

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORTS
June 30, 2021 and 2020

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
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Years Ended June 30, 2021 and 2020

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RSM US LLP

Independent Auditor's Report

Board of Commissioners
Tulsa Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Development Authority (the Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2021 and 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 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, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Kansas City, Missouri
November 30, 2021

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021 and 2020

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, 2021 and 2020. 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 \$20,263. Of this amount, \$251 is invested in capital assets, \$7,964 is restricted for capital projects, \$8,459 is restricted for developer programs, \$27 is restricted for other purposes, and \$3,562 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 2020 by \$27,582.

During 2021, the Authority's net position decreased \$7,319 to \$20,263. During 2020, the Authority's net position decreased \$7,378.

The Authority's operating revenues decreased to \$111 in 2021 from \$487 in 2020, a 77.1% decrease. In 2020, the Authority's operating revenues increased to \$487 from \$143, a 239.9% increase.

Overview of the Financial Statements

The Authority, a legally separate special purpose entity, is reported by the City as a discretely presented component unit in the City's Annual Comprehensive Financial Report. The primary function of the Authority is to benefit the City by the rehabilitation, conservation, redevelopment, or a combination thereof, of blighted areas to ensure the public health, safety, and welfare of its residents.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

Financial Analysis

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

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

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Financial Analysis, continued

The third required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement allows financial statement users to assess whether the Authority's current cash flows are sufficient to pay its obligations. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the period. The notes to the financial statements provide additional information necessary for a full and complete understanding of the data provided in the financial statements.

NET POSITION

The Authority's net position decreased \$7,319 or 26.5% to \$20,263 during the year ended June 30, 2021. The Authority's net position decreased \$7,378 or 21.11% to \$27,582 during the year ended June 30, 2020. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 14,594	\$ 16,620	\$ 20,730
Capital assets, net	251	268	279
Noncurrent assets	<u>5,930</u>	<u>11,432</u>	<u>15,179</u>
Total assets	<u>20,775</u>	<u>28,320</u>	<u>36,188</u>
Current liabilities	161	307	682
Noncurrent liabilities	<u>351</u>	<u>431</u>	<u>546</u>
Total liabilities	<u>512</u>	<u>738</u>	<u>1,228</u>
Net position:			
Investment in capital assets	251	268	279
Restricted: Capital projects	7,964	7,257	8,251
Restricted: Developer programs	8,459	16,064	21,676
Restricted: Other purposes	27	26	169
Unrestricted	<u>3,562</u>	<u>3,967</u>	<u>4,585</u>
Total net position	<u>\$ 20,263</u>	<u>\$ 27,582</u>	<u>\$ 34,960</u>

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Net Position, continued

The following changes occurred in 2021:

- Current assets decreased \$2,026, due to a decrease of \$7,048 in cash and cash equivalents which was \$3,995 in repaid loans, \$1,606 unobligated TIF cash and excess cash in TDA's economic development and sales tax funds transferred to the City, and an increase in current portion of notes receivable \$5,011 due to Long Term Notes; East End Village \$962, YMCA Lofts \$1,750 and American Residential Group \$3,000 becoming current as of June 30, 2021; offset by payment of International Harvester note during the year of \$700.
- Current liabilities decreased \$146 as a result of a \$136 decrease in accounts payable due to timing of invoice payments and a decrease in compensated absences of \$10 due to payout of vacation and sick leave at year end.

The following changes occurred in 2020:

- Current assets decreased \$4,110, due to an increase of \$1,562 in cash and cash equivalents, a decrease in receivables of \$16 and a decrease in current portion of notes receivable \$5,656.
- Current liabilities decreased \$375 as a result of a decrease in accounts payable.

Noncurrent assets decreased \$5,519 in 2021 primarily as a result of a decrease in notes receivable of \$5,494, a decrease in Land Held for Resale of \$8 and a decrease in Depreciable Capital Assets of \$17. In 2020, noncurrent assets decreased \$3,758 primarily as a result of decreased notes receivables of \$3,091, a decrease in cash and cash equivalents of \$643 and a decrease in Land Held for Resale of \$13.

Noncurrent liabilities decreased \$80 in 2021. The 2021 decrease is the result of decreased escrow deposits on land sales for development and decreased compensated absences as a result of the elimination of personnel.

Noncurrent liabilities decreased \$115 in 2020. The 2020 decrease is the result of decreased escrow deposits on land sales for development and decreased compensated absences as a result of a decrease in personnel.

