

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORTS
June 30, 2015 and 2014

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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Years Ended June 30, 2015 and 2014

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RSM US LLP

Independent Auditor's Report

Board of Commissioners
Tulsa Development Authority
Tulsa, Oklahoma

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, 2015 and 2014, 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, 2015 and 2014, 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 on pages 3 through 7 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, 2015

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014

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, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and notes as a whole. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of the current year by \$35,425. Of this amount, \$332 is invested in capital assets, \$26,847 is restricted for capital projects, \$325 is restricted for other purposes, and \$7,921 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 2014 by \$33,568.

During 2015, the Authority's net position increased \$1,857 to \$35,425. During 2014, the Authority's net position decreased \$81.

The Authority's operating revenues decreased to \$480 in 2015 from \$1,497 in 2014, a 67.9% decrease. In 2014, the Authority's operating revenues increased from \$708 to \$1,497, a 111.4% increase.

Overview of the Financial Statements

The Authority, a legally separate special purpose government, 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.

Required Financial Statements

The Authority uses fund accounting in its financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short-term financial information about its activities. The Statement of Net 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. The third required financial statement is the Statement of Cash Flows. The primary purpose

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Required Financial Statements, continued

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 Authority's net position increased \$1,857 or 5.5% to \$35,425 during the year ended June 30, 2015. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 20,051	\$ 17,430	\$ 13,254
Capital assets, net	332	347	362
Noncurrent assets	<u>17,208</u>	<u>17,782</u>	<u>21,422</u>
Total assets	<u>37,591</u>	<u>35,559</u>	<u>35,038</u>
Current liabilities	160	488	115
Noncurrent liabilities	<u>634</u>	<u>537</u>	<u>332</u>
Total liabilities	<u>794</u>	<u>1,025</u>	<u>447</u>
Deferred Inflows of Resources:			
Property tax revenue	1,372	966	942
Total Deferred Inflows of resources	<u>1,372</u>	<u>966</u>	<u>942</u>
Net position:			
Investment in capital assets	332	347	362
Restricted: Capital projects	26,847	25,584	21,766
Restricted: Other purposes	325	342	439
Unrestricted	<u>7,921</u>	<u>7,295</u>	<u>11,082</u>
Total net position	<u>\$ 35,425</u>	<u>\$ 33,568</u>	<u>\$ 33,649</u>

The following changes occurred in 2015:

- Current assets increased \$2,621 as a result of an \$880 increase in ad valorem and sales tax receipts, \$1,000 decrease in current notes receivable, a \$406 increase in property tax receivable, and a \$387 gain on land held for resale.
- Current liabilities decreased \$328 primarily as a result of a \$343 decrease in restricted accounts payable.

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Required Financial Statements, continued

The following changes occurred in 2014:

- Current assets increased \$4,176 primarily as a result of a \$2,707 increase in cash generated from operations and a \$1,000 increase in current notes receivable.
- Current liabilities increased \$373 primarily as a result of a \$341 increase in restricted accounts payable.

Noncurrent assets declined \$574 in 2015 due to a \$591 reduction of land held for resale inventory resulting from land sales. In 2014, noncurrent assets declined \$3,640 due to a \$3,881 reduction of land held for resale inventory resulting from land sales.

Noncurrent liabilities increased \$97 in 2015 and \$205 in 2014. Increases of \$66 in 2015 and \$218 in 2014, respectively, were due to increases in the noncurrent escrow deposits on land sales for redevelopment.

SUMMARY OF CHANGES IN NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 480	\$ 1,497	\$ 708
Investment income (loss)	186	211	(5)
Contributions	4	12	43
Ad valorem tax and sales tax	2,542	1,662	1,577
Other income	-	1	58
Total revenues	<u>3,212</u>	<u>3,383</u>	<u>2,381</u>
Depreciation expense	15	15	13
Other operating expense	942	1,801	885
Payments to Tulsa Parking Authority	-	20	18
Payments to Tulsa Industrial Authority	304	-	-
Payments to primary government	4	59	809
Total expenses	<u>1,265</u>	<u>1,895</u>	<u>1,990</u>
Capital contributions to primary government	(90)	(1,569)	(1,351)
Change in net position	1,857	(81)	(960)
Net position, beginning of year	<u>33,568</u>	<u>33,649</u>	<u>34,609</u>
Net position, end of year	<u>\$ 35,425</u>	<u>\$ 33,568</u>	<u>\$ 33,649</u>

In 2015, revenues decreased \$171 or 5.0% and expenses decreased \$630 or 33.2%. The result of revenues exceeding expenses and a capital contribution of \$90 was a net increase in net position of 5.5%.

