

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

FINANCIAL REPORT
June 30, 2020

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2020

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Tulsa Industrial Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Industrial Authority (the Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2020, 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 audit. We conducted our audit 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, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 11 to the basic financial statements, the Authority restated beginning net position to correct an error for the capital contribution of an asset from prior years. Our opinion is not modified with respect to this matter.

Other Matter

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules and related note, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Kansas City, Missouri
December 3, 2020

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

As the management of the Tulsa Industrial 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, 2020. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and notes as a whole.

Financial Highlights

The assets of the Authority exceeded its liabilities and deferred inflows of resources at the close of the current year by \$11,155,609. Of this amount, \$8,073,011 is invested in capital assets, \$2,170,079 is restricted for development programs, and \$912,519 is unrestricted and may be used to meet the Authority's ongoing obligations.

During 2020, the Authority's net position increased \$1,471,574 to \$11,155,609.

The Authority's operating revenues increased \$1,325,084 to \$2,014,363 in 2020, a 192.4% increase. Operating expenses increased \$118,641 to \$588,955, an increase of 25.2%.

Overview of the Financial Statements

The Authority, a legally separate public trust, is reported by the City as a discretely presented component unit in the City's Comprehensive Annual Financial Report. The primary function of the Authority is to promote economic development within and near Tulsa, Oklahoma through financing of various facilities. Its activities primarily consist of arranging financing to industrial, commercial and other organizations.

This discussion and analysis are 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 Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to the creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

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 increased \$1,471,574 or 15.2% to \$11,155,609 during the year ended June 30, 2020. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2020</u>	<u>2019, restated</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 4,849,246	\$ 2,839,082	\$2,010,164	70.8%
Noncurrent assets	136,738	-	136,738	100.0%
Capital assets, net	<u>8,073,011</u>	<u>8,349,011</u>	<u>(276,000)</u>	<u>-3.3%</u>
 Total assets	<u>13,058,995</u>	<u>11,188,093</u>	<u>1,870,902</u>	<u>16.7%</u>
 Current liabilities	<u>157,842</u>	<u>73,351</u>	<u>84,491</u>	<u>115.2%</u>
 Total liabilities	<u>157,842</u>	<u>73,351</u>	<u>84,491</u>	<u>115.2%</u>
 Deferred Inflows of Resources:				
Property tax revenue	<u>1,745,544</u>	<u>1,430,707</u>	<u>314,837</u>	<u>22.0%</u>
Total Deferred Inflows of resources	<u>1,745,544</u>	<u>1,430,707</u>	<u>314,837</u>	<u>22.0%</u>
 Net position:				
Investment in capital assets	8,073,011	8,349,011	(276,000)	-3.3%
Restricted: Development programs	2,170,079	581,126	1,588,953	273.4%
Unrestricted	<u>912,519</u>	<u>753,898</u>	<u>158,621</u>	<u>21.0%</u>
 Total net position	<u>\$ 11,155,609</u>	<u>\$ 9,684,035</u>	<u>\$1,471,574</u>	<u>15.2%</u>

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Net Position, continued

The following changes occurred in 2020:

- Current assets increased \$2,010,164, primarily due to a \$1,612,566 increase in cash and cash equivalents a result of increased TIF property and sales tax collections. Current receivables also increased \$397,598 primarily related to property taxes.
- Noncurrent assets increased \$136,738 for a lease receivable.
- Current liabilities increased \$84,491 as a result of an increase in accounts payable associated to public education support from the TIF.
- Net position increased \$1,471,574. The majority of the increase is restricted for developer programs.

