

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORTS
June 30, 2019 and 2018

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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Years Ended June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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
November 6, 2019

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019 and 2018

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, 2019 and 2018. 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 \$34,960. Of this amount, \$279 is invested in capital assets, \$8,251 is restricted for capital projects, \$21,676 is restricted for developer programs, \$169 is restricted for other purposes, and \$4,585 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 2018 by \$37,337.

During 2019, the Authority's net position decreased \$2,377 to \$34,960. During 2018, the Authority's net position decreased \$395.

The Authority's operating revenues decreased to \$143 in 2019 from \$868 in 2018, an 83.5% decrease. In 2018, the Authority's operating revenues increased to \$868 from \$318, a 173% increase.

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 \$2,377 or 6.37% to \$34,960 during the year ended June 30, 2019. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 20,730	\$ 20,407	\$ 16,806
Capital assets, net	279	287	302
Noncurrent assets	<u>15,179</u>	<u>18,262</u>	<u>21,266</u>
Total assets	<u>36,188</u>	<u>38,956</u>	<u>38,374</u>
Current liabilities	682	1,087	126
Noncurrent liabilities	<u>546</u>	<u>532</u>	<u>501</u>
Total liabilities	<u>1,228</u>	<u>1,619</u>	<u>627</u>
Deferred Inflows of Resources:			
Property tax revenue	-	-	15
Total Deferred Inflows of resources	<u>-</u>	<u>-</u>	<u>15</u>
Net position:			
Investment in capital assets	279	287	302
Restricted: Capital projects	8,251	10,055	11,936
Restricted: Developer programs	21,676	21,542	19,869
Restricted: Other purposes	169	109	109
Unrestricted	<u>4,585</u>	<u>5,344</u>	<u>5,516</u>
Total net position	<u>\$ 34,960</u>	<u>\$ 37,337</u>	<u>\$ 37,732</u>

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Net Position, continued

The following changes occurred in 2019:

- Current assets increased \$323, due to a decrease of \$3,499 in cash and cash equivalents, an increase in receivables of \$53, and an increase in current portion of notes receivable \$3,769.
- Current liabilities decreased \$405 as a result of decrease in accounts payable due to timing of invoice payments.

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.

Noncurrent assets decreased \$3,091 in 2019 primarily as a result of a decrease in notes receivable of \$1,550, decrease in cash and cash equivalents of \$1,545 and increase in Land Held for Resale of \$12. In 2018, noncurrent assets decreased \$3,004 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.

Noncurrent liabilities increased \$14 in 2019 and increased \$31 in 2018. The 2019 increase is the result of increased noncurrent escrow deposits on land sales for development.

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SUMMARY OF CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 143	\$ 868	\$ 318
Investment income	531	212	59
Contributions of sales tax from City	-	1,703	255
Ad valorem tax and sales tax	-	118	1,287
Other income	-	2	-
Total revenues	<u>674</u>	<u>2,903</u>	<u>1,919</u>
Depreciation expense	15	15	15
Other operating expense	948	1,158	1,028
Payments to Tulsa Parking Authority	-	147	-
TIF Reimbursements to the County	306	-	-
TIF Reimbursements to the City	315	-	237
Total expenses	<u>1,584</u>	<u>1,320</u>	<u>1,280</u>
Capital contributions to primary government	(1,467)	(1,978)	(745)
Change in net position	(2,377)	(395)	(106)
Net position, beginning of year	<u>37,337</u>	<u>37,732</u>	<u>37,838</u>
Net position, end of year	<u>\$ 34,960</u>	<u>\$ 37,337</u>	<u>\$ 37,732</u>

In 2019, revenues decreased \$2,229 or 76.8% due to decreased land sales. Expenses increased \$264 or 20.0% as a result of excess collections of sales tax and ad valorem taxes being returned to the City and County, respectively. This resulted in a decrease in net position of \$2,377 or 6.4%.

In 2019, a decrease in property rentals of \$45 along with a decrease of \$680 in land sales caused a \$725 or 83.5% decrease in operating revenues. The decrease in property rentals was due to the sale of a surface parking lot.

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 increased \$40 or 3.1% due to a payment to Tulsa Parking Authority for capital expenditures. 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.

Investment income increased \$319 in 2019 due to an increase in the interest rate earned on pooled cash held by the Authority.

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CAPITAL ASSETS

The Authority’s investment in capital assets as of June 30, 2019 was \$279 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There was an equipment acquisition of \$7 during the year.

CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 35	\$ 35	\$ 35
Buildings	629	629	629
Equipment	<u>7</u>	<u>41</u>	<u>41</u>
Capital assets, total	671	705	705
Less accumulated depreciation	<u>(392)</u>	<u>(418)</u>	<u>(403)</u>
Capital assets, net	<u>\$ 279</u>	<u>\$ 287</u>	<u>\$ 302</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Authority’s appointed officials considered many factors when setting the 2020 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 3.7% at the end of fiscal-year 2019, a decline of 0.3% from last year. Unemployment in the City of Tulsa was slightly below the national level during fiscal year 2019. The rate was 3.2% at the end of fiscal-year, a decrease of 0.5% 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 increased from 12.9% to 13.9% in the period July 2018 through June 2019 due to an increase in 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 \$15.28/sf to \$16.14/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 TDA managed TIF's have expired; however, all funds have not yet been disbursed.

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	(in thousand of dollars)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,422	\$ 3,916
Cash and cash equivalents - restricted	9,461	11,466
Receivables	136	83
Prepaid expense	4	4
Current portion of notes receivable - restricted	8,707	4,938
Total current assets	<u>20,730</u>	<u>20,407</u>
Noncurrent assets:		
Cash and cash equivalents - restricted	643	2,188
Land held for resale	273	261
Non-depreciable capital assets	35	35
Depreciable capital assets, net	244	252
Notes receivable	2,749	2,587
Notes receivable - restricted	11,514	13,226
Total noncurrent assets	<u>15,458</u>	<u>18,549</u>
Total assets	<u>36,188</u>	<u>38,956</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	657	1,071
Compensated absences	25	16
Total current liabilities	<u>682</u>	<u>1,087</u>
Noncurrent liabilities:		
Escrow and security deposits	453	437
Compensated absences	93	95
Total noncurrent liabilities	<u>546</u>	<u>532</u>
Total liabilities	<u>1,228</u>	<u>1,619</u>
<u>NET POSITION</u>		
Investment in capital assets	279	287
Restricted for:		
Capital projects	8,251	10,055
Developer programs	21,676	21,542
Other purposes	169	109
Unrestricted net position	4,585	5,344
Total net position	<u>\$ 34,960</u>	<u>\$ 37,337</u>

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

TULSA DEVELOPMENT AUTHORITY
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	(In thousands	of dollars)
Operating revenues:		
Property rentals	\$ 51	\$ 96
Gain on sale of land held for resale, including other income	92	772
Total operating revenues	<u>143</u>	<u>868</u>
Operating expenses:		
Salaries and wages	366	334
Materials and supplies	4	5
Other services and charges	105	68
Escrow deposit refund	-	73
Other acquisition services	-	67
Building operations	32	39
Vegetative control	170	163
Legal services	226	280
Audit services	26	25
Consulting services	18	70
Rehabilitation grants	1	34
Depreciation	15	15
Total operating expenses	<u>963</u>	<u>1,173</u>
Operating income (loss)	<u>(820)</u>	<u>(305)</u>
Nonoperating revenues (expenses):		
Investment income	531	212
Ad valorem tax and sales tax revenue	-	118
Payments to Tulsa Parking Authority	-	147
Reimbursements	-	2
TIF reimbursements to Tulsa County	(306)	-
TIF reimbursements to the City	(315)	-
Contributions of sales tax from the City	-	1,703
Total nonoperating revenues (expenses)	<u>(90)</u>	<u>2,182</u>
Income (loss) before contributions	(910)	1,877
Capital contributions to primary government	<u>(1,467)</u>	<u>(1,978)</u>
Change in net position	(2,377)	(395)
Net position, beginning of year	<u>37,337</u>	<u>37,732</u>
Net position, end of year	<u>\$ 34,960</u>	<u>\$ 37,337</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	(In thousands of dollars)	
Cash flows from operating activities:		
Receipts from customers	\$ 159	\$ 1,709
Payments to suppliers	(1,086)	(350)
Payments to employees	(359)	(317)
Net cash (used for) provided by for operating activities	<u>(1,286)</u>	<u>1,042</u>
Cash flows from noncapital financing activities:		
Payments to Tulsa Parking Authority	-	(147)
Contributions of sales tax from the City	-	1,703
TIF reimbursements to Tulsa County	(306)	-
TIF reimbursements to the City	(315)	-
Issuance of notes receivable	(2,270)	(587)
Re-payments of notes receivable	52	-
Reimbursements	-	2
Ad Valorem and sales tax receipts	-	118
Net cash (used for) provided by noncapital financing activities	<u>(2,839)</u>	<u>1,089</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(7)	-
Capital contributions to primary government	(1,467)	(1,978)
Net cash used for capital and related financing activities	<u>(1,474)</u>	<u>(1,978)</u>
Cash flows from investing activities:		
Investment income	555	207
Net cash provided by investing activities	<u>555</u>	<u>207</u>
Net (decrease) increase in cash and equivalents	(5,044)	360
Cash and cash equivalents, beginning of year	<u>17,570</u>	<u>17,210</u>
Cash and cash equivalents, end of year	<u>\$ 12,526</u>	<u>\$ 17,570</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Current unrestricted cash and cash equivalents	\$ 2,422	\$ 3,916
Current restricted cash and cash equivalents	9,461	11,466
Noncurrent restricted cash and cash equivalents	643	2,188
	<u>\$ 12,526</u>	<u>\$ 17,570</u>
Reconciliation of operating loss to net cash (used for) provided by operating activities:		
Operating loss	\$ (820)	\$ (305)
Adjustments		
Depreciation	15	15
(Increase) decrease in land held for resale, including gain on sale	(12)	330
(Increase) decrease in receivables and other assets	(78)	11
(Decrease) increase in payables and other liabilities	(391)	991
Net cash (used for) provided by operating activities	<u>\$ (1,286)</u>	<u>\$ 1,042</u>

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

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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.