TULSA DEVELOPMENT AUTHORITY
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SUMMARY OF CHANGES IN NET POSITION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 111	\$ 487	\$ 143
Investment income	185	409	531
Contributions of sales tax from City	321	137	-
Total revenues	<u>617</u>	<u>1,033</u>	<u>674</u>
Depreciation expense	17	16	15
Other operating expense	879	1,219	948
TIF Reimbursements to the County	-	-	306
Payments to Primary Government	6,574	5,963	315
Total expenses	<u>7,470</u>	<u>7,198</u>	<u>1,584</u>
Capital contributions to primary government	(466)	(1,213)	(1,467)
Change in net position	(7,319)	(7,378)	(2,377)
Net position, beginning of year	<u>27,582</u>	<u>34,960</u>	<u>37,337</u>
Net position, end of year	<u>\$ 20,263</u>	<u>\$ 27,582</u>	<u>\$ 34,960</u>

In 2021, revenues decreased \$416 or 40.3% due to decreased land sales. Contributions of sales tax from the City increased \$184. Expenses increased \$272 or 3.8% primarily due to increased payments to the primary government. These payments were the return of proceeds from matured loans, of which \$752 was collected in the current year and \$3,248 was collected in the prior year. The remainder represents the return of unexpended sales tax and TIF funds. The loans were originally funded by sales tax proceeds from programs approved by a vote of the citizens of the City; therefore, the repayments were returned to the City. This resulted in a decrease in net position of \$7,319 or 26.5%.

In 2021, a decrease in land sales caused a \$376, or 77.2%, decrease in operating revenues.

In 2020, revenues increased \$359 or 53.3% due to increased land sales. Expenses increased \$5,614 or 354.4% primarily from payments to the primary government. These payments were the return of proceeds from matured loans that were repaid in the current and prior year. These loans were originally funded by sales tax proceeds from programs approved by a vote of the citizens of the City; therefore, the repayments were returned to the City. This resulted in a decrease in net position of \$7,378 or 21.1%.

In 2020, an increase in land sales caused a \$344 or 239.9% increase in operating revenues.

Investment income decreased \$224 in 2021 due to a decrease of pooled cash held by the Authority and a decrease in the interest rate earned.

TULSA DEVELOPMENT AUTHORITY
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CAPITAL ASSETS

The Authority’s investment in capital assets as of June 30, 2021 was \$251 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There were no acquisitions during the year.

CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 35	\$ 35	\$ 35
Buildings	629	629	629
Equipment	<u>13</u>	<u>13</u>	<u>7</u>
Capital assets, total	677	677	671
Less accumulated depreciation	<u>(426)</u>	<u>(409)</u>	<u>(392)</u>
Capital assets, net	<u>\$ 251</u>	<u>\$ 268</u>	<u>\$ 279</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Authority’s appointed officials considered many factors when setting the 2022 budget and fees charged for business-type activities. Lease revenues on commercial office space owned by the Authority are governed by rates negotiated in long-term leases.

At the national level, unemployment decreased to 5.9% at the end of fiscal-year 2021, a decrease of 5.2% from last year. Unemployment in the City of Tulsa was below the national level during fiscal year 2021. The rate was 3.9% at the end of the fiscal-year, a decrease of 3.2% from last year.

The Authority acquires properties in Tulsa in order to assist in diverse areas of emphasis including tax increment financing (TIF) administration, neighborhood improvement, residential and commercial economic development, code enforcement, flood area remediation and removal and redevelopment of blighted properties. The Authority remarkets the properties by offering loans at attractive rates funded by sales tax received from the City. Properties in the central business district of Tulsa continued to increase in value as the result of various economic development initiatives. The Authority did not experience any significant losses related to the remarketing of these properties.

Office vacancies in the City of Tulsa decreased from 16.5% to 16.3% in the period July 2020 through June 2021 due to an increase in demand of available office space. The commercial real estate leasing environment in Tulsa improved slightly over the course of the year with average rental rates increasing from \$15.58/sf to \$15.64/sf. The Authority participates in several projects to convert vacant downtown office buildings to residential living units, and a parking structure for downtown business use. Expenditures related to these projects are financed by the City of Tulsa from its sales tax collections.

