MUSKOGEE CITY-COUNTY PORT AUTHORITY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2015

MUSKOGEE CITY-COUNTY PORT AUTHORITY
Index to Audit Report
For Year Ended June 30, 2015

Management's Discussion and Analysis - Unaudited	
Independent Auditor's Report	1 - 2
Statement of Net Assets (Combined)	3
Statement of Activities (Combined)	4
BASIC FINANCIAL STATEMENTS	
Balance Sheet- Governmental Funds	5
Reconciliation of the Balance Sheet of Government Funds to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
NOTES TO FINANCIAL STATEMENTS	12 - 22
OTHER REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	23 - 24
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues and Expenses to Budget	25

MUSKOGEE CITY-COUNTY PORT AUTHORITY

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MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis is required supplementary information, presented to the reader as an overview of the Muskogee City-County Port Authority's financial condition and performance, in accordance with Governmental Accounting Standards Board Pronouncement 34 (GASB 34).

One of the objectives of the GASB 34 reporting model is to present "an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions or conditions" in a way "that will be of interest to user groups who historically have not shown much interest in the government's financial reports".

USING THIS ANNUAL REPORT

In accordance with the GASB 34 reporting model, the financial condition of the Authority is presented in the Statement of Net Assets; the financial performance of the Authority is presented in the Statement of Activities; and the Authority's Fund Balance is divided into pieces in order to provide more information about the contribution of each piece, or activity, to the whole of the financial condition of the Authority.

Statement of Net Assets and Statement of Activities

Together, the Statement of Net Assets and the Statement of Activities are intended to show the Authority's financial condition and the change in the Authority's financial condition resulting from the current year's financial activities.

Fund Balances

Unlike many other forms of government, the Authority receives no annual appropriation and has no taxing authority. The Authority operates as a business enterprise, deriving all of its operating revenues from property leases, port fees charged to shippers and industrial development service contracts with the Union Pacific Railroad Company and the City of Muskogee. Operating revenues are used for the general administration of the Authority, maintenance of the Authority's facilities and expenses associated with the Authority's service contracts. Capital improvements are funded with the net of operating revenues after deductions, debt and grants from local, state and federal economic development programs.

For the purpose of recognizing the contribution of certain funds and activities to the whole of the Authority's financial condition and performance, the Authority allocates assets, liabilities, net assets, income and expense between its Governmental Fund and its Proprietary Funds. In its Governmental Fund,

the Authority records its General Administrative Expenses (including expenses associated with certain industrial development activities), Debt Service and Construction in Progress. In its Proprietary Funds, the Authority records its revenues and expenses for Port Operations, Railroad Operations, Grounds Maintenance and Marina Operations.

Summary of activities for the current year and comparison to last year

For the year ending June 30, 2015, the Authority's Net Operating Income was $785,585, $230,634 less than that of the previous year, due primarily to increased operating expenses.

After deducting Depreciation Expense and the net of Interest Income and Expense, the Authority's Net Income was $463,614 compared with $697,209 for the previous year, a difference of $233,595.

The following table illustrates, in summary form, a comparison of financial activities in the current year with those in the previous year.

	06/30/15	06/30/14	Variance
Operating Revenues	$2,693,733	$2,686,680	$ 7,053
Operating Expenses	$1,908,148	$1,670,461	$ 237,687
Net Operating Income	**$ 785,585**	**$1,016,219**	**$ 230,634**
Less Depreciation Expense	$ 246,229	$ 240,518	$ 5,711
Less Net of Interest Income and Expense	$ 75,742	$ 78,492	$ 2,750
Net Income	**$ 463,614**	**$ 697,209**	**$ 233,595**

Analysis of current year's activity on the financial condition of the Port Authority

As a result of the current year's activities, the net assets of the Authority, recorded in the Audited Financial Statements as Statement of Net Assets (see page 3), totaled $11,392,883, an increase in the net assets of the Authority of $464,614.

Analysis of balances and transactions of individual funds and impact on future resources

The business activities of the Authority during the current year, recorded in the Audited Financial Statements as Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds (see page 10), generated sufficient net revenues to cover the General Administrative Expenses of the Authority, Capital Outlays and Debt Service, recorded in the Audited Financial Statements as Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds (see page 7).

