TULSA DEVELOPMENT AUTHORITY

(A Component Unit of the City of Tulsa, Oklahoma)

FINANCIAL REPORTS

June 30, 2016 and 2015

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TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
Index
Years Ended June 30, 2016 and 2015

RSM US LLP

Independent Auditor's Report

Board of Commissioners
Tulsa Development Authority
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Development Authority (the "Authority"), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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 8 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 3, 2016

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, 2016 and 2015. 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 $37,838. Of this amount, $317 is invested in capital assets, $13,364 is restricted for capital projects, $16,479 is restricted for developer programs, $682 is restricted for other purposes, and $6,996 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 2015 by $35,425.

During 2016, the Authority's net position increased $2,413 to $37,838. During 2015, the Authority's net position increased $1,857.

The Authority's operating revenues decreased to $337 in 2016 from $480 in 2015, a 29.8% decrease. In 2015, the Authority's operating revenues decreased from $1,497 to $480, a 67.9% decrease.

Overview of the Financial Statements

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

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

Financial Analysis

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

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

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 $2,413 or 6.8% to $37,838 during the year ended June 30, 2016. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	2016	2015	2014
Current assets	$ 20,300	$ 20,051	$ 17,430
Capital assets, net	317	332	347
Noncurrent assets	19,103	17,208	17,782
Total assets	39,720	37,591	35,559
Current liabilities	101	160	488
Noncurrent liabilities	628	634	537
Total liabilities	729	794	1,025
Deferred Inflows of Resources:			
Property tax revenue	1,153	1,372	966
Total Deferred Inflows of resources	1,153	1,372	966
Net position:			
Investment in capital assets	317	332	347
Restricted: Capital projects	13,364	12,529	10,703
Restricted: Developer programs	16,479	14,318	14,881
Restricted: Other purposes	682	325	342
Unrestricted	6,996	7,921	7,295
Total net position	$ 37,838	$35,425	$33,568

Net Position, continued

The following changes occurred in 2016:

- Current assets increased $249, due to an increase of $446 in cash and a decrease in property tax receivable of $218.

- Current liabilities decreased $59 as a result of a $59 decrease in accounts payable.

The following changes occurred in 2015:

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

- Current liabilities decreased $328 primarily as a result of a $343 decrease in restricted accounts payable.

Noncurrent assets increased $1,895 in 2016 due to an increase in notes receivable. In 2015, noncurrent assets declined $574 due to a $591 reduction of land held for resale inventory resulting from land sales.

Noncurrent liabilities decreased $6 in 2016 and increased $97 in 2015. The 2016 decrease is the result of a $14 decrease in noncurrent escrow deposits on land sales for development, and an increase of $8 in compensated absences. The 2015 increase is due to an $66 increase in noncurrent escrow deposits on land sales for redevelopment.

SUMMARY OF CHANGES IN NET POSITION

	2016	2015	2014
Operating revenues	$ 337	$ 480	$ 1,497
Investment income	303	186	211
Contributions	-	4	12
Contributions of sales tax from City	2,040	-	-
Ad valorem tax and sales tax	1,800	2,542	1,662
Other income	-	-	1
Total revenues	4,480	3,212	3,383
Depreciation expense	15	15	15
Other operating expense	976	942	1,801
Distributions to Tulsa Parking Authority	-	-	20
Distributions to Tulsa Industrial Authority	-	304	-
TIF Reimbursements to the County	494	-	-
TIF Reimbursements to the City	334	-	-
Distributions of program income to the City	-	4	59
Total expenses	1,819	1,265	1,895
Capital contributions to primary government	(248)	(90)	(1,569)
Change in net position	2,413	1,857	(81)
Net position, beginning of year	35,425	33,568	33,649
Net position, end of year	$ 37,838	$ 35,425	$ 33,568

In 2016, revenues increased $1,268 or 39.5%. Expenses increased $554 or 43.8%. The result of revenues exceeding expenses and a capital contribution of $248 was a net increase in net position of 6.8%.

In 2016, operating revenues decreased $143 or 29.8% primarily due to reduced gain on property sales.

Investment income increased $117 in 2016 due to a higher rate of return on the pooled cash and investments.

In 2015, revenues decreased $171 or 5.0% and expenses decreased $630 or 33.2%. This along with a capital contribution of $90 resulted in an increase in net position of $1,857 or 5.5%.

