

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORTS
June 30, 2013 and 2012

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

Index

Years Ended June 30, 2013 and 2012

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11



Independent Auditor's Report

Board of Trustees
Tulsa Development Authority
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Development Authority (Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, 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.

McGladrey LLP

Kansas City, Missouri
November 14, 2013

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012

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, 2013 and 2012. 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 \$33,649. Of this amount, \$362 is invested in capital assets, \$21,766 is restricted for capital projects, \$439 is restricted for other purposes, and \$11,082 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 2012 by \$34,609.

During 2013, the Authority's net position decreased \$960 to \$33,649. During 2012, the Authority's net position decreased \$1,283.

The Authority's operating revenues decreased to \$708 in 2013 from \$1,842 in 2012, a 61.6% decrease. In 2012, the Authority's operating revenues increased from \$400 to \$1,842, a 360.5% increase.

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 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

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012

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 decreased \$960 or 2.8% to \$33,649 during the year ended June 30, 2013. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,535	\$ 3,260	\$ 3,990
Capital assets, net	362	312	349
Noncurrent assets	<u>30,199</u>	<u>31,528</u>	<u>32,322</u>
Total assets	<u>34,096</u>	<u>35,100</u>	<u>36,661</u>
Current liabilities	115	173	436
Noncurrent liabilities	<u>332</u>	<u>318</u>	<u>333</u>
Total liabilities	<u>447</u>	<u>491</u>	<u>769</u>
Net position:			
Investment in capital assets	362	312	349
Restricted: Capital projects	21,766	21,627	20,072
Restricted: Other purposes	439	1,567	8,564
Unrestricted	<u>11,082</u>	<u>11,103</u>	<u>6,907</u>
Total net position	<u>\$ 33,649</u>	<u>\$ 34,609</u>	<u>\$ 35,892</u>

The following changes occurred in 2013:

- Current assets increased \$276 primarily as a result of a \$283 increase in unrestricted cash.
- Current liabilities decreased \$58 primarily as a result of a \$58 decrease in accounts payable.

The following changes occurred in 2012:

- Current assets decreased \$730 primarily as a result of a \$529 increase in cash and a \$1,274 decrease in the receivable from other government related to reimbursements for construction costs on downtown residential development projects.
- Current liabilities decreased \$263 primarily as a result of a \$267 decrease in accounts payable.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012

Required Financial Statements, continued

Noncurrent assets declined \$1,331 in 2013 due to a \$265 land held for resale donation to an unrelated entity, \$247 transfer of land held for resale to the City, and \$241 transfer of HUD rehabilitation notes to the City. In 2012, noncurrent assets declined \$794 primarily from \$828 cost associated with land sales to unrelated entities.

Noncurrent liabilities increased \$13 in 2013 and decreased \$15 in 2012. The increase in 2013 was primarily due to a \$10 increase in the noncurrent vested compensated absences balance. The 2012 decrease is primarily the result of the release of a \$166 pollution remediation obligation. In addition, there were increases of \$26 in the vested compensated absences long-term liability and \$125 in escrow and security deposits.

SUMMARY OF CHANGES IN NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 708	\$ 1,842	\$ 400
Investment (loss) income	(5)	193	266
Contributions	43	399	1,097
Payments from primary government	-	2,139	1,397
Intergovernmental revenue	-	-	1,892
Ad valorem tax and sales tax	1,577	1,393	1,131
Other income	58	5	315
Total revenues	<u>2,381</u>	<u>5,971</u>	<u>6,498</u>
Depreciation expense	13	11	11
Other operating expense	885	1,214	2,204
Payments to Tulsa Parking Authority	18	585	-
Loss on impairment of capital assets	-	-	1,066
Payments to primary government	809	668	41
Donations of land held for resale	265	-	-
Total expenses	<u>1,990</u>	<u>2,478</u>	<u>3,322</u>
Capital contributions to primary government	(1,351)	(4,776)	(3,976)
Change in net position	(960)	(1,283)	(800)
Net position, beginning of year	<u>34,609</u>	<u>35,892</u>	<u>36,692</u>
Net position, end of year	<u>\$ 33,649</u>	<u>\$ 34,609</u>	<u>\$ 35,892</u>

In 2013, revenues decreased \$3,590 or 60.1% and expenses decreased \$488 or 19.7%. The result of revenues exceeding expenses and a capital contribution of \$1,351 was a net decrease in net position of 2.8%.

In 2013, operating revenues decreased \$1,134 or 61.6% primarily due to gains on sales of land held for resale in the prior year not repeated in 2013.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012

Required Financial Statements, continued

Investment income decreased \$198 in 2013 primarily due to the decline in fair market value of pooled cash and investments.