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June 30, 2021 and 2020

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

The Authority expends sales tax and ad valorem tax previously collected in TIF districts in accordance with the approved Plan for each TIF. All of the Authority's managed TIF's have expired; however, all funds have not yet been disbursed.

Revenues and expenses are budgeted to increase next year due to increased property sales and the commencement of a management fee which will be paid to the Tulsa Authority for Economic Opportunity, (TAEO) to support the execution of economic development programs and strategy.

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 DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	(in thousand of dollars)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 880	\$ 1,590
Cash and cash equivalents - restricted	5,517	11,855
Receivables	130	120
Prepaid expense	5	4
Current portion of notes receivable	748	749
Current portion of notes receivable - restricted	7,314	2,302
Total current assets	<u>14,594</u>	<u>16,620</u>
Noncurrent assets:		
Notes receivable	2,000	2,000
Notes receivable - restricted	3,678	9,172
Land held for resale	252	260
Non-depreciable capital assets	35	35
Depreciable capital assets, net	216	233
Total noncurrent assets	<u>6,181</u>	<u>11,700</u>
Total assets	<u>20,775</u>	<u>28,320</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	161	297
Compensated absences	-	10
Total current liabilities	<u>161</u>	<u>307</u>
Noncurrent liabilities:		
Escrow and security deposits	331	356
Escrow and security deposits - restricted	20	56
Compensated absences	-	19
Total noncurrent liabilities	<u>351</u>	<u>431</u>
Total liabilities	<u>512</u>	<u>738</u>
<u>NET POSITION</u>		
Investment in capital assets	251	268
Restricted for:		
Capital projects	7,964	7,257
Developer programs	8,459	16,064
Other purposes	27	26
Unrestricted net position	3,562	3,967
Total net position	<u>\$ 20,263</u>	<u>\$ 27,582</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	(In thousands of dollars)	
Operating revenues:		
Property rentals	48	\$ 51
Gain on sale of land held for resale, including other income	63	436
Total operating revenues	<u>111</u>	<u>487</u>
Operating expenses:		
Salaries and wages	162	402
Materials and supplies	1	4
Other services and charges	104	322
Building operations	23	25
Vegetative control	196	141
Legal services	155	229
Audit services	25	26
Consulting services	125	53
Rehabilitation grants	87	1
Unrealized loss on land held for resale	1	16
Depreciation	17	16
Total operating expenses	<u>896</u>	<u>1,235</u>
Operating loss	<u>(785)</u>	<u>(748)</u>
Nonoperating revenues (expenses):		
Investment income	185	409
Payments to primary government	(6,574)	(5,963)
Contributions of sales tax from the City	321	137
Total nonoperating revenues (expenses)	<u>(6,068)</u>	<u>(5,417)</u>
Loss before contributions	<u>(6,853)</u>	<u>(6,165)</u>
Capital contributions to primary government	<u>(466)</u>	<u>(1,213)</u>
Change in net position	(7,319)	(7,378)
Net position, beginning of year	<u>27,582</u>	<u>34,960</u>
Net position, end of year	<u>\$ 20,263</u>	<u>\$ 27,582</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	(In thousands of dollars)	
Cash flows from operating activities:		
Receipts from customers	\$ 116	\$ 132
Payments to suppliers	(897)	(802)
Payments to employees	<u>(190)</u>	<u>(491)</u>
Net cash used for operating activities	<u>(971)</u>	<u>(1,161)</u>
Cash flows from noncapital financing activities:		
Contributions of sales tax from the City	321	137
Payments to primary government	(6,574)	(5,963)
Issuance of notes receivable	(270)	(208)
Re-payments of notes receivable	752	8,954
Net cash (used for) provided by noncapital financing activities	<u>(5,771)</u>	<u>2,920</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(6)
Capital contributions to primary government	<u>(466)</u>	<u>(1,213)</u>
Net cash used for capital and related financing activities	<u>(466)</u>	<u>(1,219)</u>
Cash flows from investing activities:		
Investment income	<u>160</u>	<u>379</u>
Net cash provided by investing activities	<u>160</u>	<u>379</u>
Net (decrease) increase in cash and equivalents	(7,048)	919
Cash and cash equivalents, beginning of year	<u>13,445</u>	<u>12,526</u>
Cash and cash equivalents, end of year	<u>\$ 6,397</u>	<u>\$ 13,445</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Current unrestricted cash and cash equivalents	\$ 880	\$ 1,590
Current restricted cash and cash equivalents	<u>5,517</u>	<u>11,855</u>
	<u>\$ 6,397</u>	<u>\$ 13,445</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (785)	\$ (748)
Adjustments		
Depreciation	17	16
Decrease in land held for resale, including gain on sale	8	13
Increase in receivables and other assets	15	48
Decrease in payables and other liabilities	<u>(226)</u>	<u>(490)</u>
Net cash used for operating activities	<u>\$ (971)</u>	<u>\$ (1,161)</u>