In 2015, operating revenues decreased \$1,017 or 67.9% primarily due to gains on sales of land held for resale in 2014.

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Required Financial Statements, continued

Investment income decreased \$25 in 2015 due to a lower rate of return on the pooled cash and investments.

In 2014, revenues increased \$1,002 or 42.0% and expenses decreased \$95 or 4.0%. The result of revenues exceeding expenses and a capital contribution of \$1,569 was a net decrease in net position of 0.2%.

In 2014, operating revenues increased \$789 or 111.4% primarily due to gains on sales of land held for resale.

CAPITAL ASSETS

The Authority's investment in capital assets as of June 30, 2015 was \$332 (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>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 35	\$ 35	\$ 35
Buildings	629	629	629
Equipment	<u>41</u>	<u>41</u>	<u>58</u>
Capital assets, total	705	705	722
Less accumulated depreciation	<u>(373)</u>	<u>(358)</u>	<u>(360)</u>
Capital assets, net	<u>\$ 332</u>	<u>\$ 347</u>	<u>\$ 362</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2016 budget and fees charged for business-type activities. Lease revenues on commercial office space are governed by rates negotiated in long-term leases. Daily use fees at the Authority's surface parking lot are reviewed periodically and adjusted as the market allows.

At the national level, unemployment declined to 5.3% at the end of fiscal-year 2015, a decline of 0.8% from last year. Unemployment in the City of Tulsa remained below the national level during fiscal year 2015. The rate was 4.8% at the end of fiscal-year, a decrease of 0.1% from last year. The strength of the local economy contributed to the Authority continuing to have high accounts receivable collection rates and growth in ad valorem and sales tax revenues.

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

The Authority acquires properties in Tulsa in order to rehabilitate, conserve, or redevelop blighted or underserved areas of Tulsa. 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 approximately 1.3% from July 2014 through June 2015. The commercial real estate leasing environment in Tulsa declined slightly from the previous year as nearly all segments experienced decreases in commercial lease rates. 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.

The Authority uses sales tax and ad valorem tax collected in tax increment financing (TIF) districts to fund park and street improvements in the City. 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.

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., Tulsa, Oklahoma 74106.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
	(In thousands of dollars)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 7,949	\$ 6,640
Cash and cash equivalents - restricted	10,688	8,772
Receivables	15	9
Receivables - restricted	24	26
Property tax receivable	1,372	966
Prepaid expense	3	17
Current portion of notes receivable - restricted	-	1,000
Total current assets	20,051	17,430
Noncurrent assets:		
Cash and cash equivalents - restricted	2,104	2,523
Land held for resale, net	589	1,181
Land held for resale, net - restricted	197	197
Non-depreciable capital assets	35	35
Depreciable capital assets, net	297	312
Notes receivable - restricted	14,318	13,881
Total noncurrent assets	17,540	18,129
Total assets	37,591	35,559
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	73	71
Accounts payable - restricted	79	412
Vested compensated absences	8	5
Total current liabilities	160	488
Noncurrent liabilities:		
Escrow and security deposits	492	426
Escrow and security deposits - restricted	80	61
Vested compensated absences	62	50
Total noncurrent liabilities	634	537
Total liabilities	794	1,025
Deferred Inflows of Resources:		
Property tax revenue	1,372	966
Total Deferred Inflows of Resources	1,372	966
<u>NET POSITION</u>		
Investment in capital assets	332	347
Restricted for:		
Capital projects	26,847	25,584
Other purposes	325	342
Unrestricted net position	7,921	7,295
Total net position	\$ 35,425	\$ 33,568

