6% at the end of fiscal-year 2023 consistent with last year. Unemployment in the Tulsa metropolitan area was below the national level during fiscal year 2023. The rate was 3% at the end of the fiscal-year, a decrease of .5% from last year.

The Authority acquires properties in Tulsa in order to assist in diverse areas of emphasis including tax increment financing (“TIF”) administration, neighborhood improvement, residential and commercial economic development, code enforcement, flood area remediation and removal and redevelopment of blighted properties. The Authority remarkets the properties by offering loans at attractive rates funded by sales tax received from the City. Properties in the central business district of Tulsa continued to increase in value as the result of various economic development initiatives. The Authority did not experience any significant losses related to the remarketing of these properties.

Office vacancies in the City of Tulsa decreased from 16.8% to 16.1% in the period July 2022 through June 2023 due to an increase in demand of available office space. The commercial real estate leasing environment in Tulsa improved slightly over the course of the year with average rental rates increasing from \$16.11/sf to \$16.95/sf. The Authority participates in several projects to convert vacant downtown office buildings to residential living units, and a parking structure for downtown business use. Expenditures related to these projects are financed by the City of Tulsa from its sales tax collections.

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ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES, Continued

The Authority expends sales tax and ad valorem tax previously collected in TIF districts in accordance with the approved Plan for each TIF. All of the Authority’s managed TIF’s have expired; however, all funds have not yet been disbursed.

Revenues are budgeted to increase next year due the repayment of an outstanding loan. Expenses are projected to decrease slightly due to the reduction in management fees paid to the Tulsa Authority for Economic Opportunity (“TAEO”).

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 City of Tulsa, Office of the Controller, 175 E Second Street, Suite 1570, Tulsa, OK 74103.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

(In thousand of dollars)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,743	\$ 943
Cash and cash equivalents - restricted	3,889	5,033
Receivables	9	85
Receivables - restricted	19	-
Prepaid expense	1	4
Current portion of lease receivable	12	12
Current portion of notes receivable	-	2,000
Current portion of notes receivable - restricted	250	1,212
Total current assets	<u>6,923</u>	<u>9,289</u>
Noncurrent assets:		
Lease receivable	-	12
Notes receivable - restricted	3,150	3,150
Land held for resale	263	249
Non-depreciable capital assets	35	35
Depreciable capital assets, net	182	199
Interest receivable	23	6
Total noncurrent assets	<u>3,653</u>	<u>3,651</u>
Total assets	<u>10,576</u>	<u>12,940</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	42	104
Unearned revenue	3	7
Total current liabilities	<u>45</u>	<u>111</u>
Noncurrent liabilities:		
Escrow and security deposits	220	214
Escrow and security deposits - restricted	4	24
Total noncurrent liabilities	<u>224</u>	<u>238</u>
Total liabilities	<u>269</u>	<u>349</u>
Deferred Inflows of Resources:		
Leases	12	24
Total Deferred Inflows of Resources	<u>12</u>	<u>24</u>
NET POSITION		
Investment in capital assets	217	234
Restricted for:		
Capital projects	2,648	3,663
Developer programs	4,607	5,659
Other purposes	37	26
Unrestricted net position	2,786	2,985
Total net position	<u>\$ 10,295</u>	<u>\$ 12,567</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 POSITION
Years Ended June 30, 2023 and 2022

(In thousand of dollars)	<u>2023</u>	<u>2022</u>
Operating revenues:		
Property rentals	\$ 57	\$ 52
Gain on sale of land held for resale	201	524
Other income	<u>44</u>	<u>21</u>
Total operating revenues	<u>302</u>	<u>597</u>
Operating expenses:		
Other services and charges	518	703
Relocation and improvement	125	1,096
Depreciation	<u>17</u>	<u>17</u>
Total operating expenses	<u>660</u>	<u>1,816</u>
Operating loss	<u>(358)</u>	<u>(1,219)</u>
Nonoperating revenues (expenses):		
Investment income (loss)	81	(119)
Payments to primary government	<u>(962)</u>	<u>(6,198)</u>
Total nonoperating revenues (expenses)	<u>(881)</u>	<u>(6,317)</u>
Loss before contributions	(1,239)	(7,536)
Capital contributions to primary government	<u>(1,033)</u>	<u>(160)</u>
Change in net position	(2,272)	(7,696)
Net position, beginning of year	<u>12,567</u>	<u>20,263</u>
Net position, end of year	<u>\$ 10,295</u>	<u>\$ 12,567</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, 2023 and 2022