COMPENSATED ABSENCES - Vacation and sick leave is granted to all employees. Vacation time accrued varies from 14 to 26 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount that may be earned in one calendar year. Accumulated vacation leave vests and the Authority is obligated to make payment even if the employee terminates. Accumulated sick leave is not paid out to the employee upon separation, if separation occurs before retirement eligibility. Upon retirement the employee is eligible to receive a lump sum payout of one hour for every three hours accrued if the employee has at least 960 hours. The liability for sick leave consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation payments and other employees who are expected to become eligible in the future to receive such payments upon separation are included. The amount of unpaid vacation and sick leave is charged to expense during the period earned and is probable of payout, 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.

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

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.

NET POSITION - Net position of the Authority represents the difference between assets and liabilities. 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, 2019, \$8,251, \$21,676 and \$169 were restricted for capital projects, development projects and other purposes, respectively. As of June 30, 2018, \$10,055, \$21,542 and \$109 were restricted for capital projects, development projects and other purposes, respectively. Unrestricted net position is assets less liabilities 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

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

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 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, return of revenue for sale of City owned land, and the return of any excess sales tax collected in the TIF districts. Payments from the Authority to Tulsa County are for the return of excess ad valorem tax collected. These payments are reported as nonoperating expenses. *See Footnote 8* for discussion of payments to the City and Tulsa County. 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.

RECLASSIFICATIONS – Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on Changes in Net Position.

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, 2019 and 2018, TDA maintained balances of \$12,526 and \$17,570, respectively, in the City's pooled portfolio which represented 1.45% and 2.06%, 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, 2019 and 2018.

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

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2. CASH DEPOSITS AND CASH EQUIVALENTS, continued

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 \$1,079 and \$1,154 at June 30, 2019, and 2018, respectively, and was reduced to lower of cost or net realizable value of \$273 and \$261 for the years ended June 30, 2019, and 2018, respectively. There was no decrease in market value of land held for sale for the years ended June 30, 2019, and 2018.

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4. CAPITAL ASSETS

The changes in capital assets during the years ended June 30, 2019 and 2018 are summarized as follows:

2019:	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	7	41	7
Total depreciable capital assets	<u>670</u>	<u>7</u>	<u>41</u>	<u>636</u>
Less accumulated depreciation:				
Buildings	(377)	(15)	-	(392)
Equipment	(41)	-	(41)	-
Total accumulated depreciation	<u>(418)</u>	<u>(15)</u>	<u>(41)</u>	<u>(392)</u>
Total depreciable capital assets, net	<u>252</u>	<u>(8)</u>	<u>-</u>	<u>244</u>
Capital assets, net	<u>\$ 287</u>	<u>\$ (8)</u>	<u>\$ -</u>	<u>\$ 279</u>
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>

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5. NOTES RECEIVABLE

The balance of notes receivable to developers was \$22,970 and \$20,751 at June 30, 2019 and 2018, respectively. There was no allowance for 2019 or 2018. 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 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, 2019 and 2018 totaled \$63 and \$43, respectively.

Principal Payments Due in Subsequent Years:

2020	8,707
2021	3,051
2022	6,011
2023	2,052
2024	52
2025-2030	<u>3,097</u>
Total	<u>\$ 22,970</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, 2019 and 2018, the Authority conducted the following transactions with related parties:

	2019	2018
Payments to Tulsa Parking Authority for capital improvements	<u>\$ -</u>	<u>\$ 147</u>
Contributions of sales tax dollars from the City for developer loans	<u>\$ -</u>	<u>\$ 1,703</u>
TIF reimbursement to the City	<u>\$ 315</u>	<u>\$ -</u>
TIF reimbursement to Tulsa County	<u>\$ 306</u>	<u>\$ -</u>
Capital contributions to City for capital improvements	<u>\$ 1,467</u>	<u>\$ 1,978</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, 2019, there were two plan members. The Authority contributed \$11 and \$14 for the years ended June 30, 2019 and 2018, respectively.

10. COMMITMENTS

The Authority has construction and loan commitments outstanding of \$4,143 as of June 30, 2019, 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. COMPENSATED ABSENCES

The changes in compensated absences are summarized as follows:

2019:				
<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>\$ 111</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ 25</u>
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>

12. 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

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12. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS, continued

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.