SUMMARY OF CHANGES IN NET POSITION

	<u>2020</u>	<u>2019, as restated</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	\$ 2,014,363	\$ 689,279	\$ 1,325,084	192.2%
Investment income	46,166	24,610	21,556	87.6%
Total revenues	<u>2,060,529</u>	<u>713,889</u>	<u>1,346,640</u>	<u>188.6%</u>
Depreciation expense	276,000	276,000	-	0.0%
Other operating expense	312,955	194,314	118,641	61.1%
Total expenses	<u>588,955</u>	<u>470,314</u>	<u>118,641</u>	<u>25.2%</u>
Change in net position	1,471,574	243,575	1,227,999	504.2%
Net position, beginning of year	<u>9,684,035</u>	<u>9,440,460</u>	<u>243,575</u>	<u>2.6%</u>
Net position, end of year	<u>\$ 11,155,609</u>	<u>\$ 9,684,035</u>	<u>\$ 1,471,574</u>	<u>15.2%</u>

In 2020, total revenues increased \$1,346,640 or 188.6% due to increased revenues from property taxes and property lease. Expenses increased \$118,641 or 25.2%; most significant expense increases were related to public education support and increase in administrative service fees paid to the City. This resulted in an increase in net position of \$1,471,574 compared to an increase in net position of \$243,575 in the prior year.

Investment income increased \$21,556 in 2020 due to an increase in the amount of cash held an invested by the Authority.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2020

CAPITAL ASSETS

The Authority’s investment in capital assets as of June 30, 2020 was \$8,073,011 (net of accumulated depreciation). This investment in capital assets consists of an airline hanger building.

	<u>2020</u>	<u>2019, as restated</u>
Airline hanger	\$ 11,039,548	\$ 11,039,548
Equipment	-	1,062
Capital assets, total	11,039,548	11,040,610
Less accumulated depreciation	<u>2,966,537</u>	<u>2,691,599</u>
Capital assets, net	<u>\$ 8,073,011</u>	<u>\$ 8,349,011</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Authority’s appointed officials considered many factors when setting the 2021 budget and fees charged for business-type activities. Lease revenues are governed by rates negotiated in long-term leases. Property tax and sales tax revenues are based on development in the TIF districts and economic conditions.

At the national level, unemployment increased to 11.1% at the end of fiscal-year 2020, an increase of 7.4% from last year. Unemployment in the City of Tulsa was slightly below the national level during fiscal year 2020. The rate was 6.6% at the end of fiscal-year, an increase of 3.4% from last year.

The Authority seeks development projects in order to assist in diverse areas of emphasis including financing arrangements for industrial, commercial and other organizations that include conduit debt and tax increment financing programs. The Authority expends sales tax and property tax previously collected in TIF districts in accordance with the approved plan for each TIF.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tulsa, Office of the Controller, 175 E Second Street, Suite 1570, Tulsa, OK 74103.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF NET POSITION
June 30, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 709,302
Cash and cash equivalents - restricted	2,034,696
Interest receivable	11,121
Accounts receivable	65,638
Prepaid expenses	30,696
Sales tax receivable	208,502
Property tax receivable	1,789,291
Total current assets	<u>4,849,246</u>

Noncurrent assets:

Accounts receivable	136,738
Capital assets, net	8,073,011
Total noncurrent assets	<u>8,209,749</u>

Total assets	<u>13,058,995</u>
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Liabilities

Current liabilities:

Accounts payable	127,146
Unearned revenue	30,696
Total liabilities	<u>157,842</u>

Deferred Inflows of Resources

Property tax revenue	<u>1,745,544</u>
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Net Position

Investment in capital assets	8,073,011
Restricted for:	
Development programs	2,170,079
Unrestricted net position	<u>912,519</u>
Total net position	<u><u>\$ 11,155,609</u></u>

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

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2020

Operating Revenues:

Property leases	\$ 321,020
Property tax	1,460,193
Sales tax	208,502
Other income	<u>24,648</u>
Total operating revenue	<u>2,014,363</u>

Operating Expenses:

Administrative services fee	55,000
Legal services	12,706
Auditing services	7,700
Other services	10,118
Property leases	120,977
Public education support	106,454
Depreciation	<u>276,000</u>
Total operating expenses	<u>588,955</u>

Operating income 1,425,408

Nonoperating revenues:

Investment income	<u>46,166</u>
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Change in net position 1,471,574

Net position, beginning of year	12,366,939
Restatement	<u>(2,682,904)</u>
Net position, beginning of year as restated	<u>9,684,035</u>
Net position, end of year	<u><u>\$ 11,155,609</u></u>

