

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORTS
June 30, 2018 and 2017

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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Years Ended June 30, 2018 and 2017

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RSM US LLP

Independent Auditor's Report

Board of Commissioners
Tulsa Development Authority

Report on the Financial Statements

We have audited the accompanying 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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
December 18, 2018

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018 and 2017

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, 2018 and 2017. 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 \$37,337. Of this amount, \$287 is invested in capital assets, \$10,055 is restricted for capital projects, \$21,542 is restricted for developer programs, \$109 is restricted for other purposes, and \$5,344 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 2017 by \$37,732.

During 2018, the Authority's net position decreased \$395 to \$37,337. During 2017, the Authority's net position decreased \$106.

The Authority's operating revenues increased to \$868 in 2018 from \$318 in 2017, a 173% increase. In 2017, the Authority's operating revenues decreased from \$337 to \$318, a 5.6% 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 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, 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 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 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. 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 \$395 or 1.0% to \$37,337 during the year ended June 30, 2018. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 20,407	\$ 16,806	\$ 20,300
Capital assets, net	287	302	317
Noncurrent assets	<u>18,262</u>	<u>21,266</u>	<u>19,103</u>
Total assets	<u>38,956</u>	<u>38,374</u>	<u>39,720</u>
Current liabilities	1,087	126	101
Noncurrent liabilities	<u>532</u>	<u>501</u>	<u>628</u>
Total liabilities	<u>1,619</u>	<u>627</u>	<u>729</u>
Deferred Inflows of Resources:			
Property tax revenue	-	15	1,153
Total Deferred Inflows of resources	<u>-</u>	<u>15</u>	<u>1,153</u>
Net position:			
Investment in capital assets	287	302	317
Restricted: Capital projects	10,055	11,936	13,364
Restricted: Developer programs	21,542	19,869	16,479
Restricted: Other purposes	109	109	682
Unrestricted	<u>5,344</u>	<u>5,516</u>	<u>6,996</u>
Total net position	<u>\$ 37,337</u>	<u>\$ 37,732</u>	<u>\$37,838</u>

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Net Position, continued

The following changes occurred in 2018:

- Current assets increased \$3,601, due to a decrease of \$1,317 in cash, a decrease in property tax receivable of \$15 as the result of tax increment financing districts expiring, and an increase in current portion of Notes Receivable \$4,938.
- Current liabilities increased \$961 as a result of increase in accounts payable due to timing of invoice payments.

The following changes occurred in 2017:

- Current assets decreased \$3,494, due to a decrease of \$2,384 in cash and a decrease in property tax receivable of \$1,138 as a result of a tax increment financing district expiring, and an increase in receivable of \$28 due to increased return on cash balances.
- Current liabilities increased \$25 as a result of a \$24 increase in accounts payable due to timing of invoice payments.

Noncurrent assets decreased \$3,004 in 2018 primarily as a result of a decrease in notes receivable of \$4,351, increase in cash of \$1,677 and decrease in Land Held for Resale of \$330. In 2017, noncurrent assets increased \$2,148 due to an increase in notes receivable.

Noncurrent liabilities increased \$31 in 2018 and decreased \$127 in 2017. The 2018 increase is the result of increased noncurrent escrow deposits on land sales for development. In 2017, noncurrent liabilities decreased \$127 as a result of a \$143 decrease in noncurrent escrow deposits on land held for development, and an increase of \$16 in compensated absences.