Analysis of significant budget variances

For the year ending June 30, 2015, Net Operating Income was $ 785,585 compared with $892,958 budgeted for the year, resulting in $107,373 less Net Operating Income than budgeted. After deducting the net of Non-Operating Income and Expense, Net Income was $463,614 compared with $586,199 budgeted for the year, resulting in $122,585 less Net Income than budgeted. Budget variances were due to a number of factors, including $62,458 less Operating Revenue than budgeted (port fees were less by $157,553 than budgeted due, in part, to the impacts that less activity in the oil and gas sector had on rail traffic; and due, in part, to the impacts that floods on the McClellan Kerr Arkansa River Navigation System had on May and June barge traffic), and $44,915 more Operating Expense than budgeted (expenses in the following categories were more than budgeted: marketing, business development, repairs and maintenance, staffing and recruitment, and employee pension contributions).

	06/30/15	Budget	Variance
Operating Revenue	$2,693,733	$2,756,191	$ 62,458
Operating Expense	$1,908,148	$1,863,233	$ 44,915
Net Operating Income	**$ 785,585**	**$ 892,958**	**$ 107,373**
Non-Operating Income	$ 5,699	$ 4,000	$ 1,699
Less Non-Operating Expense	$ 327,670	$ 310,759	$ 16,911
Net Income	**$ 463,614**	**$ 586,199**	**$ 122,585**

HOW TO CONTACT THE AUTHORITY'S FINANCIAL MANAGEMENT

If you have any questions about this discussion and analysis or about the Audited Financial Statements that follow, please feel free to contact Scott Robinson, Port Director, by telephone at 918.682.7886 or by mail at P. O. Box 2819, Muskogee Oklahoma, 74402.

Scott Robinson
Port Director
Muskogee City-County Port Authority

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Muskogee City-County Port Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Muskogee City-County Port Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Muskogee City-County Port 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Muskogee City-County Port Authority, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

207 North 3rd Street ☐ Muskogee, OK 74401

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muskogee City-County Port Authority's basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Kathy Hewitt CPA, LLP

KATHY HEWITT, CPA, LLP
Muskogee, Oklahoma
October 27, 2015

MUSKOGEE CITY-COUNTY PORT AUTHORITY
STATEMENT OF NET ASSETS
As of June 30, 2015

	Government Activities	Business Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	$ 1,449,648	$ 200	$ 1,449,848
Investments	$ 100,929	$ -	$ 100,929
Accounts Receivable	$ 7,169	$ 137,189	$ 144,358
Prepaids	$ 41,882	$ -	$ 41,882
Total Current Assets	$ 1,599,628	$ 137,389	$ 1,737,017
Restricted Assets			
Cash-99 Series Bonds	$ -	$ 71,703	$ 71,703
Prepaids	$ -	$ 20,251	$ 20,251
Total Restricted Assets	$ -	$ 91,954	$ 91,954
Non-Current Assets			
Land		$ 6,307,468	$ 6,307,468
Construction in Progress	$ 21,978	$ 58,692	$ 80,670
Property & Equipment	$ 4,149,392	$ 5,812,530	$ 9,961,922
Accumulated Depreciation	$ (844,902)	$ (2,991,548)	$ (3,836,450)
Total Fixed Assets	$ 3,326,468	$ 9,187,142	$ 12,513,610
Total Assets	$ 4,926,096	$ 9,416,485	$ 14,342,581
Liabilities			
Current Liabilities			
Current Portion Long Term Debt	$ 88,575	$ 178,710	$ 267,285
99 Series GOLTB-Paragon	$ -	$ 71,703	$ 71,703
Accounts Payable	$ 15,442	$ 16,845	$ 32,287
Total Current Liabilities	$ 104,017	$ 267,258	$ 371,275
Non-Current Liabilities			
ODFA Loan-3 Forks Harbor	$ 1,541,189	$ -	$ 1,541,189
EDIF Loan-Dal Tile Railspur	$ -	$ 135,044	$ 135,044
Beach Group Loan	$ -	$ 108,230	$ 108,230
Klutts Equipment Loan	$ -	$ 67,491	$ 67,491
05 Series GOLTB-Klutts Equip.	$ -	$ 287,362	$ 287,362
Muskogee Industrial Trust	$ -	$ 424,817	$ 424,817
Mabrey Bank	$ -	$ 169,940	$ 169,940
Accrued Interest - MIT Loan	$ -	$ 111,635	$ 111,635
Total Long Term Debt	$ 1,541,189	$ 1,304,519	$ 2,845,708
Less Current Portion Long Term Debt	$ (88,575)	$ (178,710)	$ (267,285)
Total Long Term Liabilities	$ 1,452,614	$ 1,125,809	$ 2,578,423
Total Liabilities	$ 1,556,631	$ 1,393,067	$ 2,949,698
Net Assets			
Assigned Fund Balance	$ -	$ 10,000	$ 10,000
Unassigned Fund Balance	$ 3,369,465	$ 8,013,418	$ 11,382,883
Total Net Assets	$ 3,369,465	$ 8,023,418	$ 11,392,883
Total Liabilities & Net Assets	$ 4,926,096	$ 9,416,485	$ 14,342,581