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

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 150,397
Payments to suppliers	(232,076)
Property tax receipts	1,416,446
Sales tax receipts	<u>240,257</u>
Net cash provided by operating activities	<u>1,575,024</u>
Cash flows from investing activities:	
Investment income	<u>37,543</u>
Net cash provided by investing activities	<u>37,543</u>
Net increase in cash and equivalents	1,612,567
Cash and cash equivalents, beginning of year	<u>1,131,431</u>
Cash and cash equivalents, end of year	<u>\$ 2,743,998</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Current unrestricted cash and cash equivalents	\$ 709,302
Current restricted cash and cash equivalents	<u>2,034,696</u>
	<u>\$ 2,743,998</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income	\$ 1,425,408
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	276,000
Changes in assets, liabilities and deferred inflows:	
Increase in receivables and other assets	(529,863)
Increase in payables and other liabilities	84,491
Increase in deferred inflows	<u>318,988</u>
Net cash provided by operating activities	<u>\$ 1,575,024</u>

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

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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

NATURE OF BUSINESS AND REPORTING ENTITY - The Tulsa Industrial Authority (the “Authority”) is a public trust created under Section 176, Title 60 of the Oklahoma Statutes and Oklahoma Trust Act. The primary purpose of the Authority is to promote economic development within and near Tulsa, Oklahoma through financing of various facilities. Its activities primarily consist of arranging financing to industrial, commercial and other organizations.

The Authority is a component unit of the City of Tulsa (the “City”) and is included in the City’s Comprehensive Annual Financial Report as a discretely presented component unit. The trust indenture was created in 1969 with the City of Tulsa as the beneficiary and the Metropolitan Tulsa Chamber of Commerce as Trustor. The trustees include the Mayor of the City of Tulsa and seven additional trustees appointed by the Mayor subject to the approval of the City Council of the City of Tulsa.

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.

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, liabilities and deferred inflow of resources 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 and nonexchange transactions. Investment income is included in nonoperating revenues.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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

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

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 amounts held by the City’s portfolio pool, to be cash equivalents.

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.

The Authority 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 the Authority’s position as of June 30.

RESTRICTED ASSETS –Restricted assets of the Authority are restricted under terms of the Tax Increment Financing (“TIF”) Districts.

RECEIVABLES – Receivables represent amounts due for administrative fees, property taxes and sales tax from tax increment financing districts. A receivable is considered past due if any portion of the receivable balance is outstanding past terms. The Authority has historically not experienced significant uncollectible accounts and has therefore, provided no allowance for doubtful accounts.

CAPITAL ASSETS - Capital assets, with an initial cost of \$5,000 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	20-40 years
Equipment	5-10 years

UNEARNED REVENUE- Unearned revenue primarily consists of property lease revenue received at the beginning of the lease not yet earned based on the term of the lease.

DEFERRED INFLOWS OF RESOURCES- Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Authority reports a deferred inflow for property tax revenue that will be recognized in the year for which it is levied.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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. 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, 2020, \$2,170,079 was restricted for development programs.

Unrestricted net position is assets less liabilities and deferred inflows 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 – Operating revenues include activities that have the characteristics of exchange transactions, such as lease revenue and administrative fee income. Additionally, property tax and sales tax derived from TIF districts that the Authority manages are considered operating revenues because they relate to the principal operations of the Authority.

The Authority receives property tax on real property located within certain TIF districts. Property 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). Property 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.

Operating expenses include general and administrative costs, facility leasing expense, and all costs incurred to administer the TIF districts.

Nonoperating revenue consists of interest earned on deposits.

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.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

2. CASH DEPOSITS AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS - Cash deposits of the Authority 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, 2020, the Authority maintained a balance of \$2,743,998 in the City's pooled portfolio which represents 0.27% 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, 2020.