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

NATURE OF BUSINESS AND REPORTING ENTITY - The Tulsa Development Authority (the “Authority” or “TDA”) is accounted for as a special purpose government engaged solely in business-type activities. The Authority was created by the City of Tulsa under the provisions of Title 11 Oklahoma Statutes Section 38-101 et. seq. as an Oklahoma Urban Renewal Authority, a Corporate Body Politic. The City of Tulsa is the beneficiary of the Authority. The purpose of the Authority is to exercise all powers conferred upon it by the statutes of the State of Oklahoma and the Bylaws of the Authority for the purposes of TIF administration, neighborhood improvement, residential and commercial economic development, code enforcement, flood area remediation and removal and redevelopment of blighted properties.

Commissioners are appointed by the Mayor. The City provides certain resources to the Authority. The City is the sole beneficiary of the Authority and will receive the remaining assets upon termination. The Authority is a component unit of the City (the primary government) and is included in the City’s Annual Comprehensive Financial Report as a discretely presented component unit.

BASIS OF ACCOUNTING – The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to business type activities of governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. All amounts are expressed in thousands unless otherwise noted.

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

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

TDA is allocated interest monthly based on their average daily position in the City’s pooled portfolio. Changes in fair value of the City’s pooled portfolio are allocated annually based on TDA’s position as of June 30.

For purposes of reporting cash flows, TDA considers all highly liquid debt instruments with an original maturity of three months or less when purchased, and amounts held by the City’s portfolio pool, to be cash equivalents.

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

The amounts held in the City’s pooled portfolio are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

NOTES RECEIVABLE - Notes receivable represents loans made to developers as a part of the Authority’s Vision 2025 and Downtown Housing projects. These loans are to be made to promote the economic vitality of the City’s downtown and are for voter-approved projects. Sales tax dollars from the City are transferred to the Authority to administer the loans and returned to the City upon repayment, which are reflected as nonoperating payments to the primary government on the statement of revenues, expenses and changes in net position. These notes are fully collateralized by the mortgages on the properties or an irrevocable letter of credit.

CAPITAL ASSETS - Capital assets, with an initial cost of \$5 or more and a useful life of greater than one year, are stated at cost. Donated assets are recorded at acquisition value as of the date donated. Assets placed in service are depreciated on a straight-line basis over the estimated service lives below:

	<u>Estimated Service Life</u>
Buildings	50 years
Equipment	5 to 15 years

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

COMPENSATED ABSENCES - Vacation and sick leave is granted to all employees. Vacation time accrued varies from 14 to 26 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount that may be earned in one calendar year. Accumulated vacation leave vests and the Authority is obligated to make payment even if the employee terminates. Accumulated sick leave is not paid out to the employee upon separation, if separation occurs before retirement eligibility. Upon retirement the employee is eligible to receive a lump sum payout of one hour for every three hours accrued if the employee has at least 960 hours. The liability for sick leave consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation payments and other employees who are expected to become eligible in the future to receive such payments upon separation are included. The amount of unpaid vacation and sick leave is charged to expense during the period earned and is probable of payout, and a corresponding liability is established. The liability was removed because the balances were paid out to employees at June 30, 2021.

RESTRICTED CASH AND CASH EQUIVALENTS – Cash relating to the Authority’s participation in the Community Development Block Grant and Home Investment Partnership programs of HUD, as well as resources from the Authority’s rehabilitation loan programs, are reported as restricted on the statement of net position because they are used within the guidelines of the original grant programs. Restricted cash and cash equivalents also includes sales tax revenue and ad valorem tax revenue restricted for capital projects and developer programs by enabling legislation.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)
Years Ended June 30, 2021 and 2020

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

RESTRICTED NOTES RECEIVABLE – Notes relating to the Authority’s participation in the Community Development Block Grant and Home Investment Partnership programs of HUD, as well as resources from the Authority’s rehabilitation loan programs, are reported as restricted on the statement of net position because they were authorized within the guidelines of the original grant programs. Restricted notes also include funds provided by sales tax revenue and ad valorem tax revenue which are restricted for capital projects and developer programs by enabling legislation.