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
MUSKOGEE, OKLAHOMA
STATEMENT OF ACTIVITIES
For The Year Ended
June 30, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Net (Expense) Revenue
Governmental Activities			
General Operations	$ 538,476	$ -	$ (538,476)
Industrial Development	$ 617,625	$ 555,097	$ (62,528)
Interest on Long Term Debt	$ 37,245	$ -	$ (37,245)
Total Governmental Activities	$ 1,193,346	$ 555,097	$ (638,249)
Business Type Activities			
Port, Rail & Grounds Maintenance Activities	$ 902,234	$ 2,040,561	$ 1,138,327
Marina Activities	$ 96,042	$ 96,464	$ 422
Interest on Long Term Debt	$ 44,196	$ -	$ (44,196)
Total Business Activities	$ 1,042,472	$ 2,137,025	$ 1,094,553

Governmental Activities		**Business Type Activities**	
Net Expenses over Revenues	$ (638,249)	Net Revenues over Expenses	$ 1,094,553
Transfer To/From Other Funds	$ 445,624	Transfer To/From Other Funds	$ (445,624)
Prior Period Adjustments	$ -	Prior Period Adjustments	$ 1,000
Unrestricted Investment Earnings	$ 5,699	Unrestricted Investment Earnings	$ -
Miscellaneous Other Income	$ 1,611	Miscellaneous Other Income	$ -
Changes in Net Assets	$ (185,315)	Changes in Net Assets	$ 649,929
Net Assets - Beginning	$ 3,554,780	Net Assets - Beginning	$ 7,373,489
Net Assets - Ending	$ 3,369,465	Net Assets - Ending	$ 8,023,418

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE-GOVERNMENTAL FUNDS
As of June 30, 2015

Assets	
Current Assets	
Cash and Cash Equivalents	$ 1,449,648
Investments	$ 100,929
Accounts Receivable	$ 7,169
Prepaids	$ 41,882
Total Current Assets	$ 1,599,628
Restricted Assets	
Cash	$ -
Total Restricted Assets	$ -
Total Assets	$ 1,599,628
Liabilities	
Current Liabilities	
Current Portion Long Term Debt	$ 88,575
Accounts Payable	$ 14,382
Refundable Deposits	$ 1,060
Liabilities Payable from Restricted Funds	$ -
Total Current Liabilities	$ 104,017
Long Term Liabilities	
Total Long Term Debt	$ 1,541,189
Less Current Portion Long Term Debt	$ (88,575)
Total Long Term Liabilities	$ 1,452,614
Total Liabilities	$ 1,556,631
Fund Balance	
Assigned Fund Balance	$ -
Unassigned Fund Balance	$ 42,997
Total Fund Balance	$ 42,997
Total Liabilities & Fund Balance	$ 1,599,628

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
Reconciliation of Fund Balance to Total Liabilities Net Assets
Governmental Funds

Total liablities & fund balance - governmental funds	$ 1,599,628
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of accumulated depreciation are not financial resources and therefore are not reported in the funds	$ 3,326,468
Total liabilities & net assets of governmental activities	$ 4,926,096

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
MUSKOGEE, OKLAHOMA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For The Year Ended
June 30, 2015

Revenues	
Charges for Services	$ -
Industrial Development Income	$ 555,097
Investment Income	$ 5,699
Miscellaneous Income	$ 1,611
Total Revenues	$ 562,407
Expenditures	
General Government Expenses	$ 538,476
Industrial Development Expenses	$ 617,625
Capital Outlays	$ (92,969)
Capital Outlays-Construction in Progress	$ -
Debt Service - Interest Expense	$ 37,245
Debt Service-Principal	$ 86,528
Total Expenses	$ 1,186,905
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (624,498)
Other Financing Sources (Uses)	
Transfers From Other Funds	$ 445,624
Bond Loan Proceeds	$ -
Total Other Financing Sources	$ 445,624
Net Change In Fund Balance	$ (178,874)
Net Changes in Fund Balances	
Fund Balances - Beginning	$ 3,554,780
Add Reconciling Items (See page 8)	$ (185,315)
Fund Balances - Ending	$ 3,369,465

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2015

Net Change in Governmental Fund Balances	$	(181,874)
Amounts reported in governmental activities in the statement of net assets are different because:		
Prior period adjustment	$	-
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces the long term liabilities in the statement of net assets	$	86,528
Capital Outlays are cash expenditures in the governmental funds but the expenditures increase the fixed assets in the statement of fixed assets	$	(92,969)
Change in Net Assets of Governmental Activities	**$**	**(188,315)**