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. CAPITAL ASSETS

The changes in capital assets during the year ended June 30, 2020 are summarized as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Airline Hanger	\$ 11,039,548	\$ -	\$ -	\$ 11,039,548
Equipment	1,062	-	(1,062)	-
Total depreciable capital assets	<u>11,040,610</u>	<u>-</u>	<u>(1,062)</u>	<u>11,039,548</u>
Less accumulated depreciation:				
Airline Hanger	(2,690,537)	(276,000)	-	(2,966,537)
Equipment	(1,062)	-	1,062	-
Total accumulated depreciation	<u>(2,691,599)</u>	<u>(276,000)</u>	<u>1,062</u>	<u>(2,966,537)</u>
Total depreciable capital assets, net	<u>8,349,011</u>	<u>(276,000)</u>	<u>-</u>	<u>8,073,011</u>
Capital assets, net	<u>\$ 8,349,011</u>	<u>\$ (276,000)</u>	<u>\$ -</u>	<u>\$ 8,073,011</u>

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

4. CONDUIT DEBT

The notes and bonds issued by the Authority are special and limited obligations of the Authority; payable solely out of revenues derived from and in connection with the underlying loan agreements and the underlying security provided under the loan agreements. The Authority or any political subdivision thereof is not obligated in any manner for repayment of the notes and bonds. Accordingly, the notes and bonds are not reported as liabilities in the accompanying financial statements nor are the related investments reported as assets.

The aggregate outstanding principal balances due on these notes and bonds are approximately \$113 million at June 30, 2020.

The Authority loans the proceeds from notes and bonds to organizations or the Authority leases the facilities acquired with the proceeds to the organizations under financing lease arrangements providing for transfer of the property to such organizations at the end of the lease.

5. TAX INCREMENT FINANCING DISTRICT MANAGEMENT

The City has authorized multiple TIF districts and delegated to the Authority management of certain TIF districts pursuant to the approved project plans including the authority to issue tax apportionment bonds or notes, pledge revenues from current or future years for repayment and incur project costs.

The Authority has no taxing power.

6. LEASES

Airline Hanger-

On June 6, 2008, the Authority signed a sublease agreement with Tulsa Airports Improvements Trust (TAIT) to lease certain lands. The agreement commenced with the completion of the construction of the hanger in October of 2009 for a minimum of 10 years. On July 11, 2019, the Authority exercised the 15-year option period under the current Agreement and TAIT consented to and acknowledged the Authority's execution of its option to extend the term of the agreement for an additional 15 years ending September 24, 2034. Rent expense for the current year was \$122,783. The future annual minimum lease payment schedule is \$122,783 per year and subject to increase based on the Implicit Price Deflator index for Gross Domestic Product.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

6. LEASES, continued

On June 6, 2008, the Authority also signed a sublease agreement with American Airlines (AA) to lease the hanger and land to AA. The agreement commenced with the completion of the construction of the hanger in October of 2009 for a minimum of 10 years. The lease term was extended for an additional 15 years ending September 24, 2034. The terms of the lease require AA to pay the Authority an amount equal to the ground lease charged by TAIT and a facility rent that is reduced if AA maintain a minimum 5,000 employees and that Tulsa International Airport remain AA's primary in-house heavy maintenance and engineering center. The schedule below shows future expected rent payments assuming AA meets requirements for reduced facility rent and no increase in ground rent:

Year	Ground Lease	Facility Lease	Total Amount
2021	\$ 122,783	\$ 63,305	\$ 186,088
2022	122,783	113,949	236,732
2023	122,783	177,253	300,036
2024	122,783	202,575	325,358
2025	122,783	202,575	325,358
2026-2030	613,915	1,734,552	2,348,467
2031-2035	491,132	1,506,655	1,997,787
Total	\$1,718,962	\$4,000,864	\$ 5,719,826

The gross amount of capital assets subject to lease as of June 30, 2020 are as follows:

Airport hanger	\$ 11,039,548
Accumulated depreciation	<u>(2,966,537)</u>
	<u>\$ 8,073,011</u>

Depreciation expense related to the airline hanger was \$276,000 for the year ending June 30, 2020.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

6. LEASES, continued

Geothermal Wells-

On August 23, 2012, the Authority signed an Assignment and Lease Agreement with the George Kaiser Family Foundation (GKFF). The Authority is the Lessee of certain real estate in Tulsa County, Oklahoma, commonly known as the Guthrie Green Park (Park Property). Over and across the Park Property, the Authority has constructed certain improvements consisting of a geothermal well field and solar energy panel system consisting of underground piping and other appurtenances and facilities supporting ground source heat pump heating and cooling systems for adjoining buildings. The term is effective beginning on August 23, 2012 and expires July 31, 2062 for the sum of one dollar.

