TULSA DEVELOPMENT AUTHORITY

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

FINANCIAL REPORTS

June 30, 2017 and 2016

TULSA DEVELOPMENT AUTHORITY
(A Component Unit of the City of Tulsa, Oklahoma)
Index
Years Ended June 30, 2017 and 2016

PLACEHOLDER

Audit Opinion

_________, 2017

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, 2017 and 2016. 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 $37,732. Of this amount, $302 is invested in capital assets, $11,936 is restricted for capital projects, $19,869 is restricted for developer programs, $109 is restricted for other purposes, and $5,516 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 2016 by $37,838.

During 2017, the Authority's net position decreased $106 to $37,732. During 2016, the Authority's net position increased $2,413.

The Authority's operating revenues decreased to $318 in 2017 from $337 in 2016, a 5.6% decrease. In 2016, the Authority's operating revenues decreased from $480 to $337, a 29.8% 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 decreased $106 or 0.3% to $37,732 during the year ended June 30, 2017. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	2017	2016	2015
Current assets	$ 16,806	$ 20,300	$ 20,051
Capital assets, net	302	317	332
Noncurrent assets	21,266	19,103	17,208
Total assets	38,374	39,720	37,591
Current liabilities	126	101	160
Noncurrent liabilities	501	628	634
Total liabilities	627	729	794
Deferred Inflows of Resources:			
Property tax revenue	15	1,153	1,372
Total Deferred Inflows of resources	15	1,153	1,372
Net position:			
Investment in capital assets	302	317	332
Restricted: Capital projects	11,936	13,364	12,529
Restricted: Developer programs	19,869	16,479	14,318
Restricted: Other purposes	109	682	325
Unrestricted	5,516	6,996	7,921
Total net position	$ 37,732	$37,838	$35,425

Net Position, continued

The following changes occurred in 2017:

- Current assets decreased $3,494, due to a decrease of $2,384 in cash, a decrease in property tax receivable of $1,138 as the result of tax increment financing districts expiring, and an increase in receivable of $28 due to increased return on cash balances.

- Current liabilities increased $25 as a result of a $24 increase in accounts payable due to timing of invoice payments.

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 as a result of a tax increment financing district expiring during the fiscal year.

- Current liabilities decreased $59 as a result of a $59 decrease in accounts payable due to timing of invoice payments.

Noncurrent assets increased $2,148 in 2017 primarily as a result of an increase in notes receivable. In 2016, noncurrent assets increased $1,895 due to an increase in notes receivable.

Noncurrent liabilities decreased $127 in 2017 and decreased $6 in 2016. The 2017 decrease is the result of a $143 decrease in noncurrent escrow deposits on land sales for development, and an increase of $16 in compensated absences. In 2016, noncurrent liabilities decreased $6 as a result of a $14 decrease in noncurrent escrow deposits on land held for development, and an increase of $8 in compensated absences.

SUMMARY OF CHANGES IN NET POSITION

	2017	2016	2015
Operating revenues	$ 318	$ 337	$ 480
Investment income	59	303	186
Contributions	-	-	4
Contributions of sales tax from City	255	2,040	-
Ad valorem tax and sales tax	1,287	1,800	2,542
Total revenues	1,919	4,480	3,212
Depreciation expense	15	15	15
Other operating expense	1,028	976	942
Distributions to Tulsa Industrial Authority	-	-	304
TIF Reimbursements to the County	-	494	-
TIF Reimbursements to the City	237	334	-
Distributions of program income to the City	-	-	4
Total expenses	1,280	1,819	1,265
Capital contributions to primary government	(745)	(248)	(90)
Change in net position	(106)	2,413	1,857
Net position, beginning of year	37,838	35,425	33,568
Net position, end of year	$ 37,732	$ 37,838	$ 35,425

In 2017, revenues decreased $2,561 or 57.2% as a result of ad valorem and sales tax collection decreases due to tax increment financing districts expiring during the year. Expenses decreased $539 or 29.6% as a result of less TIF reimbursements due to the City and County. This resulted in a decrease in net position of $106 or 0.3%.

In 2017, an increase in property rentals of $29 along with a decrease of $48 in gain on sale of land caused a $19 or 5.6% drop in operating revenues. The increase in property rentals was due to an increase in daily rentals on a surface parking lot and securing a new tenant in the commercial office building. The decrease in gain on sale of land was due to fewer sale transactions during the year.