(In thousand of dollars)	2023	2022
Cash flows from operating activities:		
Receipts from customers	\$ 161	\$ 64
Payments to suppliers	(783)	(1,969)
Proceeds from sale of land held for resale	248	26
Net cash used for operating activities	<u>(374)</u>	<u>(1,878)</u>
Cash flows from noncapital financing activities:		
Payments to primary government	(962)	(6,198)
Issuance of notes receivable	-	(64)
Repayments of notes receivable	2,962	7,943
Net cash provided by noncapital financing activities	<u>2,000</u>	<u>1,681</u>
Cash flows from capital and related financing activities:		
Capital contributions to primary government	(1,033)	(160)
Net cash used for capital and related financing activities	<u>(1,033)</u>	<u>(160)</u>
Cash flows from investing activities:		
Investment income (loss)	63	(64)
Net cash provided (used) by investing activities	<u>63</u>	<u>(64)</u>
Net increase (decrease) in cash and cash equivalents	656	(421)
Cash and cash equivalents, beginning of year	5,976	6,397
Cash and cash equivalents, end of year	<u>\$ 6,632</u>	<u>\$ 5,976</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Current unrestricted cash and cash equivalents	\$ 2,743	\$ 943
Current restricted cash and cash equivalents	3,889	5,033
	<u>\$ 6,632</u>	<u>\$ 5,976</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (358)	\$ (1,219)
Adjustments		
Depreciation	17	17
Disposal of land held for resale	(14)	2
Decrease in deferred inflows	(12)	(13)
Decrease (Increase) in receivables and other assets	75	(496)
Decrease in payables and other liabilities	(82)	(169)
Net cash used for operating activities	<u>\$ (374)</u>	<u>\$ (1,878)</u>
Noncash noncapital financing activities:		
Issuance of notes receivable for sale of land held for resale	\$ -	\$ 500
Noncash capital financing activities:		
Issuance of commercial lease	\$ -	\$ 33
Termination of commercial lease	\$ -	\$ (33)

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 FINANCIAL STATEMENTS (In thousands of dollars)
Years Ended June 30, 2023 and 2022

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

NATURE OF BUSINESS AND REPORTING ENTITY - The Tulsa Development Authority (the “Authority” or “TDA”) is accounted for as a special purpose government engaged solely in business-type activities. The Authority was created by the City of Tulsa under the provisions of Title 11 Oklahoma Statutes Section 38-101 et. seq. as an Oklahoma Urban Renewal Authority, a Corporate Body Politic. The City of Tulsa is the beneficiary of the Authority. The purpose of the Authority is to exercise all powers conferred upon it by the statutes of the State of Oklahoma and the Bylaws of the Authority for the purposes of TIF administration, neighborhood improvement, residential and commercial economic development, code enforcement, flood area remediation and removal and redevelopment of blighted properties.

Commissioners are appointed by the Mayor and confirmed by the City Council. The City provides certain resources to the Authority. The City is the sole beneficiary of the Authority and will receive the remaining assets upon termination. The Authority is a component unit of the City (the primary government) and is included in the City’s Annual Comprehensive Financial Report as a discretely presented component unit.

BASIS OF ACCOUNTING – The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to business type activities of 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.

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.

CASH AND CASH EQUIVALENTS - Cash and cash equivalent balances are held within the City’s pooled portfolio. TDA’s cash and cash equivalents are recorded at the net asset value of its position in the City’s pooled portfolio.

TDA is allocated interest monthly based on their average daily position in the City’s pooled portfolio. Changes in fair value of the City’s pooled portfolio are allocated annually based on TDA’s position as of June 30.

For purposes of reporting cash flows, TDA considers all highly liquid debt instruments with an original maturity of three months or less when purchased, and amounts held by the City’s portfolio pool, to be cash equivalents.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)
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1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

The amounts held in the City’s pooled portfolio are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

RESTRICTED CASH AND CASH EQUIVALENTS – Cash 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 position because they are used within the guidelines of the original grant programs. Restricted cash and cash equivalents also include sales tax revenue and ad valorem tax revenue restricted for capital projects and developer programs by enabling legislation.