On August 23, 2012, the Authority signed a Ground Lease Agreement with the George Kaiser Family Foundation (GKFF) that provides GKFF the right of occupancy of the Real Property that will be granted and assigned back to GKFF. The term is effective beginning on August 1, 2012 and expires July 31, 2062. The Authority agrees to pay to GKFF as rental for the use and occupancy of the Real Property the sum of one dollar per year, due in advance for the entire lease term. GKFF and the Authority agree and recognize that the token rental amount is set in recognition of the fact that the Ground Lease is entered into in order to facilitate the construction lease-back and operation of the geothermal well field on the real property pursuant to the terms of a separate lease agreement. Based on the nature of the lease agreement the Authority does not include the capital assets in their financial statements.

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. All significant assets are leased and lessee is required to purchase insurance to cover the risk of loss. There have been no losses that exceeded coverage in the current year or in the three prior years.

8. 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.

9. RELATED-PARTY TRANSACTIONS

The Authority is a component unit of the City. During the year ended June 30, 2020 the City was reimbursed \$55,000 of administrative personnel expenses by the Authority.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

10. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements which will be effective to the Authority in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the Authority’s consideration of the impact of the material pronouncements affecting the Authority are described below:

GASB Statement No. 87, *Leases*, effective for reporting periods beginning after December 15, 2019, subsequently delayed until reporting periods beginning after December 15, 2020, 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.

GASB Statement No. 91, *Conduit Debt Obligations*, effective for reporting periods beginning after December 15, 2020, subsequently delayed until reporting periods beginning after December 15, 2021, increases the usefulness of governments’ financial statements by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

11. RESTATEMENT

The Authority restated beginning of year net position to correct for the capital contribution of a geothermal wells constructed by the Authority. The result of the restatement on the beginning net position is as follows:

Net position, beginning of year	\$ 12,366,939
Adjustment applicable to prior periods	<u>(2,682,904)</u>
Net position, beginning of year as restated	<u><u>\$ 9,684,035</u></u>

12. COMMITMENTS

The Authority has entered into multiple agreements with developers within TIF districts. The agreements are subject to availability of revenues generated by the TIF and completion of project milestones by the developer. At June 30, 2020 the Authority had outstanding developer commitments of \$72,285,000.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

13. CONTINGENCIES

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses, state and local governments and people throughout the United States. Further, financial markets have experienced significant volatility attributed to coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which the coronavirus impacts the Authority's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Authority, but such an impact could have a material adverse effect on the financial condition of the Authority.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTE TO OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

OTHER SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, the Authority presents a combining schedule of net position, a combining schedule of revenues, expenses and changes in net position and a combining schedule of cash flows for its two sub funds of the operations of the Authority. Brief explanations of these sub funds are as follows:

The Operating Fund – This fund is used to account for unrestricted revenues and expenses of the Authority including operations such as conduit financing and facility rentals.

Tax Increment Financing (TIF) Fund – This fund is used to account for the Tax Increment Financing Activities managed by the Authority.

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET POSITION
June 30, 2020

	<u>Operating Fund</u>	<u>TIF Fund</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 709,302	\$ -	709,302
Cash and cash equivalents, restricted	-	2,034,696	2,034,696
Interest receivable	3,476	7,645	11,121
Accounts receivable	65,638	-	65,638
Prepaid expenses	30,696	-	30,696
Sales tax receivable	-	208,502	208,502
Property tax receivable	-	1,789,291	1,789,291
Total current assets	<u>809,112</u>	<u>4,040,134</u>	<u>4,849,246</u>
Noncurrent assets:			
Accounts receivable	136,738	-	136,738
Capital assets, net	8,073,011	-	8,073,011
Total noncurrent assets	<u>8,209,749</u>	<u>-</u>	<u>8,209,749</u>
Total assets	<u>9,018,861</u>	<u>4,040,134</u>	<u>13,058,995</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	2,635	124,511	127,146
Unearned revenue	30,696	-	30,696
Total liabilities	<u>33,331</u>	<u>124,511</u>	<u>157,842</u>
<u>Deferred Inflows of Resources</u>			
Property tax revenue	-	1,745,544	1,745,544
<u>Net Position</u>			
Net investment in capital assets	8,073,011	-	8,073,011
Restricted for:			
Development programs	-	2,170,079	2,170,079
Unrestricted net position	912,519	-	912,519
Total net position	<u>\$ 8,985,530</u>	<u>\$ 2,170,079</u>	<u>\$ 11,155,609</u>