In 2015, a lower level of gains from land sales caused a $1,017 or 67.9% drop in operating revenues.

CAPITAL ASSETS

The Authority's investment in capital assets as of June 30, 2016 was $317 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There were no capital asset acquisitions during the year.

CAPITAL ASSETS

	2016	2015	2014
Land	$ 35	$ 35	$ 35
Buildings	629	629	629
Equipment	41	41	41
Capital assets, total	705	705	705
Less accumulated depreciation	(388)	(373)	(358)
Capital assets, net	$ 317	$ 332	$ 347

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2017 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 4.9% at the end of fiscal-year 2016, a decline of 0.4% from last year. Unemployment in the City of Tulsa was slightly above the national level during fiscal year 2016. The rate was 5.4% at the end of fiscal-year, an increase of 0.6% from last year.

The Authority acquires properties in Tulsa in order to rehabilitate, conserve, or redevelop blighted or underserved areas of Tulsa. The Authority remarkets the properties by offering loans at attractive rates funded by sales tax received from the City. Properties in the central business district of Tulsa continued to increase in value as the result of various economic development initiatives. The Authority did not experience any significant losses related to the remarketing of these properties.

Office vacancies in the City of Tulsa decreased approximately .1% from July 2015 through June 2016. The commercial real estate leasing environment in Tulsa remained relatively stable over the course of the 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.

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

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. However, several of the TIF's have expired which has lead to an overall decrease in collections.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tulsa Development Authority, 1216 N. Lansing Ave., Tulsa, Oklahoma 74106.

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	2016	2015
	(In thousands of dollars)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,025	$ 7,949
Cash and cash equivalents - restricted	12,058	10,688
Receivables	60	39
Property tax receivable	1,153	1,372
Prepaid expense	4	3
Total current assets	20,300	20,051
Noncurrent assets:		
Cash and cash equivalents - restricted	1,963	2,104
Land held for resale	661	786
Non-depreciable capital assets	35	35
Depreciable capital assets, net	282	297
Notes receivable	16,479	14,318
Total noncurrent assets	19,420	17,540
Total assets	39,720	37,591
LIABILITIES		
Current liabilities:		
Accounts payable	94	152
Vested compensated absences	7	8
Total current liabilities	101	160
Noncurrent liabilities:		
Escrow and security deposits	558	572
Vested compensated absences	70	62
Total noncurrent liabilities	628	634
Total liabilities	729	794
Deferred Inflows of Resources:		
Property tax revenue	1,153	1,372
Total Deferred Inflows of Resources	1,153	1,372
NET POSITION		
Investment in capital assets	317	332
Restricted for:		
Capital projects	13,364	12,529
Developer programs	16,479	14,318
Other purposes	682	325
Unrestricted net position	6,996	7,921
Total net position	$ 37,838	$ 35,425

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, 2016 and 2015

	2016	2015
	(In thousands of dollars)	
Operating revenues:		
Property rentals	$ 86	$ 73
Gain on sale of land held for resale, including other income	251	407
Total operating revenues	337	480
Operating expenses:		
Salaries and wages	299	295
Materials and supplies	4	10
Other services and charges	109	146
Escrow deposit refund	97	-
Other acquisition services	11	11
Building operations	35	18
Vegetative control	145	151
Legal services	152	169
Audit services	24	24
Consulting services	100	118
Depreciation	15	15
Total operating expenses	991	957
Operating income (loss)	(654)	(477)
Nonoperating revenues (expenses):		
Interest received on investments	303	186
Ad valorem tax and sales tax revenue	1,800	2,542
Contributions	-	4
Distributions to Tulsa Industrial Authority	-	(304)
Distributions of program income to the City	-	(4)
TIF reimbursements to the County	(494)	-
TIF reimbursements to the City	(334)	-
Contributions of sales tax from the City	2,040	-
Total nonoperating revenues	3,315	2,424
Income before contributions	2,661	1,947
Capital contributions to primary government	(248)	(90)
Change in net position	2,413	1,857
Net position, beginning of year	35,425	33,568
Net position, end of year	$ 37,838	$ 35,425