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
	(In thousands of dollars)	
Operating revenues:		
Property rentals	\$ 73	\$ 80
Other income, including gain on sale of land held for resale	407	1,417
Total operating revenues	<u>480</u>	<u>1,497</u>
Operating expenses:		
Salaries and wages	295	258
Materials and supplies	10	2
Other services and charges	637	1,112
Relocation and improvement	-	407
Unrealized loss on land held for resale	-	22
Depreciation	15	15
Total operating expenses	<u>957</u>	<u>1,816</u>
Operating loss	<u>(477)</u>	<u>(319)</u>
Nonoperating revenues (expenses):		
Investment income	186	211
Ad Valorem tax and sales tax revenue	2,542	1,662
Contributions	4	12
Payments to Tulsa Parking Authority	-	(20)
Payments to Tulsa Industrial Authority	(304)	-
Payments to primary government	(4)	(59)
Gain on sale of capital assets	-	1
Total nonoperating revenues	<u>2,424</u>	<u>1,807</u>
Income before contributions	1,947	1,488
Capital contributions to primary government	<u>(90)</u>	<u>(1,569)</u>
Change in net position	1,857	(81)
Net position, beginning of year	<u>33,568</u>	<u>33,649</u>
Net position, end of year	<u>\$ 35,425</u>	<u>\$ 33,568</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
	(In thousands of dollars)	
Cash flows from operating activities:		
Receipts from customers	\$ 1,066	\$ 4,136
Payments to suppliers	(937)	(941)
Payments to employees	(288)	(252)
Net cash (used for) provided by operating activities	<u>(159)</u>	<u>2,943</u>
Cash flows from noncapital financing activities:		
Payments to Tulsa Parking Authority	-	(20)
Payments to Tulsa Industrial Authority	(263)	-
Payments to primary government	(4)	(59)
Issuance of notes receivable	(437)	(926)
Payments of notes receivable	1,000	-
Contributions	4	12
Ad Valorem and sales tax receipts	2,542	1,662
Net cash provided by noncapital financing activities	<u>2,842</u>	<u>669</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	-	1
Capital contributions to primary government	(66)	(1,569)
Net cash used for capital and related financing activities	<u>(66)</u>	<u>(1,568)</u>
Cash flows from investing activities:		
Investment income	189	212
Net cash provided by investing activities	<u>189</u>	<u>212</u>
Net increase in cash and equivalents	2,806	2,256
Cash and cash equivalents, beginning of year	17,935	15,679
Cash and cash equivalents, end of year	<u>\$ 20,741</u>	<u>\$ 17,935</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Current unrestricted cash and cash equivalents	\$ 7,949	\$ 6,640
Current restricted cash and cash equivalents	10,688	8,772
Noncurrent restricted cash and cash equivalents	2,104	2,523
	<u>\$ 20,741</u>	<u>\$ 17,935</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating (loss)	\$ (477)	\$ (319)
Adjustments		
Depreciation	15	15
Decrease in land held for resale, including gain on sale	592	2,661
Decrease in receivables and other assets	8	8
(Decrease) increase in payables and other liabilities	(297)	578
Net cash provided by (used for) operating activities	<u>\$ (159)</u>	<u>\$ 2,943</u>
Noncash noncapital financing activities:		
Payments to Tulsa Industrial Authority included in accounts payable	<u>\$ 41</u>	<u>\$ -</u>
Noncash capital financing activities:		
Capital contributions to primary government included in accounts payable	<u>\$ 25</u>	<u>\$ -</u>

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

TULSA DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)
Years Ended June 30, 2015 and 2014

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 under the provisions of the Oklahoma Public Trust Act. The purpose of the Authority is to benefit the City of Tulsa (the "City") by the rehabilitation, conservation, redevelopment, or a combination thereof, of blighted areas to ensure the public health, safety, and welfare of its residents.