NET POSITION - Net position of the Authority represents the difference between assets and liabilities. Investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Authority first applies restricted resources. As of June 30, 2021, \$7,964, \$8,459 and \$27 were restricted for capital projects, development projects and other purposes, respectively. As of June 30, 2020, \$7,257, \$16,064 and \$26 were restricted for capital projects, development projects and other purposes, respectively. Unrestricted net position is assets less liabilities that do not meet the definition of investment in capital assets or restricted.

INCOME TAXES - With regards to federal income taxes, the Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code.

REVENUE AND EXPENSES – Non-exchange revenue is recognized when all applicable eligibility requirements, including time requirements are met. Resources received by the Authority before the eligibility requirements are met are reported as unearned revenue.

Operating revenues consist of property rentals on single-family and commercial properties held by the Authority. Operating revenues also include gains on sales of land inventory held for resale and recovery of the cost of disposing land on behalf of the City of Tulsa.

Operating expenses consist of all costs incurred to administer the acquisition, maintenance and resale of properties targeted for redevelopment. All revenues and expenses not meeting these descriptions are considered nonoperating revenues and expenses.

Nonoperating revenue consists of interest earned on deposits, payments from the City, grant revenue from other governmental entities and contributions.

Nonoperating expenses include payments to the primary government and other related entities for nonrecurring items that are not part of the normal operations.

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

TRANSACTIONS BETWEEN THE CITY AND THE AUTHORITY - The Authority records, as nonoperating revenue, payments from the City that are primarily sales tax dollars provided to subsidize expenditures associated with the Authority's purpose. This revenue may be payments from the City designated for specific projects, or other payments. Payments from the Authority to the City are for the repayment of developer notes receivables, return of program income on the CDBG grant, return of revenue for sale of City owned land, and the return of any excess sales tax collected in the TIF districts. See *Footnote 8* for discussion of payments to the City and Tulsa County. The Authority records, as capital contributions to the City, street improvements, land related to properties that have been acquired and the cost to demolish related buildings and structures.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

2. CASH DEPOSITS AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS - Cash deposits of TDA are held within the City's pooled portfolio. The City's pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2021 and 2020, TDA maintained balances of \$6,397 and \$13,445, respectively, in the City's pooled portfolio which represented .60% and 1.35%, respectively of the City's pooled portfolio.

The City's pooled portfolio is collateralized by securities held by the City or its agent in the City's name as of June 30, 2021 and 2020.

Please refer to the City's Annual Comprehensive Financial Report for additional information on the City's pooled portfolio, including required disclosures of risk and fair value measurement techniques. A copy of the City's separately-issued report can be obtained at www.cityoftulsa.org.

3. LAND HELD FOR RESALE

The cost of land acquired and held for resale was \$1,018 and \$1,048 at June 30, 2021, and 2020, respectively, and was reduced to lower of cost or net realizable value of \$252 and \$260 for the years ended June 30, 2021, and 2020, respectively. There was a decrease in market value of land held for sale of \$1 and \$16 for the years ended June 30, 2021, and 2020, respectively.

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4. CAPITAL ASSETS

The changes in capital assets during the years ended June 30, 2021 and 2020 are summarized as follows:

	Beginning			Ending
2021:	Balance	Increases	Decreases	Balance
Non-depreciable capital assets:				
Land	\$ 35	\$ -	\$ -	\$ 35
Total non-depreciable capital assets	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
Depreciable capital assets:				
Buildings	629	-	-	629
Equipment	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
Total depreciable capital assets	<u>642</u>	<u>-</u>	<u>-</u>	<u>642</u>
Less accumulated depreciation:				
Buildings	(408)	(15)	-	(423)
Equipment	<u>(1)</u>	<u>(2)</u>	<u>-</u>	<u>(3)</u>
Total accumulated depreciation	<u>(409)</u>	<u>(17)</u>	<u>-</u>	<u>(426)</u>
Total depreciable capital assets, net	<u>233</u>	<u>(17)</u>	<u>-</u>	<u>216</u>
Capital assets, net	<u>\$ 268</u>	<u>\$ (17)</u>	<u>\$ -</u>	<u>\$ 251</u>
	Beginning			Ending
2020:	Balance	Increases	Decreases	Balance
Non-depreciable capital assets:				
Land	\$ 35	\$ -	\$ -	\$ 35
Total non-depreciable capital assets	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
Depreciable capital assets:				
Buildings	629	-	-	629
Equipment	<u>7</u>	<u>6</u>	<u>-</u>	<u>13</u>
Total depreciable capital assets	<u>636</u>	<u>6</u>	<u>-</u>	<u>642</u>
Less accumulated depreciation:				
Buildings	(392)	(16)	-	(408)
Equipment	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Total accumulated depreciation	<u>(392)</u>	<u>(17)</u>	<u>-</u>	<u>(409)</u>
Total depreciable capital assets, net	<u>244</u>	<u>(11)</u>	<u>-</u>	<u>233</u>
Capital assets, net	<u>\$ 279</u>	<u>\$ (11)</u>	<u>\$ -</u>	<u>\$ 268</u>