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SUMMARY OF CHANGES IN NET POSITION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 868	\$ 318	\$ 337
Investment income	212	59	303
Contributions of sales tax from City	1,703	255	2,040
Ad valorem tax and sales tax	118	1,287	1,800
Other income	2	-	-
Total revenues	<u>2,903</u>	<u>1,919</u>	<u>4,480</u>
Depreciation expense	15	15	15
Other operating expense	1,158	1,028	976
TIF Reimbursements to the County	-	-	494
TIF Reimbursements to the City	-	237	334
Total expenses	<u>1,173</u>	<u>1,280</u>	<u>1,819</u>
Capital contributions to primary government	(2,125)	(745)	(248)
Change in net position	(395)	(106)	2,413
Net position, beginning of year	<u>37,732</u>	<u>37,838</u>	<u>35,425</u>
Net position, end of year	<u>\$ 37,337</u>	<u>\$ 37,732</u>	<u>\$ 37,838</u>

In 2018, revenues increased \$984 or 51.3% due to increased sale of land offset by decreased ad valorem and sales tax collection due to tax increment financing districts expiring in previous year. Expenses decreased \$107 or 8.4% as there were no sale proceeds to be transferred to the City in fiscal year 2018. This resulted in a decrease in net position of \$395 or 1.0%.

In 2018, a decrease in property rentals of \$19 along with an increase of \$569 in gain on sale of land caused a \$550 or 172.9% increase in operating revenues. The decrease in property rentals was due to a decrease in daily and special event rentals on a surface parking lot. The increase in gain on sale of land was due to increased sale transactions during the year.

In 2017, revenues decreased \$2,561 or 57.2% as a result of ad valorem and sales tax collection decreases due to tax increment financing districts expiring during the year. Expenses decreased \$539 or 29.6% as a result of less TIF reimbursements due to the City and County. This resulted in a decrease in net position of \$106 or 0.3%.

In 2017, an increase in property rentals of \$29 along with a decrease of \$48 in gain on sale of land caused a \$19 or 5.6% drop in operating revenues. The increase in property rentals was due to an increase in daily rentals on a surface parking lot and securing a new tenant in the commercial office building. The decrease in gain on sale of land was due to fewer sale transactions during the year.

Investment income increased \$153 in 2018 due to an increase in the amount of pooled cash held by the Authority.

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CAPITAL ASSETS

The Authority’s investment in capital assets as of June 30, 2018 was \$287 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There were no capital asset acquisitions during the year.

CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 35	\$ 35	\$ 35
Buildings	629	629	629
Equipment	<u>41</u>	<u>41</u>	<u>41</u>
Capital assets, total	705	705	705
Less accumulated depreciation	<u>(418)</u>	<u>(403)</u>	<u>(388)</u>
Capital assets, net	<u>\$ 287</u>	<u>\$ 302</u>	<u>\$ 317</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Authority’s appointed officials considered many factors when setting the 2019 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 declined to 4.0% at the end of fiscal-year 2018, a decline of 0.4% from last year. Unemployment in the City of Tulsa was slightly below the national level during fiscal year 2018. The rate was 3.7% at the end of fiscal-year, a decrease of 1.3% 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 14.0% to 12.9% in the period July 2017 through June 2018 due to an increase in overall employment. The commercial real estate leasing environment in Tulsa improved slightly over the course of the year. 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.

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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. Sales tax and ad valorem tax collections have improved in the TIF districts due to rehabilitation of existing structures and economic development initiatives within the TIF districts. However, all of the TIF's have expired which has led to an overall decrease in 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 Tulsa Development Authority, 1216 N. Lansing Ave., Suite D, Tulsa, Oklahoma 74106.