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, 2016 and 2015

	2016	2015
	(In thousands of dollars)	
Cash flows from operating activities:		
Receipts from customers	$ 456	$ 1,066
Payments to suppliers	(751)	(937)
Payments to employees	(291)	(288)
Net cash used for operating activities	(586)	(159)
Cash flows from noncapital financing activities:		
Payments to Tulsa Industrial Authority	-	(263)
Contributions of sales tax from the City	2,040	-
Distributions of program income to the City	-	(4)
TIF reimbursements to the County	(494)	-
TIF reimbursements to the City	(334)	-
Issuance of notes receivable	(2,161)	(437)
Payments of notes receivable	-	1,000
Contributions	-	4
Ad Valorem and sales tax receipts	1,800	2,542
Net cash provided by noncapital financing activities	851	2,842
Cash flows from capital and related financing activities:		
Capital contributions to primary government	(248)	(66)
Net cash used for capital and related financing activities	(248)	(66)
Cash flows from investing activities:		
Investment income	288	189
Net cash provided by investing activities	288	189
Net increase in cash and equivalents	305	2,806
Cash and cash equivalents, beginning of year	20,741	17,935
Cash and cash equivalents, end of year	$ 21,046	$ 20,741
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Current unrestricted cash and cash equivalents	$ 7,025	$ 7,949
Current restricted cash and cash equivalents	12,058	10,688
Noncurrent restricted cash and cash equivalents	1,963	2,104
	$ 21,046	$ 20,741
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (654)	$ (477)
Adjustments		
Depreciation	15	15
Decrease in land held for resale, including gain on sale	126	592
(Increase) decrease in receivables and other assets	(8)	8
Decrease in payables and other liabilities	(65)	(297)
Net cash used for operating activities	$ (586)	$ (159)
Noncash noncapital financing activities:		
Distributions to Tulsa Industrial Authority included in accounts payable	$ -	$ 41
Noncash capital financing activities:		
Capital contributions to primary government included in accounts payable	$ -	$ 25

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

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

NATURE OF BUSINESS AND REPORTING ENTITY - The Tulsa Development Authority (the "Authority") is accounted for as a special purpose government engaged solely in business-type activities. The Authority was created under the provisions of the Oklahoma Public Trust Act. The purpose of the Authority is to benefit the City of Tulsa (the "City") by the rehabilitation, conservation, redevelopment, or a combination thereof, of blighted areas to ensure the public health, safety, and welfare of its residents.

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

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

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

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

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 TO FINANCIAL STATEMENTS (In thousands of dollars)

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

NOTES RECEIVABLE - Notes receivable represents loans made to developers as a part of the Authority's Vision 2025 and Downtown Housing projects. These loans are to be made to promote the economic vitality of the City's downtown and are for voter-approved projects. These notes are fully collateralized by the mortgages on the properties or an irrevocable letter of credit.

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

	Estimated Service Life
Buildings	50 years
Equipment	3 to 15 years

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

VESTED COMPENSATED ABSENCES - Vacation and sick leave are granted to all regular employees. The annual amount of vacation and sick leave is ten days per year, respectively. Accumulated vacation and sick leave vests and the Authority is obligated to make payments upon employee termination. The change in accrued vacation and sick leave is charged to expense and a corresponding liability is established.

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

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, 2016, $13,364, $16,479 and $682 were restricted for capital projects, developer programs and other purposes, respectively. As of June 30, 2015, $12,529, $14,318 and $325 were restricted for capital projects, developer programs and other purposes, respectively. Unrestricted net position is assets less liabilities that do not meet the definition of investment in capital assets or restricted.

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

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

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

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

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

Nonoperating revenue consists of interest earned on deposits, payments from the City, grant revenue from other governmental entities, contributions, and ad valorem and sales tax revenue. The Authority receives ad valorem tax on real property located within certain tax-increment financing districts. Ad valorem taxes are levied each October 1st on the assessed valuation of non-exempt real property located in the City as of the preceding January 1st, the lien date. Property taxes are due on November 1st following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1st, the second installment is not delinquent until April 1st). Ad valorem taxes are collected by the Treasurer of Tulsa County and are remitted to the City. Property tax receivables are recorded on the lien date, although the related revenue is reported as a deferred inflow of resources and will not be recognized until the year for which it is levied. Sales taxes are collected by the State of Oklahoma and remitted to the City the month following collection. The City retains the sales tax until the revenue in the tax increment financing districts is certified. The incremental revenue is remitted to the Authority in the year following the collection. The Authority records the sales tax revenue in the period when the certification occurs.