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
STATEMENT OF NET ASSETS
Proprietary Funds
As of June 30, 2015

	Port	Rail	Grounds Maintenance	Marina	Total
Assets					
Current Assets					
Cash and Cash Equivalents	$ -	$ -	$ -	$ 200	$ 200
Investment	$ -	$ -	$ -	$ -	$ -
Accounts Receivable	$ 81,115	$ 51,871	$ -	$ 2,213	$ 135,199
Reimbursable Expenses Receivable	$ 1,990	$ -	$ -	$ -	$ 1,990
Prepaids	$ -	$ -	$ -		$ -
Total Current Assets	$ 83,105	$ 51,871	$ -	$ 2,413	$ 137,389
Restricted Assets					
Cash	$ 71,703	$ -	$ -		$ 71,703
Prepaids	$ 20,251	$ -	$ -		$ 20,251
Total Restricted Assets	$ 91,954	$ -	$ -	$ -	$ 91,954
Non-Current Assets					
Land	$ 6,307,468	$ -	$ -	$ -	$ 6,307,468
Construction in Progress	$ 2,415	$ 56,277	$ -	$ -	$ 58,692
Property & Equipment	$ 2,595,740	$ 2,575,839	$ 217,120	$ 423,831	$ 5,812,530
Accumulated Depreciation	$ (1,829,601)	$ (994,342)	$ (145,245)	$ (22,360)	$ (2,991,548)
Total Fixed Assets	$ 7,076,022	$ 1,637,774	$ 71,875	$ 401,471	$ 9,187,142
					$ -
Total Assets	$ 7,251,081	$ 1,689,645	$ 71,875	$ 403,884	$ 9,416,485
Liabilities					
Current Liabilities					
Current Portion Long Term Debt	$ 86,162	$ 15,582	$ -	$ 76,966	$ 178,710
99 Series GOLTB-Paragon	$ 71,703	$ -	$ -	$ -	$ 71,703
Accounts Payable	$ 12,720	$ 2,100	$ -	$ -	$ 14,820
Refundable Deposits	$ 2,025	$ -	$ -	$ -	$ 2,025
Prepaid Leases	$ -	$ -	$ -	$ -	$ -
Total Current Liabilities	$ 172,610	$ 17,682	$ -	$ 76,966	$ 267,258
Non-Current Liabilities					
Accrued Interest	$ 111,635	$ -	$ -	$ -	$ 111,635
EDIF Loan-Dal Tile Railspur	$ -	$ 135,044	$ -	$ -	$ 135,044
Marina Loan	$ -	$ -	$ -	$ 169,940	$ 169,940
Construction and Equipment Loans	$ 887,900	$ -	$ -		$ 887,900
Total Long Term Debt	$ 999,535	$ 135,044	$ -	$ 169,940	$ 1,304,519
Less Current Portion Long Term Debt	$ (86,162)	$ (15,582)	$ -	$ (76,966)	$ (178,710)
Total Long Term Liabilities	$ 913,373	$ 119,462	$ -	$ 92,974	$ 1,125,809
Total Liabilities	$ 1,085,983	$ 137,144	$ -	$ 169,940	$ 1,393,067
Net Assets					
Assigned Fund Balance	$ 10,000	$ -	$ -	$ -	$ 10,000
Unassigned Fund Balance	$ 6,155,098	$ 1,552,501	$ 71,875	$ 233,944	$ 8,013,418
Total Net Assets	$ 6,165,098	$ 1,552,501	$ 71,875	$ 233,944	$ 8,023,418
Total Liabilities & Net Assets	$ 7,251,081	$ 1,689,645	$ 71,875	$ 403,884	$ 9,416,485

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
MUSKOGEE, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2015