In 2012, revenues decreased \$569 or 8.7% and expenses decreased \$886 or 26.3%. The result of revenues exceeding expenses and a capital contribution of \$4,776 was a net decrease in net position of 3.6%.

In 2012, operating revenues increased \$1,442 or 360.5% primarily due to gains on sales of land held for resale.

CAPITAL ASSETS

The Authority's investment in capital assets as of June 30, 2013 was \$362 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. Capital asset acquisitions totaled \$63 during the year.

	<u>2013</u>	<u>2012</u>
Land	\$ 35	\$ 35
Buildings	629	566
Equipment	<u>58</u>	<u>122</u>
Capital assets, total	722	723
Less accumulated depreciation	<u>(360)</u>	<u>(411)</u>
Capital assets, net	<u>\$ 362</u>	<u>\$ 312</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2014 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 7.8 percent at the end of fiscal-year 2013, a decline of 0.6% from last year. Unemployment in the City of Tulsa remained below the national level during fiscal year 2013. The rate was 5.4 percent at the end of fiscal-year, an increase of 0.2% from last year. The Authority has not experienced a decline in collection rates for accounts receivable as the economy slowly recovers from the economic downturn.

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. The real estate market in Tulsa has not declined as dramatically as in other areas of the United States. Properties in the central business district of Tulsa

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012

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

have increased 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 two percent from July 2012 through June 2013. The commercial real estate leasing environment in Tulsa improved slightly from the previous year. The Authority participates in several projects to convert vacant downtown office buildings to residential living units. Expenditures related to these projects are financed by the City of Tulsa from its sales tax collections.

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 the City of Tulsa, Office of the Controller, 175 E. Second Street, Tulsa, Oklahoma 74103.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
	(In thousands of dollars)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,502	\$ 3,219
Receivables	7	12
Prepaid expense	26	29
Total current assets	<u>3,535</u>	<u>3,260</u>
Noncurrent assets:		
Cash and cash equivalents - restricted	12,177	12,266
Receivables - restricted	27	62
Land held for resale, net	3,843	4,279
Land held for resale, net - restricted	197	724
Non-depreciable capital assets	35	35
Depreciable capital assets, net	327	277
Notes receivable	4,000	4,000
Notes receivable - restricted, net	9,955	10,197
Total noncurrent assets	<u>30,561</u>	<u>31,840</u>
Total assets	<u>34,096</u>	<u>35,100</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	39	168
Accounts payable - restricted	71	5
Vested compensated absences	5	-
Total current liabilities	<u>115</u>	<u>173</u>
Noncurrent liabilities:		
Unearned revenue	-	4
Escrow and security deposits	208	225
Escrow and security deposits - restricted	80	55
Vested compensated absences	44	34
Total noncurrent liabilities	<u>332</u>	<u>318</u>
Total liabilities	<u>447</u>	<u>491</u>
<u>NET POSITION</u>		
Investment in capital assets	362	312
Restricted for:		
Capital projects	21,766	21,627
Other purposes	439	1,567
Unrestricted net position	<u>11,082</u>	<u>11,103</u>
Total net position	<u>\$ 33,649</u>	<u>\$ 34,609</u>

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

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
	(In thousands of dollars)	
Operating revenues:		
Property rentals	\$ 85	\$ 235
Other income, including gain on sale of land held for resale	623	1,607
Total operating revenues	<u>708</u>	<u>1,842</u>
Operating expenses:		
Salaries and wages	242	267
Materials and supplies	7	3
Other services and charges	537	856
Unrealized loss on land held for resale	99	89
Depreciation	13	11
Provision for uncollectible accounts	-	(1)
Total operating expenses	<u>898</u>	<u>1,225</u>
Operating income (loss)	<u>(190)</u>	<u>617</u>
Nonoperating revenues (expenses):		
Investment (loss) income	(5)	193
Ad Valorem tax and sales tax revenue	1,577	1,393
Donations of land held for resale	(265)	-
Contributions	43	399
Payments to Tulsa Parking Authority	(18)	(585)
Payments to primary government	(809)	(668)
Payments from primary government	-	2,139
Gain on sale of capital assets	58	5
Total nonoperating revenues	<u>581</u>	<u>2,876</u>
Income before contributions	391	3,493
Capital contributions to primary government	<u>(1,351)</u>	<u>(4,776)</u>
Change in net position	(960)	(1,283)
Net position, beginning of year	<u>34,609</u>	<u>35,892</u>
Net position, end of year	<u>\$ 33,649</u>	<u>\$ 34,609</u>