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5. NOTES RECEIVABLE

The balance of notes receivable to developers was \$13,740 and \$14,223 at June 30, 2021 and 2020, respectively. There was no allowance for 2021 or 2020. At June 30, 2021, a \$1,300 principal payment was overdue but expected to be collected by calendar year end. The notes to developers bear an interest rate ranging from zero percent to 6.0 percent per annum until the due date. The notes are due at various dates ranging from fiscal year 2022 through 2030. The notes are secured by either a first or second mortgage on the underlying real estate or an irrevocable letter of credit. Interest due at June 30, 2021 and 2020 totaled \$90 and \$37, respectively.

Principal Payments Due in Subsequent Years:

2022	8,062
2023	2,052
2024	52
2025	1,478
2026-2030	<u>2,096</u>
Total	<u>\$ 13,740</u>

6. RISK MANAGEMENT

The Authority maintains insurance coverage for commercial liability and workers' compensation. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts, if any, have not exceeded insurance coverage for the current year or the three prior years.

7. GENERAL LITIGATION

The Authority is subject to claims and lawsuits that arise primarily in the course of ordinary business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits, if any, will not have a material adverse effect on the net position, changes in net position and cash flows of the Authority.

8. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, the Authority conducted the following transactions with related parties:

	<u>2021</u>	<u>2020</u>
Contributions of sales tax dollars from the City for developer loans	\$ 321	\$ 137
Payments to City of Tulsa	<u>\$ 6,574</u>	<u>\$ 5,963</u>
Capital contributions to City for capital improvements	<u>\$ 466</u>	<u>\$ 1,213</u>

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9. PENSION PLAN

Employees of the Authority participate in a defined contribution retirement plan, Tulsa Development Authority 403(b) Retirement Plan (the “Plan”), created in accordance with Internal Revenue Code Section 403(b). The Plan was adopted by the Authority on November 12, 2009. The Plan provides benefits at retirement to the employees of the Authority. Employees may contribute up to the annual maximum set by the Internal Revenue Service. The Authority matches up to 6% of the employee contribution. At June 30, 2021, there will be no additional employer contributions. The Authority contributed \$3 and \$19 for the years ended June 30, 2021 and 2020.

10. COMMITMENTS

The Authority has construction and loan commitments outstanding of \$3,852 as of June 30, 2021, related to sales tax, tax increment financing and redevelopment projects. The commitments are available for future periods until the commitment is either fully spent or the project is complete and the Authority is relieved of the remaining commitment.

11. COMPENSATED ABSENCES

The changes in compensated absences are summarized as follows:

2021:				
<u>Beginning</u>			<u>Ending</u>	<u>Due in</u>
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>one year</u>
<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>

2020:				
<u>Beginning</u>			<u>Ending</u>	<u>Due in</u>
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>one year</u>
<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ 29</u>	<u>\$ 10</u>

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12. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

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

GASB Statement No. 87, *Leases*, effective for reporting periods beginning after June 15, 2021, 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 does not think there will be an impact from this statement.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements– Issued in May 2020, this Statement will be effective for reporting periods beginning after June 15, 2022. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Management is still evaluating the applicability of Statement No. 96 to the Authority.

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.

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14. SUBSEQUENT EVENTS

As of July 1, 2021, management of the Authority will be assumed by the Tulsa Authority for Economic Opportunity, (TAEO). Employees of the Authority will become employees of TAEO. TAEO will consolidate the management of the City's key economic development assets and strategy.