	Port Activity	Rail Activity	Grounds Maintenance Activity	Marina Activity	TOTAL
Revenues					
Lease Income	$ 1,106,657	$ -	$ -	$ 63,310	$ 1,169,967
Port Fees (Rail & Barge)	$ 239,834	$ 668,862	$ -	$ -	$ 908,696
Other Operational Income (Rent, etc.)	$ 25,208	$ -	$ -	$ 33,154	$ 58,362
Total Revenues	$ 1,371,699	$ 668,862	$ -	$ 96,464	$ 2,137,025
Operating Expenses					
Abstracting, Engineering & Advisory Services	$ 2,200	$ -	$ -	$ -	$ 2,200
Advertising, Dues, Marketing & Port Promotion	$ -	$ -	$ -	$ 3,568	$ 3,568
Employee Training	$ -	$ -	$ -	$ -	$ -
Insurance-Employee & Liability	$ 30,854	$ 71,251	$ 59,749	$ 38,720	$ 200,574
Merchandise	$ -	$ -	$ -	$ 20,820	$ 20,820
Miscellaneous Expense	$ -	$ -	$ -	$ 855	$ 855
Office Expense and Telephone	$ -	$ 1,576	$ 845	$ 1,895	$ 4,316
Repairs and Maintenance	$ 34,997	$ 192,910	$ 127,319	$ 19,585	$ 374,811
Salaries & Payroll Tax Expense	$ -	$ 112,246	$ 114,144	$ -	$ 226,390
Employee Pension Contribution	$ -	$ 9,613	$ 5,525	$ -	$ 15,138
Total Operating Expenses	$ 68,051	$ 387,596	$ 307,582	$ 85,443	$ 848,672
Net Operating Income	$ 1,303,648	$ 281,266	$ (307,582)	$ 11,021	$ 1,288,353
Non-Operating Income					
Interest Income	$ -	$ -	$ -	$ -	$ -
Other Income	$ -	$ -	$ -	$ -	$ -
Total Non-Operating Income	$ -	$ -	$ -		$ -
Non-Operating Expenses					
Depreciation and Amortization	$ 74,683	$ 49,144	$ 15,178	$ 10,599	$ 149,604
Interest Expense	$ 34,148	$ -	$ -	$ 10,048	$ 44,196
Total Non-Operating Expenses	$ 108,831	$ 49,144	$ 15,178	$ 20,647	$ 193,800
Change in Net Assets	$ 1,194,817	$ 232,122	$ (322,760)	$ (9,626)	$ 1,094,553
Total Net Assets - Beginning					$ 7,373,489
Prior Period Adjustments					$ 1,000
Rounding					$ -
Less Transfers To/From Other Funds					$ (445,624)
Total Net Assets - Ending					$ 8,023,418

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
MUSKOGEE, OKLAHOMA
Statement of Cash Flows - Proprietary Funds
For Year Ended June 30, 2015

	Port Activity	Rail Activity	Grounds Maintenance Activity	Marina Activity
Cash Flows from Operating Activities				
Cash received from customers	$ 1,371,699	$ 668,862	$ -	$ 96,464
Cash payments to suppliers for goods and services	$ (68,051)	$ (265,737)	$ (187,913)	$ (85,443)
Cash payments to and for employees	$ -	$ (121,859)	$ (119,669)	$ -
Net cash provided (used) by operating activities	$ 1,303,648	$ 281,266	$ (307,582)	$ 11,021
Cash Flows From Non-Capital Financing Activities				
Transfers from other funds	$ -	$ 760,538	$ 330,897	$ 53,908
Transfers to other funds	$ (1,583,906)	$ -	$ -	$ -
Net cash provided (used) by non-capital financing activities	$ (1,583,906)	$ 760,538	$ 330,897	$ 53,908
Cash Flows from Capital and Related Financing Activities				
Fixed Asset Purchases	$ 358,818	$ (1,067,561)	$ (23,295)	$ 15,000
Increase in Accounts Receivable	$ -	$ -	$ -	$ -
Decrease in Accounts Receivable	$ 9,162	$ 39,260	$ -	$ 1,564
Increase in Reimbursable Accounts Receivable	$ -	$ -	$ -	$ -
Prior Period Adjustment	$ 1,000	$ -	$ -	$ -
Increase in Liabilities	$ -	$ -	$ -	$ -
Decrease in Liabilities	$ (54,168)	$ (13,503)	$ (20)	$ (71,445)
Interest Expense	$ (34,148)	$ -	$ -	$ (10,048)
Net cash provided (used) by capital and related financing activities	$ 280,664	$ (1,041,804)	$ (23,315)	$ (64,929)
Cash Flows from Investing Activities	$ -	$ -	$ -	$ -
Net increase (decrease) in cash and cash equivalents	$ 406	$ -	$ -	$ -
Cash and cash equivalents at July 1, 2014	$ 71,297	$ -	$ -	$ 200
Cash and cash equivalents at June 30, 2015	$ 71,703	$ -	$ -	$ 200

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

MUSKOGEE CITY-COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Muskogee City-County Port Authority (hereinafter known as the "Authority") is an agency of the state of Oklahoma, created by ordinance of the City of Muskogee and by resolution of the Board of County Commissioners for Muskogee County, in accordance with the provisions of Title 82, Chapter 15, Sections 1101-1137 of the Oklahoma Statutes, as amended, for the purpose of exercising certain enumerated powers deemed to be essential governmental functions of the state of Oklahoma. As a public trust, the Authority is exempt from Federal and state income taxes.