TULSA DEVELOPMENT AUTHORITY
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STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
	(in thousands of dollars)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,916	\$ 3,515
Cash and cash equivalents - restricted	11,466	13,184
Receivables	83	88
Property tax receivable	-	15
Prepaid expense	4	4
Current portion of notes receivable - restricted	4,938	-
Total current assets	<u>20,407</u>	<u>16,806</u>
Noncurrent assets:		
Cash and cash equivalents - restricted	2,188	511
Land held for resale	261	591
Non-depreciable capital assets	35	35
Depreciable capital assets, net	252	267
Notes receivable	2,587	-
Notes receivable - restricted	13,226	20,164
Total noncurrent assets	<u>18,549</u>	<u>21,568</u>
Total assets	<u>38,956</u>	<u>38,374</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	1,071	118
Vested compensated absences	16	8
Total current liabilities	<u>1,087</u>	<u>126</u>
Noncurrent liabilities:		
Escrow and security deposits	437	415
Vested compensated absences	95	86
Total noncurrent liabilities	<u>532</u>	<u>501</u>
Total liabilities	<u>1,619</u>	<u>627</u>
Deferred Inflows of Resources:		
Property tax revenue	-	15
Total Deferred Inflows of Resources	<u>-</u>	<u>15</u>
<u>NET POSITION</u>		
Investment in capital assets	287	302
Restricted for:		
Capital projects	10,055	11,936
Developer programs	21,542	19,869
Other purposes	109	109
Unrestricted net position	5,344	5,516
Total net position	<u>\$ 37,337</u>	<u>\$ 37,732</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
	(In thousands of dollars)	
Operating revenues:		
Property rentals	\$ 96	\$ 115
Gain on sale of land held for resale, including other income	772	203
Total operating revenues	<u>868</u>	<u>318</u>
Operating expenses:		
Salaries and wages	334	324
Materials and supplies	5	5
Other services and charges	68	134
Escrow deposit refund	73	97
Other acquisition services	67	12
Building operations	39	35
Vegetative control	163	145
Legal services	280	152
Audit services	25	24
Consulting services	70	100
Rehabilitation grants	34	-
Depreciation	15	15
Total operating expenses	<u>1,173</u>	<u>1,043</u>
Operating income (loss)	<u>(305)</u>	<u>(725)</u>
Nonoperating revenues (expenses):		
Investment Income	212	59
Ad valorem tax and sales tax revenue	118	1,287
Reimbursements	2	-
TIF reimbursements to the City	-	(237)
Contributions of sales tax from the City	1,703	255
Total nonoperating revenues	<u>2,035</u>	<u>1,364</u>
Income before contributions	1,730	639
Capital contributions to primary government	<u>(2,125)</u>	<u>(745)</u>
Change in net position	(395)	(106)
Net position, beginning of year	<u>37,732</u>	<u>37,838</u>
Net position, end of year	<u>\$ 37,337</u>	<u>\$ 37,732</u>

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

TULSA DEVELOPMENT AUTHORITY
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STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
	(In thousands of dollars)	
Cash flows from operating activities:		
Receipts from customers	\$ 1,709	\$ 362
Payments to suppliers	(350)	(821)
Payments to employees	(317)	(308)
Net cash used for operating activities	<u>1,042</u>	<u>(767)</u>
Cash flows from noncapital financing activities:		
Contributions of sales tax from the City	1,703	255
TIF reimbursements to the City	-	(237)
Issuance of notes receivable	(587)	(3,685)
Reimbursements	2	-
Ad Valorem and sales tax receipts	118	1,287
Net cash provided by (used for) noncapital financing activities	<u>1,236</u>	<u>(2,380)</u>
Cash flows from capital and related financing activities:		
Capital contributions to primary government	(2,125)	(745)
Net cash used for capital and related financing activities	<u>(2,125)</u>	<u>(745)</u>
Cash flows from investing activities:		
Investment income	207	56
Net cash provided by investing activities	<u>207</u>	<u>56</u>
Net increase (decrease) in cash and equivalents	360	(3,836)
Cash and cash equivalents, beginning of year	<u>17,210</u>	<u>21,046</u>
Cash and cash equivalents, end of year	<u>\$ 17,570</u>	<u>\$ 17,210</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Current unrestricted cash and cash equivalents	\$ 3,916	\$ 3,515
Current restricted cash and cash equivalents	11,466	13,184
Noncurrent restricted cash and cash equivalents	2,188	511
	<u>\$ 17,570</u>	<u>\$ 17,210</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (305)	\$ (725)
Adjustments		
Depreciation	15	15
Decrease in land held for resale, including gain on sale	330	70
Decrease (increase) in receivables and other assets	11	(25)
Increase (decrease) in payables and other liabilities	991	(102)
Net cash provided by (used for) operating activities	<u>\$ 1,042</u>	<u>\$ (767)</u>

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

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

NATURE OF BUSINESS AND REPORTING ENTITY - The Tulsa Development Authority (the “Authority”) 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. 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 Comprehensive Annual 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.