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 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 enterprise 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 equivalents balances, other than petty cash, are pooled with the City's cash and investments and are invested by the City's Treasurer. Interest income on pooled cash and investments is allocated monthly based on the percentage of the Authority's average daily equity in the pooled portfolio to the total average daily pooled portfolio balance. For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased and any amounts held by the City's internal pool to be cash equivalents.

NOTES RECEIVABLE - RESTRICTED - Notes receivable-restricted represents loans made to developers as a part of the Authority's Vision 2025 and Downtown Housing projects. These loans are restricted as they 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.

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NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)
Years Ended June 30, 2015 and 2014

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

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 fair market value as of the date donated. Assets placed in service are depreciated on a straight-line basis over the estimated service life below:

	<u>Estimated Service Life</u>
Buildings	50 years
Equipment	3 to 15 years

LAND HELD FOR RESALE - Land acquired for neighborhood revitalization and held for resale by the Authority is recorded at the lower of cost or net realizable value.

VESTED COMPENSATED ABSENCES - Vacation and sick leave are granted to all regular employees. The annual amount of vacation and sick time is ten days per year, respectively. Accumulated vacation and sick leave vests and the Authority is obligated to make payments even if the employee terminates. The amount of unpaid vacation and sick leave is charged to expense currently and a corresponding liability is established.

RESTRICTED ASSETS - Certain assets relating to the Authority's participation in the Community Development Block Grant and Home Investment Partnership programs of HUD as well as resources from the Authority's rehabilitation loan programs are reported as restricted on the statement of net position because their use is to meet guidelines of original grant programs.

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, 2015, \$23,857 and \$325 were restricted for capital projects and other purposes, respectively. As of June 30, 2014, \$21,584 and \$342 were restricted for capital 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.

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Years Ended June 30, 2015 and 2014

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

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.

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 primary government, 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 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. 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.

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 PRIMARY GOVERNMENT (THE CITY) AND THE AUTHORITY - The Authority records, as nonoperating revenue, payments from the City that are primarily provided to subsidize expenditures associated with the Authority's purpose. This revenue may be sub-grants from the U.S. Government, payments from the City designated for specific projects, or other payments. Payments from the Authority to the primary government are for the return of program income on the CDBG grant and are reported as nonoperating expenses. *See Footnote 8* for discussion of payments to the City. The Authority records, as capital contributions to the primary government, street improvements, land related to properties that have been acquired and the buildings and structures have been demolished by the Authority.

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NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)
Years Ended June 30, 2015 and 2014

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS – Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on Changes in Net Position.

2. CASH DEPOSITS AND INVESTMENTS

Cash deposits of the Authority are maintained within the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities guaranteed by the U.S. Government or its agencies. These amounts were pooled with the City and were collateralized by securities that were held by the pledging financial institution or by its trust department or its agent in the City's name.

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority utilizes the City's investment policy to limit its exposure to credit risks. The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2015 and 2014, the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ by Moody's and Standard & Poor's respectively.

Custodial Credit Risk – The City's investment policy requires that demand deposits be collateralized at least by 110% of the amounts that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City's approval and release of the security. Certificates of deposit are, according to the City's investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2015 and 2014, none of the deposits in the pooled portfolio were exposed to custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All safekeeping receipts for investment instruments are held in accounts in the City's name and all securities are registered in the City's name, therefore, none of the Authority's investments as of June 30, 2015 and 2014 were exposed to custodial credit risk.

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2. CASH DEPOSITS AND INVESTMENTS, continued

Concentration of Credit Risk – The Authority utilizes the City’s investment policy to determine the amount that may be invested in any one issuer. While the City may choose to maintain one hundred percent of its investment portfolio in U.S. Treasury bills, notes and bonds, at no time will the portfolio be composed of more than seventy percent of related federal agencies.

At June 30, 2015, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 19%, 18%, 17%, and 15%, respectively, of its total pooled investment portfolio. At June 30, 2014, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 19%, 18%, 19%, and 18%, respectively, of its total pooled investment portfolio.