LEASE RECEIVABLE - The Authority, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of the lease payment expected to be received during the lease term. The deferred inflow of resources should be measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that related to future periods

NOTES RECEIVABLE - Notes receivable represents loans made to developers as a part of the Authority’s Vision 2025 and Downtown Housing projects. These loans are to be made to promote the economic vitality of the City’s downtown and are for voter-approved projects. Sales tax dollars from the City are transferred to the Authority to administer the loans and returned to the City upon repayment, which are reflected as nonoperating payments to the primary government on the statement of revenues, expenses and changes in net position. These notes are fully collateralized by the mortgages on the properties or an irrevocable letter of credit.

RESTRICTED NOTES RECEIVABLE – Restricted notes also include funds provided by sales tax revenue and ad valorem tax revenue which are restricted for capital projects and developer programs by enabling legislation.

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.

CAPITAL ASSETS - Capital assets, with an initial cost of \$5 or more and a useful life of greater than one year, are stated at cost. Donated assets are recorded at acquisition value as of the date donated. Assets placed in service are depreciated on a straight-line basis over the estimated service lives below:

	<u>Estimated Service Life</u>
Buildings	50 years
Equipment	5 to 15 years

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)
Years Ended June 30, 2023 and 2022

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

NET POSITION - Net position of the Authority represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows or resources. Investment in capital assets consists of capital assets net of accumulated depreciation. Net position is 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 resources are available, the Authority first applies restricted resources. As of June 30, 2023, \$2,648, \$4,607, and \$37 were restricted for capital projects, development projects and other purposes, respectively. As of June 30, 2022, \$3,663, \$5,659, and \$26 were restricted for capital projects, development projects and other purposes, respectively. Unrestricted net position is assets less liabilities and deferred inflows of resources that do not meet the definition of investment in 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.

REVENUE AND EXPENSES – Non-exchange 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.

Operating revenues consist of property rentals on a commercial property held by the Authority. Operating revenues also include gains on sales of land inventory held for resale and recovery of the cost of disposing land on behalf of the City of Tulsa.

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 deposits, payments from the City, grant revenue from other governmental entities and contributions.

Nonoperating expenses include payments to the primary government and other related entities for nonrecurring items that are not part of the normal operations.

TRANSACTIONS BETWEEN THE CITY AND THE AUTHORITY - The Authority records, as nonoperating revenue, payments from the City that are primarily sales tax dollars provided to subsidize expenditures associated with the Authority's purpose. This revenue may be payments from the City designated for specific projects, or other payments. Payments from the Authority to the City are for the repayment of developer notes receivables, return of program income on the CDBG grant, return of revenue for sale of City owned land, and the return of any excess sales tax collected in the TIF districts. *See Footnote 8* for discussion of payments to the City. The Authority records, as capital contributions to the City, street and public park improvements, land related to properties that have been acquired and the cost to demolish related buildings and structures.

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(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)
Years Ended June 30, 2023 and 2022

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

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

2. CASH DEPOSITS AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS - Cash deposits of TDA are held within the City’s pooled portfolio. The City’s pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2023 and 2022, TDA maintained balances of \$6,632 and \$5,976, respectively, in the City’s pooled portfolio which represented .53% and .51%, respectively, of the City’s pooled portfolio.

The City’s pooled portfolio is collateralized by securities held by the City or its agent in the City’s name as of June 30, 2023 and 2022.

Please refer to the City’s Annual Comprehensive Financial Report for additional information on the City’s pooled portfolio, including required disclosures of risk and fair value measurement techniques. A copy of the City’s separately issued report can be obtained at www.cityoftulsa.org.

3. LEASE RECEIVABLE

TDA leases a commercial office building to multiple tenants. One lease continued through July 2024 but was terminated during 2022 through mutual agreement and a new lease was initiated under similar terms. The new lease is for 32 months, ending June 30, 2024, and TDA will receive monthly lease payments of \$1. TDA recognized \$12 in lease revenue and \$1 in investment income related to these leases, for each of the years ended June 30, 2023 and 2022.

The Authority’s future minimum lease payments are summarized below.