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

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
	(In thousands of dollars)	
Cash flows from operating activities:		
Receipts from customers	\$ 1,060	\$ 2,637
Payments to suppliers	(591)	(1,533)
Payments to employees	(232)	(237)
Net cash provided by operating activities	<u>237</u>	<u>867</u>
Cash flows from noncapital financing activities:		
Payments to Tulsa Parking Authority	(18)	(585)
Payments to primary government	(331)	(668)
Payments from primary government	-	2,139
Reimbursements of closing costs on land sales	-	34
Noncapital transactions, including issuance of notes receivable	11	(304)
Operating grants and contributions	43	399
Intergovernmental revenue	-	1,274
Ad Valorem and sales tax receipts	1,577	1,393
Net cash provided by noncapital financing activities	<u>1,282</u>	<u>3,682</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(63)	-
Proceeds from sale of capital assets	58	31
Capital contributions to primary government	(1,351)	(2,420)
Net cash used for capital and related financing activities	<u>(1,356)</u>	<u>(2,389)</u>
Cash flows from investing activities:		
Investment income	31	159
Net cash provided by investing activities	<u>31</u>	<u>159</u>
Net increase in cash and equivalents	194	2,319
Cash and cash equivalents, beginning of year	15,485	13,166
Cash and cash equivalents, end of year	<u>\$ 15,679</u>	<u>\$ 15,485</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Current unrestricted cash and cash equivalents	\$ 3,502	\$ 3,219
Noncurrent restricted cash and cash equivalents	12,177	12,266
	<u>\$ 15,679</u>	<u>\$ 15,485</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating (loss) income	\$ (190)	\$ 617
Adjustments		
Depreciation	13	11
Gain on sale of and cost adjustments for land held for resale	451	352
Provision for uncollectible accounts	-	(1)
Decrease (increase) in receivables and other assets	7	(15)
Decrease in payables and other liabilities	(44)	(97)
Net cash provided by operating activities	<u>\$ 237</u>	<u>\$ 867</u>
Noncash noncapital financing activities:		
Transfer of notes receivable	\$ 231	\$ -
Transfer of land held for resale to primary government	\$ 247	\$ 2,356
Donation of land held for resale	\$ 265	\$ -
Transfer of pollution remediation obligation to primary government	\$ -	\$ 166

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

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

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

NATURE OF BUSINESS

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.

REPORTING ENTITY

The Authority is a discretely presented component unit of the City and is included in the City’s comprehensive annual financial report.

BASIS OF ACCOUNTING AND PRESENTATION

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.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to 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.

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 cash held by the City’s internal pool to be cash equivalents.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

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

NOTES RECEIVABLE - RESTRICTED

Notes receivable-restricted represents loans made to developers as a part of the Authority's Vision 2025 project. These loans are restricted as they are to be made to promote the economic vitality of the City's downtown. These notes are fully collateralized by the mortgages on the properties.

Notes receivable-restricted in the prior year also included loans made by the Authority under the Community Development Block Grant and Home Investment Partnership programs of the United States Department of Housing and Urban Development (HUD). The loans were made to eligible participants for home rehabilitation subject to maximum amounts that can be loaned depending on the loan type. Rehabilitation is to bring the home up to City and HUD standards. The types of loans for home rehabilitation are Deferred Payment, Principal Repayment, and Standard Repayment. These loans were transferred to the City in the current fiscal year. *See Footnote 10.*

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	48 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 fair 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. The maximum amount of vacation time that may be accumulated is twice the amount that may be earned in one calendar year. 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.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

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

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 net position is available, the Authority first applies restricted resources. As of June 30, 2013, \$21,766 and \$439 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.

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 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on Changes in Net Position.

REVENUE AND EXPENSES

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. Some grants consist of resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants that may be used for operating expenses.

Operating revenues consist of property rentals on single-family, multi-family and commercial properties held by the Authority. Operating revenues also include gains on sales of land inventory held for resale.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

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

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 contributions, 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. Although the Authority has a receivable as of the lien date, the amount cannot be determined or reasonably estimable and therefore is not reported on the Statement of Net Position as a receivable and deferred inflow. Accordingly, ad valorem revenues are recognized and recorded in the year received.

Nonoperating expenses include payments to the primary government and other related entities, as well as any impairment losses on capital assets.

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 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 2.53 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, 2013 and 2012, 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,

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

2. CASH DEPOSITS AND INVESTMENTS, continued

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, 2013 and 2012, 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, 2013 and 2012 were exposed to custodial credit risk.

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, 2013, 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 18%, 22%, 19% and 22%, respectively of its total pooled investment portfolio. At June 30, 2012, 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 17%, 15%, 22%, and 21%, respectively of its total pooled investment portfolio.