3. LAND HELD FOR RESALE

The cost of land acquired and held for resale was \$1,671 and \$2,275 at June 30, 2015, and 2014, respectively, and was reduced to lower of cost or net realizable value of \$786 and \$1,378 for the years ended June 30, 2015, and 2014, respectively. A decrease in the net realizable value of land held for sale of \$0 and \$22 is recognized in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2015, and 2014, respectively.

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4. CAPITAL ASSETS

The changes in capital assets during the years ended June 30, 2015 and 2014 are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2015:				
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	(317)	(15)	-	(332)
Equipment	(41)	-	-	(41)
Total accumulated depreciation	<u>(358)</u>	<u>(15)</u>	<u>-</u>	<u>(373)</u>
Total depreciable capital assets, net	<u>312</u>	<u>(15)</u>	<u>-</u>	<u>297</u>
Capital assets, net	<u>\$ 347</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ 332</u>
	Beginning Balance	Increases	Decreases	Ending Balance
2014:				
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	58	-	17	41
Total depreciable capital assets	<u>687</u>	<u>-</u>	<u>17</u>	<u>670</u>
Less accumulated depreciation:				
Buildings	(303)	(15)	(1)	(317)
Equipment	(57)	-	(16)	(41)
Total accumulated depreciation	<u>(360)</u>	<u>(15)</u>	<u>(17)</u>	<u>(358)</u>
Total depreciable capital assets, net	<u>327</u>	<u>(15)</u>	<u>-</u>	<u>312</u>
Capital assets, net	<u>\$ 362</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ 347</u>

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5. NOTES RECEIVABLE

The balance of restricted notes receivable to developers was \$14,318 and \$14,881 at June 30, 2015 and 2014, respectively. There was no allowance for 2015 or 2014. The restricted notes to developers bear an interest rate of zero percent until the due date. The notes are due in full at various dates ranging from fiscal year 2018 through 2022. The notes are secured by a second mortgage on the underlying real estate or an irrevocable letter of credit.

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, 2015 and 2014, the Authority conducted the following transactions with related parties:

	<u>2015</u>	<u>2014</u>
Payments to Tulsa Parking Authority for capital improvements	<u>\$ -</u>	<u>\$ 20</u>
Payments to Tulsa Industrial Authority for capital improvements	<u>\$ 304</u>	<u>\$ -</u>
Payments to City for CDBG program income	<u>\$ 4</u>	<u>\$ 59</u>
Capital contributions to City	<u>\$ 90</u>	<u>\$ 1,569</u>

9. PENSION PLAN

The Tulsa Development Authority Pension Plan (the "Plan") is a defined contribution plan outlined by Internal Revenue Code Section 403(b). The Plan provides benefits at retirement to the employees of the Authority. The Plan was adopted by the Authority on November 12, 2009. Employee contribution limits are set by the Internal Revenue Service. At June 30, 2015, there were three plan members. The Authority contributed \$16 and \$13 for the years ended June 30, 2015 and 2014, respectively.

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10. COMMITMENTS

The Authority has construction commitments outstanding of \$7,711 as of June 30, 2015, related to sales tax, tax increment financing and redevelopment projects.

11. VESTED COMPENSATED ABSENCES

The changes in vested compensated absences are summarized as follows:

2015:				
Beginning Balance	Additions	Deletions	Ending Balance	Due in one year
\$ 55	\$ 23	\$ 8	\$ 70	\$ 8
2014:				
Beginning Balance	Additions	Deletions	Ending Balance	Due in one year
\$ 49	\$ 18	\$ 12	\$ 55	\$ 5

12. SUBSEQUENT EVENTS

After June 30, 2015, the Authority has entered into negotiations with four entities to redevelop commercial property located within the Inner Dispersal Loop in downtown Tulsa. Each of the redevelopment agreements contains a provision for zero percent loans, ranging from five to six years, through the Third Penny Sales Tax dollars approved by a vote of citizens of the City. The total amount to be loaned will be \$3,920 and the Authority will receive \$80 from the City as a fee to administer these loans.

13. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the Authority beginning with its year ending June 30, 2016.

This Statement provides guidance for determining a fair value measurement for financial reporting purposes, and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