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 decreased $244 in 2017 due to a decrease in the amount of pooled cash held by the Authority.

CAPITAL ASSETS

The Authority's investment in capital assets as of June 30, 2017 was $302 (net of accumulated depreciation). This investment in capital assets includes buildings and equipment. There were no capital asset acquisitions during the year.

CAPITAL ASSETS

	2017	2016	2015
Land	$ 35	$ 35	$ 35
Buildings	629	629	629
Equipment	41	41	41
Capital assets, total	705	705	705
Less accumulated depreciation	(403)	(388)	(373)
Capital assets, net	$ 302	$ 317	$ 332

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered many factors when setting the 2018 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. Daily use rental fees at the Authority's surface parking lot are reviewed periodically and adjusted as the market allows.

At the national level, unemployment declined to 4.4% at the end of fiscal-year 2017, a decline of 0.5% from last year. Unemployment in the City of Tulsa was slightly above the national level during fiscal year 2017. The rate was 5.0% at the end of fiscal-year, an decrease of 0.4% 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 increased approximately 4.0% from July 2016 through June 2017 due to a decline in oil and gas employment. The commercial real estate leasing environment in Tulsa declined slightly 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, 2017 and 2016

	2017	2016
	(In thousands of dollars)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,515	$ 7,025
Cash and cash equivalents - restricted	13,184	12,058
Receivables	88	60
Property tax receivable	15	1,153
Prepaid expense	4	4
Total current assets	16,806	20,300
Noncurrent assets:		
Cash and cash equivalents - restricted	511	1,963
Land held for resale	591	661
Non-depreciable capital assets	35	35
Depreciable capital assets, net	267	282
Notes receivable	20,164	16,479
Total noncurrent assets	21,568	19,420
Total assets	38,374	39,720
LIABILITIES		
Current liabilities:		
Accounts payable	118	94
Vested compensated absences	8	7
Total current liabilities	126	101
Noncurrent liabilities:		
Escrow and security deposits	415	558
Vested compensated absences	86	70
Total noncurrent liabilities	501	628
Total liabilities	627	729
Deferred Inflows of Resources:		
Property tax revenue	15	1,153
Total Deferred Inflows of Resources	15	1,153
NET POSITION		
Investment in capital assets	302	317
Restricted for:		
Capital projects	11,936	13,364
Developer programs	19,869	16,479
Other purposes	109	682
Unrestricted net position	5,516	6,996
Total net position	$ 37,732	$ 37,838

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, 2017 and 2016

	2017	2016
	(In thousands of dollars)	
Operating revenues:		
Property rentals	$ 115	$ 86
Gain on sale of land held for resale, including other income	203	251
Total operating revenues	318	337
Operating expenses:		
Salaries and wages	324	299
Materials and supplies	5	4
Other services and charges	134	109
Escrow deposit refund	97	97
Other acquisition services	12	11
Building operations	35	35
Vegetative control	145	145
Legal services	152	152
Audit services	24	24
Consulting services	100	100
Depreciation	15	15
Total operating expenses	1,043	991
Operating income (loss)	(725)	(654)
Nonoperating revenues (expenses):		
Interest received on investments	59	303
Ad valorem tax and sales tax revenue	1,287	1,800
TIF reimbursements to the County	-	(494)
TIF reimbursements to the City	(237)	(334)
Contributions of sales tax from the City	255	2,040
Total nonoperating revenues	1,364	3,315
Income before contributions	639	2,661
Capital contributions to primary government	(745)	(248)
Change in net position	(106)	2,413
Net position, beginning of year	37,838	35,425
Net position, end of year	$ 37,732	$ 37,838