The Authority provides for the operation, improvement and expansion of public and private facilities at the Port of Muskogee. Publicly owned facilities are financed from the Authority's operating revenues, grants and loans. Pursuant to a lease agreement between the Authority and Johnston's Port 33, Inc., Johnston's , dba Oakley's Terminal-Muskogee performs truck, rail and barge loading and unloading operations at the publicly owned terminal at the Port of Muskogee. The Authority supports the development of privately owned facilities through long term leases and by the issuance of debt, in the form of industrial revenue bonds and notes, to industrial manufacturing and other port related enterprises. In some cases, title to facilities acquired remains with the Authority until the related debt is retired and then passes to the lessee at a nominal cost. The constructed facilities are pledged as security for the related obligations and are leased to users for periods of up to twenty-five years.

The Authority is a jointly governed entity administered by a Board of Trustees ("Board") that acts as the authoritative and legislative body of the entity. The Board is comprised of thirteen voting board members. Of the thirteen, seven are appointed by Muskogee County (County Commissioners). These appointees serve four year terms and are eligible to be re-appointed. The remaining six board members are appointed by the City of Muskogee (Muskogee City Council). These appointees serve four year terms and are eligible to be re-appointed. No board members receive compensation for serving on the Board.

The Board of Trustees annually elects the Chair(person), Vice-Chair(person), and Secretary-Treasurer from existing board members. These terms of office are for one year beginning each July 1st and the positions are eligible for re-election. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the Authority; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the Authority, its officers and employees.

The Board of Trustees appoints a Director of the Authority. The position of the Director is a non-voting position on the Board, and the Director receives annual compensation for his duties. The compensation package of the Director is passed by resolution of the Board. The Director's main responsibility is acting as chief executive officer of the Authority as prescribed by the Board of Trustees.

The Authority has a contract with the City of Muskogee to oversee the management and direction of economic development for the city. Under the contract the Authority is reimbursed for its expenses related to this activity. For the fiscal year ending June 30, 2015 a budget of $555,097 was established and approved by the City Council. The Authority oversees the economic development from the pre-existing economic development office.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*", in that the financial statements include all organizations, activities, and functions that comprise the Authority. Component units are legally separate entities for which the Authority (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Authority's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Authority. Using these criteria, the Authority has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues.* Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available as they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Authority receives cash.

FUND ACCOUNTING

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority uses governmental funds and proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental funds assets and liabilities is reported as fund balance.

The Authority reports the following major governmental funds;

General Fund – The general fund is used to account for all financial resources of the Authority except those required to be accounted for in another fund. The general fund balance is available to the Authority for any purpose provided it is expended or transferred according to the general laws of Oklahoma.

Debt Service Fund – The debt service fund accounts for the servicing of general long-term debt and revenues generated by the Authority that are required to be used in payment of long-term debt.

Construction In Progress – Construction in progress fund accounts for construction projects not completed. These include Three Forks Harbor, BNSF Railspur, Rail Access Improvements and Large Industrial Tract.

FAIR VALUE MEASUREMENTS

The Authority adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157") with respect to financial assets and liabilities. This standard is now referred to as FASB ASC 820.10. This codified standard defines fair value measurement based on an exit price. An exit price is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date as opposed to an entry price which is the transaction price that would be paid to acquire an asset or received to assume a liability. In most instances these prices are different however they can be equal. The codified standard also establishes valuation techniques which include the following:

1. Market approach – prices derived from market transactions for identical or comparable assets or liabilities,
2. Income approach – conversion of future amounts such as cash flows or earnings to a single present amount based on current market expectations about those future amounts and/or,
3. Cost approach – the amount that would currently be required to replace the service capacity of an asset.

Finally, the codified standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1:	Quoted prices in active markets for identical assets or liabilities. These include, but are not limited to, cash and cash equivalents, common and preferred stocks, and mutual funds;
Level 2:	Inputs that are derived principally from or corroborated by observable market data. These include but are not limited to government agency issues, corporate bonds and municipal securities;
Level 3:	Inputs that are unobservable and significant to the overall fair value measurement. These include but are not limited to non-public common stocks and personally held notes receivable.

Financial assets and liabilities are carried at fair value on a recurring basis and therefore currently subject to the codified standard which include investments and beneficial interest in assets, if any, held by others. Fair value is stated at Level 1.

REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Authority, available means expected to be received within thirty-one days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end. This interest is not considered to be material to the financial statements taken as a whole and has not been recorded.