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2020

	<u>Operating Fund</u>	<u>TIF Fund</u>	<u>Total</u>
Operating Revenues:			
Property leases	\$ 321,020	\$ -	\$ 321,020
Property tax	-	1,460,193	1,460,193
Sales tax	-	208,502	208,502
Other income	24,648	-	24,648
	<u>345,668</u>	<u>1,668,695</u>	<u>2,014,363</u>
Operating Expenses:			
Administrative services fee	55,000	-	55,000
Legal services	12,706	-	12,706
Auditing services	7,700	-	7,700
Other services	10,118	-	10,118
Property leases	120,977	-	120,977
Public education support	-	106,454	106,454
Depreciation	276,000	-	276,000
	<u>482,501</u>	<u>106,454</u>	<u>588,955</u>
Operating (loss) income	<u>(136,833)</u>	<u>1,562,241</u>	<u>1,425,408</u>
Nonoperating revenues:			
Investment income	19,454	26,712	46,166
	<u>19,454</u>	<u>26,712</u>	<u>46,166</u>
Change in net position	<u>(117,379)</u>	<u>1,588,953</u>	<u>1,471,574</u>
Net position, beginning of year	11,785,813	581,126	12,366,939
Restatement	(2,682,904)	-	(2,682,904)
	<u>9,102,909</u>	<u>581,126</u>	<u>9,684,035</u>
Net position, beginning of year as restated	<u>9,102,909</u>	<u>581,126</u>	<u>9,684,035</u>
	<u>\$ 8,985,530</u>	<u>\$ 2,170,079</u>	<u>\$ 11,155,609</u>
Net position, end of year	<u>\$ 8,985,530</u>	<u>\$ 2,170,079</u>	<u>\$ 11,155,609</u>

TULSA INDUSTRIAL AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS
Year Ended June 30, 2020

	<u>Operating Fund</u>	<u>TIF Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 150,397	\$ -	\$ 150,397
Payments to suppliers	(232,076)	-	(232,076)
Property tax receipts	-	1,416,446	1,416,446
Sales tax receipts	-	240,257	240,257
	<u>(81,679)</u>	<u>1,656,703</u>	<u>1,575,024</u>
Net cash (used) provided by operating activities			
Cash flows from investing activities:			
Investment income	17,703	19,840	37,543
	<u>17,703</u>	<u>19,840</u>	<u>37,543</u>
Net cash provided by investing activities			
	(63,976)	1,676,543	1,612,567
Net (decrease) increase in cash and equivalents			
Cash and cash equivalents, beginning of period	773,278	358,153	1,131,431
Cash and cash equivalents, end of period	<u>\$ 709,302</u>	<u>\$ 2,034,696</u>	<u>\$ 2,743,998</u>
Reconciliation of cash and cash equivalents to the Combining Schedule of Net Position:			
Current unrestricted cash and cash equivalents	\$ 709,302	\$ -	\$ 709,302
Current restricted cash and cash equivalents	-	2,034,696	2,034,696
	<u>\$ 709,302</u>	<u>\$ 2,034,696</u>	<u>\$ 2,743,998</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating (loss) income	\$ (136,833)	\$ 1,562,241	\$ 1,425,408
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:			
Depreciation	276,000	-	276,000
Changes in assets, liabilities and deferred inflows:			
Increase in receivables and other assets	(198,883)	(330,980)	(529,863)
(Decrease) Increase in payables and other liabilities	(21,963)	106,454	84,491
Increase in deferred inflows	-	318,988	318,988
	<u>(81,679)</u>	<u>1,656,703</u>	<u>1,575,024</u>
Net cash (used) provided by operating activities			