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

TRANSACTIONS BETWEEN THE 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 payments from the City designated for specific projects, or other payments. Payments from the Authority to the City are for the return of program income on the CDBG grant as well as return of revenue for sale of City owned land and are reported as nonoperating expenses. *See Footnote 8* for discussion of payments to the City. The Authority records, as capital contributions to the City, street improvements, land related to properties that have been acquired and the buildings and structures have been demolished by the Authority.

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

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

RECLASSIFICATIONS - Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on changes in net Position.

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, 2016 and 2015, TDA maintained balances of $21,046 and $20,741, respectively, in the City's pooled portfolio which represented 2.90% and 3.07%, 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, 2016 and 2015.

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. LAND HELD FOR RESALE

The cost of land acquired and held for resale was $1,587 and $1,671 at June 30, 2016, and 2015, respectively, and was reduced to lower of cost or net realizable value of $661 and $786 for the years ended June 30, 2016, and 2015, respectively. A decrease in the net realizable value of land held for sale of $46 and $0 is recognized in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2016, and 2015, respectively.

NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)

4. CAPITAL ASSETS

The changes in capital assets during the years ended June 30, 2016 and 2015 are summarized as follows:

2016:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Non-depreciable capital assets:				
Land	$ 35	$ -	$ -	$ 35
Total non-depreciable capital assets	35	-	-	35
Depreciable capital assets:				
Buildings	629	-	-	629
Equipment	41	-	-	41
Total depreciable capital assets	670	-	-	670
Less accumulated depreciation:				
Buildings	(332)	(15)	-	(347)
Equipment	(41)	-	-	(41)
Total accumulated depreciation	(373)	(15)	-	(388)
Total depreciable capital assets, net	297	(15)	-	282
Capital assets, net	$ 332	$ (15)	$ -	$ 317

2015:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Non-depreciable capital assets:				
Land	$ 35	$ -	$ -	$ 35
Total non-depreciable capital assets	35	-	-	35
Depreciable capital assets:				
Buildings	629	-	-	629
Equipment	41	-	-	41
Total depreciable capital assets	670	-	-	670
Less accumulated depreciation:				
Buildings	(317)	(15)	-	(332)
Equipment	(41)	-	-	(41)
Total accumulated depreciation	(358)	(15)	-	(373)
Total depreciable capital assets, net	312	(15)	-	297
Capital assets, net	$ 347	$ (15)	$ -	$ 332

NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)

5. NOTES RECEIVABLE

The balance of notes receivable to developers was $16,479 and $14,318 at June 30, 2016 and 2015, respectively. There was no allowance for 2016 or 2015. The notes to developers bear an interest rate of zero percent until the due date. The notes are due at various dates ranging from fiscal year 2019 through 2022. The notes are secured by a second mortgage on the underlying real estate or an irrevocable letter of credit.

Principle Payments Due in Subsequent Years:

2017	$ -
2018	-
2019	4,938
2020	3,821
2021	1,142
2022-2027	6,578
Total	$ 16,479

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, 2016 and 2015, the Authority conducted the following transactions with related parties:

	2016	2015
Distributions to Tulsa Industrial Authority for capital improvements	$ -	$ 304
Contributions of sales tax dollars from the City for developer loans	$ 2,040	$ -
TIF reimbursement to the City	$ 334	$ -
Distributions of program income to the City	$ -	$ 4
Capital contributions to City for capital improvements	$ 248	$ 90

NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)

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, 2016, there were three plan members. The Authority contributed $18 and $16 for the years ended June 30, 2016 and 2015, respectively.

10. COMMITMENTS

The Authority has construction commitments outstanding of $8,592 as of June 30, 2016, related to sales tax, tax increment financing and redevelopment projects.

11. VESTED COMPENSATED ABSENCES

The changes in vested compensated absences are summarized as follows:

2016:

Beginning Balance	Additions	Deletions	Ending Balance	Due in one year
$ 70	$ 26	$ 19	$ 77	$ 7

2015:

Beginning Balance	Additions	Deletions	Ending Balance	Due in one year
$ 55	$ 23	$ 8	$ 70	$ 8

12. SUBSEQUENT EVENTS

On October 4, 2016, the Authority loaned $2,000 from unrestricted funds to an entity for redevelopment of real estate. The real estate is located in downtown Tulsa and will be used for mixed-urban commercial purposes. The term of the loan is six years with an interest rate of 2.5%. Interest payments are due annually and principle is due in full at maturity.

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