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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.

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. These notes are fully collateralized by the mortgages on the properties or an irrevocable letter of credit.

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 life below:

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

VESTED COMPENSATED ABSENCES - Vacation and sick leave are granted to all regular employees. The annual amount of vacation and sick leave is ten days per year, respectively. Accumulated vacation and sick leave vests as earned and the Authority is obligated to make payments upon employee termination. The change in accrued vacation and sick leave is charged to expense and a corresponding liability is established.

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 includes sales tax revenue and ad valorem tax revenue restricted for capital projects and developer programs by enabling legislation.

RESTRICTED NOTES RECEIVABLE – Notes 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 were authorized within the guidelines of the original grant programs. 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.

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

NET POSITION - Net position of the Authority represents the difference between assets, liabilities, and deferred inflows/outflows. 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, 2018, \$10,055, \$21,542 and \$109 were restricted for capital projects, development projects and other purposes, respectively. As of June 30, 2017, \$11,936, \$19,869 and \$109 were restricted for capital projects, developer programs 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 single-family and commercial properties 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, contributions, and ad valorem and sales tax revenue. The Authority receives ad valorem tax on real property located within certain tax-increment financing (TIF) districts. Ad valorem taxes are levied each October 1st on the assessed valuation of non-exempt real property located in the City as of the preceding January 1st, the lien date. Property taxes are due on November 1st following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1st, the second installment is not delinquent until April 1st). Ad valorem taxes are collected by the Treasurer of Tulsa County and are remitted to the City. Property tax receivables are recorded on the lien date, although the related revenue is reported as a deferred inflow of resources and will not be recognized until the year for which it is levied. Sales taxes are collected by the State of Oklahoma and remitted to the City the month following collection. The City retains the sales tax until the revenue in the tax increment financing districts is certified by the City. The incremental revenue is remitted to the Authority in the year following the collection. The Authority records the sales tax revenue in the period when the certification occurs. The Authority experienced a

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Years Ended June 30, 2018 and 2017

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

significant decline in ad valorem and sales tax revenue in fiscal year 2018 as the last TIF district expired.

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 return of program income on the CDBG grant as well as return of revenue for sale of City owned land and are reported as nonoperating expenses. *See Footnote 8* for discussion of payments to the City. The Authority records, as capital contributions to the City, street improvements, land related to properties that have been acquired and the cost to demolish related buildings and structures.

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, 2018 and 2017, TDA maintained balances of \$17,570 and \$17,210, respectively, in the City's pooled portfolio which represented 2.06% and 2.10%, 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, 2018 and 2017.

Please refer to the City's Comprehensive Annual 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. LAND HELD FOR RESALE

The cost of land acquired and held for resale was \$1,154 and \$1,484 at June 30, 2018, and 2017, respectively, and was reduced to lower of cost or net realizable value of \$261 and \$591 for the years ended June 30, 2018, and 2017, respectively. A decrease in the net realizable value of land held for sale of \$0 and \$7 is recognized in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2018, and 2017, respectively.