Non-exchange transactions, in which the Authority receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year the use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

EXPENSES/EXPENDITURES

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

CASH AND CASH EQUIVALENTS

Cash received by the Authority is pooled for investment purposes. Equity interest in the pool is presented as "Cash and Cash Equivalents" on the statement of net assets and governmental fund balance sheet by activity or fund. The Authority utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Restricted Assets: Cash"

During fiscal year 2014-2015, investments were limited to Certificates of Deposit. Interest revenue is credited to the general fund. For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an original maturity of more than three months that are purchased from the pool are reported as investments.

RESTRICTED ASSETS

Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted cash represents amounts required by debt covenant to be segregated for final year debt payment and accrued interest on bonds. Restricted cash and cash equivalents represents special assessment proceeds restricted for the 1999 and 2005 County Bond Fund.

CAPITAL ASSETS

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements as needed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

COMPENSATED ABSENCES

The Authority does not accrue compensatory time on exempt employees. Except for one week of vacation time, which must be taken during the year earned or lost, the Authority purchases any unused sick leave and vacation time on an annual basis.

RESERVATIONS OF FUND BALANCE

The Authority records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. Fund equity reserves have been established for encumbrances in the Port and Rail fund.

NET ASSETS

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets (construction in progress). Net assets are reported as restricted when there are legal limitations imposed on their use by Authority legislation or external restrictions by creditors, grantor, laws or regulations of other governments.

USE OF ESTIMATES

The Authority recognizes the use of estimates in determining certain financial statement disclosures such as useful lives of assets, bad debts related to accounts receivable and accounts payable. The Authority has adopted a financial reporting policy of conservatism where it relates to the use of estimates. Actual results may differ from those estimates.

DEFERRED REVENUES

The Authority reports unearned deferred revenue in the governmental fund balance sheet. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within thirty-one days after year-end are considered to have been for prior year services.

NOTE 2 - DEPOSITS

Cash resources of several individual funds are combined to form a pool of cash and investments. Statutes require the classification of funds held by the Authority into three categories.

Category 1 consists of active funds – those funds required to be kept in cash or near cash status for immediate use by the Authority. Such funds must be maintained either as cash in the Authority treasury or in depository accounts payable or withdraw-able on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of inactive funds – those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of interim funds – those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds or other obligations of the State of Oklahoma;
- No-loan money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and,
- Under limited circumstances, corporate debt obligations rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited, the issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation it will be held to maturity.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, *"Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."*

UNRESTRICTED CASH

The Port maintains an operating checking account and project accounts at Firstar Bank. The project accounts consist of Waterway Development and Industrial Development. With the exception of petty cash, the Federal Deposit Insurance Corporation insures all accounts. Account balances over Federal Deposit Insurance Corporation limits are uncollateralized through an agreement with the Authority. The fair value of the balances equals their reported amounts. $250,000 of the deposits were classified as Category 1, collateralized, as defined by GASB Statement 3. The balance of the deposits and petty cash were classified as Category 2, as defined by GASB Statement 3. At year-end the respective balances were as follows:

OPERATIONS ACCOUNT	$1,404,664
WATERWAY DEVELOPMENT	198
PETTY CASH	350
INDUSTRIAL DEVELOPMENT	44,636
TOTAL	$1,449,848

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable reflect the current (60 days or less) amounts owed for tonnage, lease rents, port fee, rail operations and other reimbursable project expenditures for the period ended June 30, 2015. There is no provision for doubtful accounts or bad debts as there has been no historical evidence of significant problems arising from accounts receivable collection. Account balances over 90 days are approximately $39,350.

NOTE 4 - RESTRICTED ASSETS

The organization recognizes the restriction of funds for debt retirement, specific repairs and capital improvements. Please refer to those notes under Restricted Assets for specific details regarding long- term debt and sinking fund retirement requirement. The following accounts are combined under the heading Restricted Assets, Cash:

OWNER	TYPE	INSTITUTION	RATE	AMOUNT
PORT	SINKING FUND	Firstar Bank	VARIABLE	$71,703
TOTAL				$71,703

NOTE 5 - FIXED ASSETS

Property, plant and equipment are recorded at historical cost and depreciation is recognized over the estimated useful life of the assets utilizing the conservative straight-line depreciation method. A summary of property, plant and equipment useful lives is as follows:

ASSET	AVERAGE LIFE
PORT FACILITIES	40 YEARS
CONFERENCE ROOM & OFFICE	20 YEARS
RAIL OPERATIONS EQUIPMENT	10 YEARS
THREE FORKS HARBOR	50 YEARS

NOTE 6 - OTHER ASSETS

On May 14, 1985, the Authority entered into an agreement with the Cherokee Nation for a fifty-year river bed lease in the amount of $50,000 in retrospect to an injunction granted in 1983, with the lease payment to be amortized over the life of the lease. Amortization for the year ended June 30, 2015, was $1,000.