3. PAYMENTS 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 10 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.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

4. NOTES RECEIVABLE

The balance of the Authority's unrestricted note receivable as of June 30, 2013 and 2012 was \$4,000. Repayment terms are \$1,000 due on October 15, 2014 and the remaining balance due on October 15, 2020, or ten years after the last date on which an advance is made on the note. The note is secured by an irrevocable letter of credit.

Notes receivable, restricted, as of June 30, 2013 and 2012 consisted of the following:

	2013	2012
HUD rehabilitation notes	\$ -	\$ 734
Notes to developers	9,955	9,955
	9,955	10,689
Less allowance	-	(492)
Notes receivable restricted, net	\$ 9,955	\$ 10,197

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 September 13, 2016 through June 25, 2020.

In addition to the notes listed above, the Authority had \$13,019 of HUD Deferred Payment Loans which the Authority had fully reserved; therefore, were not reflected in the Authority's financial statements in the prior year. These loans were transferred to the City in the current fiscal year.

5. LAND HELD FOR RESALE

The cost of land acquired and held for resale was \$5,064 and \$6,165 at June 30, 2013, and 2012, respectively, and was reduced to lower of cost or market value of \$4,040 and \$5,003 for the years ended June 30, 2013, and 2012, respectively. A decrease in the fair value of land held for sale of \$99 and \$89 is recognized in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2013, and 2012, respectively.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

6. CAPITAL ASSETS

2013:	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	566	63	-	629
Equipment	122	-	64	58
Total depreciable capital assets	<u>688</u>	<u>63</u>	<u>64</u>	<u>687</u>
Less accumulated depreciation:				
Buildings	(288)	(13)	-	(301)
Equipment	(123)	-	(64)	(59)
Total accumulated depreciation	<u>(411)</u>	<u>(13)</u>	<u>(64)</u>	<u>(360)</u>
Total depreciable capital assets, net	<u>277</u>	<u>50</u>	<u>-</u>	<u>327</u>
Capital assets, net	<u>\$ 312</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 362</u>
2012:	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable capital assets:				
Land	\$ 35	\$ -	\$ -	\$ 35
Construction in progress	26	-	26	-
Total non-depreciable capital assets	<u>61</u>	<u>-</u>	<u>26</u>	<u>35</u>
Depreciable capital assets:				
Buildings	566	-	-	566
Equipment	152	-	30	122
Total depreciable capital assets	<u>718</u>	<u>-</u>	<u>30</u>	<u>688</u>
Less accumulated depreciation:				
Buildings	(277)	(11)	-	(288)
Equipment	(153)	-	(30)	(123)
Total accumulated depreciation	<u>(430)</u>	<u>(11)</u>	<u>(30)</u>	<u>(411)</u>
Total depreciable capital assets, net	<u>288</u>	<u>(11)</u>	<u>-</u>	<u>277</u>
Capital assets, net	<u>\$ 349</u>	<u>\$ (11)</u>	<u>\$ 26</u>	<u>\$ 312</u>

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

7. 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.

8. RISK MANAGEMENT

The Authority participates in the City's insurance programs through payment for services. The City retains all risk of loss. Significant losses are covered by commercial insurance for all major programs except workers' compensation, for which the City retains all risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

9. 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 will not have a material adverse effect on the net position, changes in net position and cash flows of the Authority.

10. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2013 and 2012, the Authority conducted the following transactions with related parties:

	<u>2013</u>	<u>2012</u>
Payments to Tulsa Parking Authority for capital improvements	\$ 18	\$ 585
Payments from City for subsidizing expenditures of the Authority	\$ -	\$ 2,139
Payments to City for CDBG program income	\$ 301	\$ 668
Capital contributions to City	\$ 1,351	\$ 4,776
Notes receivable, restricted, transferred to City	\$ 261	\$ -
Land held for resale, restricted, transferred to City	\$ 247	\$ -

11. 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. Employees may contribute the lesser of forty nine thousand dollars or 100% of their annual compensation. At June 30, 2013, there were two plan members.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS, Continued
(in thousands of dollars)
Years Ended June 30, 2013 and 2012

12. COMMITMENTS

The Authority has construction commitments outstanding of \$7,358 as of June 30, 2013, related to sales tax and tax increment financing projects.

13. VESTED COMPENSATED ABSENCES

The changes in vested compensated absences are summarized as follows:

<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>	<u>Due in one year</u>
<u>\$ 39</u>	<u>\$ 16</u>	<u>\$ 6</u>	<u>\$ 49</u>	<u>\$ 5</u>
<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2012</u>	<u>Due in one year</u>
<u>\$ 9</u>	<u>\$ 31</u>	<u>\$ 1</u>	<u>\$ 39</u>	<u>\$ 5</u>