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4. CAPITAL ASSETS

The changes in capital assets during the years ended June 30, 2018 and 2017 are summarized as follows:

2018:	Beginning Balance	Increases	Decreases	Ending 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	41	-	-	41
Total depreciable capital assets	<u>670</u>	<u>-</u>	<u>-</u>	<u>670</u>
Less accumulated depreciation:				
Buildings	(362)	(15)	-	(377)
Equipment	(41)	-	-	(41)
Total accumulated depreciation	<u>(403)</u>	<u>(15)</u>	<u>-</u>	<u>(418)</u>
Total depreciable capital assets, net	<u>267</u>	<u>(15)</u>	<u>-</u>	<u>252</u>
Capital assets, net	<u>\$ 302</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ 287</u>
2017:	Beginning Balance	Increases	Decreases	Ending 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	41	-	-	41
Total depreciable capital assets	<u>670</u>	<u>-</u>	<u>-</u>	<u>670</u>
Less accumulated depreciation:				
Buildings	(347)	(15)	-	(362)
Equipment	(41)	-	-	(41)
Total accumulated depreciation	<u>(388)</u>	<u>(15)</u>	<u>-</u>	<u>(403)</u>
Total depreciable capital assets, net	<u>282</u>	<u>(15)</u>	<u>-</u>	<u>267</u>
Capital assets, net	<u>\$ 317</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ 302</u>

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5. NOTES RECEIVABLE

The balance of notes receivable to developers was \$20,751 and \$20,164 at June 30, 2018 and 2017, respectively. There was no allowance for 2018 or 2017. The notes to developers bear an interest rate ranging from zero percent to 3.0 percent per annum until the due date. The notes are due at various dates ranging from fiscal year 2019 through 2025. 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, 2018 and 2017 totaled \$43 and \$36, respectively.

Principal Payments Due in Subsequent Years:

2019	4,938
2020	4,071
2021	2,639
2022	6,011
2023	2,052
2024-2025	<u>1,040</u>
Total	<u>\$ 20,751</u>

6. RISK MANAGEMENT

The Authority maintains insurance coverage for commercial liability and workers' compensation. 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.

8. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Authority conducted the following transactions with related parties:

	<u>2018</u>	<u>2017</u>
Contributions of sales tax dollars from the City for developer loans	\$ 1,703	\$ 255
TIF reimbursement to the City	\$ -	\$ 237
Capital contributions to City for capital improvements	<u>\$ 2,125</u>	<u>\$ 745</u>

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9. PENSION PLAN

Employees of the Authority participate in a defined contribution retirement plan, Tulsa Development Authority 403(b) Retirement Plan (the “Plan”), created in accordance with Internal Revenue Code Section 403(b). The Plan was adopted by the Authority on November 12, 2009. The Plan provides benefits at retirement to the employees of the Authority. Employees may contribute up to the annual maximum set by the Internal Revenue Service. The Authority matches up to 6% of the employee contribution. At June 30, 2018, there were three plan members. The Authority contributed \$14 for the years ended June 30, 2018 and 2017.

10. COMMITMENTS

The Authority has construction and loan commitments outstanding of \$5,252 as of June 30, 2018, 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.

11. VESTED COMPENSATED ABSENCES

The changes in vested compensated absences are summarized as follows:

2018:				
<u>Beginning</u>			<u>Ending</u>	<u>Due in</u>
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>one year</u>
<u>\$ 94</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 111</u>	<u>\$ 16</u>
2017:				
<u>Beginning</u>			<u>Ending</u>	<u>Due in</u>
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>one year</u>
<u>\$ 77</u>	<u>\$ 30</u>	<u>\$ 13</u>	<u>\$ 94</u>	<u>\$ 8</u>

12. SUBSEQUENT EVENTS

In September 2018, the Authority agreed to loan \$980 for the redevelopment of real estate located in downtown Tulsa. This is evidenced by two promissory notes in the amount of \$490 each with a term of seven years and an interest rate of 0%. The \$980 note receivable balance is included in the balance of commitments (see Footnote 10).

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13. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

The GASB has issued several statements which have not yet been implemented by the Authority. The statements which may have a future impact on the Authority are as follows:

GASB Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2018, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Management is still evaluating the applicability of Statement No. 84 to the Authority.

GASB Statement No. 87, *Leases*, effective for reporting periods beginning after December 15, 2019, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Management is still evaluating the impact this Statement will have on the financial statements.