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	-	12	12
Total	\$ -	\$ 12	\$ 12

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4. CAPITAL ASSETS

The changes in capital assets during the year ended June 30, 2023 and 2022 are summarized as follows:

2023:	Beginning			Ending
	Balance	Increases	Decreases	Balance
Non-depreciable capital assets:				
Land	\$ 35	\$ -	\$ -	\$ 35
Construction in progress	-	-	-	-
Total non-depreciable capital assets	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
Depreciable capital assets:				
Buildings	629	-	-	629
Equipment	13	-	-	13
Total depreciable capital assets	<u>642</u>	<u>-</u>	<u>-</u>	<u>642</u>
Less accumulated depreciation:				
Buildings	(438)	(15)	-	(453)
Equipment	(5)	(2)	-	(7)
Total accumulated depreciation	<u>(443)</u>	<u>(17)</u>	<u>-</u>	<u>(460)</u>
Total depreciable capital assets, net	<u>199</u>	<u>(17)</u>	<u>-</u>	<u>182</u>
Capital assets, net	<u>\$ 234</u>	<u>\$ (17)</u>	<u>\$ -</u>	<u>\$ 217</u>
2022:	Beginning			Ending
	Balance	Increases	Decreases	Balance
Non-depreciable capital assets:				
Land	\$ 35	\$ -	\$ -	\$ 35
Total non-depreciable capital assets	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
Depreciable capital assets:				
Buildings	629	-	-	629
Equipment	13	-	-	13
Total depreciable capital assets	<u>642</u>	<u>-</u>	<u>-</u>	<u>642</u>
Less accumulated depreciation:				
Buildings	(423)	(15)	-	(438)
Equipment	(3)	(2)	-	(5)
Total accumulated depreciation	<u>(426)</u>	<u>(17)</u>	<u>-</u>	<u>(443)</u>
Total depreciable capital assets, net	<u>216</u>	<u>(17)</u>	<u>-</u>	<u>199</u>
Capital assets, net	<u>\$ 251</u>	<u>\$ (17)</u>	<u>\$ -</u>	<u>\$ 234</u>

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5. NOTES RECEIVABLE

The balance of notes receivable to developers was \$3,400 and \$6,362 at June 30, 2023 and 2022, respectively. There was no allowance as of the years ended June 30, 2023 and 2022. At June 30, 2023, a \$250 principal payment was past due but expected to be collected. The notes to developers bear an interest rate ranging from zero percent to 6.0 percent per annum until the due date. The notes are due at various dates ranging from fiscal year 2024 through 2030. The notes are secured by either a first or second mortgage on the underlying real estate or an irrevocable letter of credit. Interest due at June 30, 2023 and 2022 totaled \$23 and \$6, respectively.

Principal Payments Due in Subsequent Years:

2024	\$ 250
2025	490
2026	490
2027	-
2028	-
2029-2030	<u>2,170</u>
Total	<u>\$ 3,400</u>

6. RISK MANAGEMENT

The Authority maintains insurance coverage for commercial liability. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts, if any, have not exceeded insurance coverage for the current year or the three prior years.

7. GENERAL LITIGATION

The Authority is subject to claims and lawsuits that arise primarily in the course of ordinary business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits, if any, will not have a material adverse effect on the net position, changes in net position and cash flows of the Authority.

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8. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2023 and 2022, the Authority conducted the following transactions with related parties:

	<u>2023</u>	<u>2022</u>
Payments to City of Tulsa		
for the return of developer loan repayments	\$ 962	\$ 6,198
Capital contributions to City for capital improvements	\$ 1,033	\$ 160
Payments to TAEO for management services	\$ 250	\$ 350

In November 2015, the Authority entered into a non-interest bearing \$250 developer loan initially due February 2021. In the event of default, terms of the loan stipulated that interest would be charged at 6 percent. In August 2020, a member of the developer became a contractor of TDA and was responsible for the management of the Authority.

In February 2021, the Authority granted a 14-month extension of the note with no interest during the extension period. In July 2021, TAEO assumed management of TDA and the contractor became an employee of TAEO and participates in the management of TDA. In April 2022, the developer defaulted on the loan. TDA anticipates receiving full payment on the note. Interest has been accruing since April 2022 and regular interest payments are being received.

9. COMMITMENTS

The Authority has construction and loan commitments outstanding of \$488 and \$1,923 as of June 30, 2023 and 2022, respectively, related to sales tax, tax increment financing and redevelopment projects. The commitments are available for future periods until the commitment is either fully spent or the project is complete and the Authority is relieved of the remaining commitment.