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, 2017 and 2016

	2017	2016
	(In thousands of dollars)	
Cash flows from operating activities:		
Receipts from customers	$ 362	$ 456
Payments to suppliers	(821)	(751)
Payments to employees	(308)	(291)
Net cash used for operating activities	(767)	(586)
Cash flows from noncapital financing activities:		
Contributions of sales tax from the City	255	2,040
TIF reimbursements to the County	-	(494)
TIF reimbursements to the City	(237)	(334)
Issuance of notes receivable	(3,685)	(2,161)
Ad Valorem and sales tax receipts	1,287	1,800
Net cash (used for) provided by noncapital financing activities	(2,380)	851
Cash flows from capital and related financing activities:		
Capital contributions to primary government	(745)	(248)
Net cash used for capital and related financing activities	(745)	(248)
Cash flows from investing activities:		
Investment income	56	288
Net cash provided by investing activities	56	288
Net (decrease) increase in cash and equivalents	(3,836)	305
Cash and cash equivalents, beginning of year	21,046	20,741
Cash and cash equivalents, end of year	$ 17,210	$ 21,046
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Current unrestricted cash and cash equivalents	$ 3,515	$ 7,025
Current restricted cash and cash equivalents	13,184	12,058
Noncurrent restricted cash and cash equivalents	511	1,963
	$ 17,210	$ 21,046
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (725)	$ (654)
Adjustments		
Depreciation	15	15
Decrease in land held for resale, including gain on sale	70	126
Decrease in receivables and other assets	(25)	(8)
Decrease in payables and other liabilities	(102)	(65)
Net cash used for operating activities	$ (767)	$ (586)

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 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 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 as earned 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, liabilities, and deferred inflows/outflows. 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, 2017, $11,936, $19,869 and $109 were restricted for capital projects, development projects and other purposes, respectively. As of June 30, 2016, $13,364, $16,479 and $682 were restricted for capital projects, developer programs and other purposes, respectively. Unrestricted net position is assets less liabilities and deferred inflows of resources 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 by the City. The incremental revenue is remitted to the Authority in the year following the collection. The Authority records the sales tax revenue in the period when the certification occurs.

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 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 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 cost to demolish related buildings and structures.

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.

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, 2017 and 2016, TDA maintained balances of $17,210 and $21,046, respectively, in the City's pooled portfolio which represented 2.10% and 2.90%, 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, 2017 and 2016.

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 $1,484 and $1,587 at June 30, 2017, and 2016, respectively, and was reduced to lower of cost or net realizable value of $591 and $661 for the years ended June 30, 2017, and 2016, respectively. A decrease in the net realizable value of land held for sale of $7 and $46 is recognized in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2017, and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)

4. CAPITAL ASSETS

The changes in capital assets during the years ended June 30, 2017 and 2016 are summarized as follows:

2017:	**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	(347)	(15)	-	(362)
Equipment	(41)	-	-	(41)
Total accumulated depreciation	(388)	(15)	-	(403)
Total depreciable capital assets, net	282	(15)	-	267
Capital assets, net	$ 317	$ (15)	$ -	$ 302

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

NOTES TO FINANCIAL STATEMENTS (In thousands of dollars)

5. NOTES RECEIVABLE

The balance of notes receivable to developers was $20,164 and $16,479 at June 30, 2017 and 2016, respectively. There was no allowance for 2017 or 2016. The notes to developers bear an interest rate ranging from zero percent to 2.5 percent per annum until the due date. The notes are due at various dates ranging from fiscal year 2019 through 2023. The notes are secured by a second mortgage on the underlying real estate or an irrevocable letter of credit. Interest due at June 30, 2017 and 2016 totaled $36 and $0, respectively.

Principal Payments Due in Subsequent Years:

2018	$ -
2019	4,938
2020	4,071
2021	2,052
2022	6,011
2023-2025	3,092
Total	$ 20,164

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, 2017 and 2016, the Authority conducted the following transactions with related parties:

	2017	2016
Contributions of sales tax dollars from the City for developer loans	$ 255	$ 2,040
TIF reimbursement to the City	$ 237	$ 334
Payments to other governments	$ -	$ 494
Capital contributions to City for capital improvements	$ 745	$ 248

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, 2017, there were three plan members. The Authority contributed $14 and $18 for the years ended June 30, 2017 and 2016, respectively.

10. COMMITMENTS

The Authority has construction commitments outstanding of $7,435 as of June 30, 2017, 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. VESTED COMPENSATED ABSENCES

The changes in vested compensated absences are summarized as follows:

2017:

Beginning Balance	Additions	Deletions	Ending Balance	Due in one year
$ 77	$ 30	$ 13	$ 94	$ 8

2016:

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

12. SUBSEQUENT EVENTS

On September 7, 2017, the Authority voted to loan $1,670 from unrestricted funds to an entity for redevelopment of real estate. The real estate is located in downtown Tulsa and will be used for a mixed-use parking garage and commercial/retail development. The term of the loan is twelve years with an interest rate of 0%.

13. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

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

GASB Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2018, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Management is still evaluating the applicability of Statement No. 84 to the Authority.

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