NOTE 7 - CURRENT LIABILITIES

Current liabilities include liabilities due within the current accounting period. These liabilities include trade accounts payable, accrued payroll taxes and short term portion of notes payable.

During a prior fiscal year the organization secured county bonds funds for Paragon Industries. Under the terms of the agreement, the Authority acts as an agent for Paragon in the re-payment of the debt. Paragon makes its monthly debt obligation payment to the Authority. Subsequently the Authority remits the sinking fund obligation amount to the county. The balance at June 30, 2015 represents monies held by the Authority pending payment to the county.

NOTE 8 - LONG TERM LIABILITIES

GOVERNMENT

During a prior fiscal year, the Authority authorized the issuance of a $1.5 million note to facilitate the construction and equipping of facilities located at the Port of Muskogee. Subsequently the Oklahoma Development Finance Authority purchased the note. The note carries an adjustable interest rate of prime less 1%. This rate is changed annually on November 1. During the current fiscal year the rate began at 2.25% and was not adjusted as of June 30, 2015. The loan is amortized over twenty five years with monthly payments that are also adjusted annually. The note is secured by revenues generated by the Authority. Amortization of the note began in November 2003.

In March, 2008, the Authority borrowed $750,000 from the Oklahoma Industrial Finance Authority. The purpose of the loan was to escrow the possible loss claim from the original contractor on the Three Forks Harbor project. The initial interest rate of this loan was 4.25% and monthly installment payments began May 1, 2008. The note carries an adjustable interest rate of prime less 1% but not less than 2.5%. This interest rate is adjusted annually on May 1. The interest rate effective June 1, 2015 was 2.5%.

BUSINESS

During a prior fiscal year the Authority entered into a grant/loan program with the Department of Housing and Urban Development-EDIF program to aid in the construction of the new railspur at Dal Tile Company. In accordance with the terms of the program, the Authority borrowed $311,638.50 for the construction project. The loan is non-interest bearing. Monthly re-payments began in February 2004, and will continue for 240 months until the loan is retired. The balance of economic payback number 10312 at June 30, 2015 is $135,043.86.

During the fiscal year ended June 30, 2006, the Authority authorized and was issued a General Obligation Long Term Bond from the County of Muskogee in the amount of $985,000 to construct improvements and to purchase machinery and equipment for the benefit of Klutts Equipment. Unlike the Paragon Industries bonds, the indebtedness was a limited and special obligation of the Authority payable solely from the receipts and revenues received from the Lessor, under the Lease dated October 1, 2005. In consideration of the Authority's future expansion, Klutts deeded its property to the Authority and subsequently entered into a long term lease, the terms of which were to assure the re-payment of the debt. The loan is amortized over 15 years which is the same length as the lease agreement. The company closed its doors during the fiscal year 2010-11 and on June 6, 2011, the Authority was awarded a judgment against Klutts Equipments in the amount of $783,708.64. The Authority considers this judgment worthless in that there are no assets which could be liquidated in order to satisfy it. The principal balance at June 30, 2015 is $287,362.14.

The Authority borrowed $119,093.41 from the Oklahoma Department of Commerce, Community Development Block Grant Fund for road improvements that benefit Klutts Equipment and the future development of the Port of Muskogee Riverside Industrial Park. This is a non-interest bearing note with monthly re-payment beginning in November, 2006 and continuing for 240 months. The balance of economic payback number 11990 at June 30, 2015 is $67,490.53.

During the fiscal year ended June 30, 2006, the Authority borrowed $196,783.02 to facilitate road improvements to Beach Equipment. These funds were secured from the Oklahoma Department of Commerce Community Development Grant Fund. This is a non-interest bearing note with monthly payments beginning in July, 2006 and continuing for 240 months. The balance of economic payback number 11616 at June 30, 2015 is $108,230.58.

During the fiscal year ended June 30, 2008, the Authority entered into an agreement with the Muskogee Industrial Trust wherein the Authority was granted a credit line loan of up to $500,000 for the purpose of purchasing real estate within the Port site. Advances on the note have totaled $424,816.76 to date. This note accrues interest at the rate of 4% and both interest and principle are due and payable April 17, 2017.

In January, 2013, the Authority borrowed $370,000 from Mabrey Bank (previously Citizens Security Bank) to purchase Arrowhead Marina. The interest rate of this loan is 3.25%. Monthly installment payments began February 1, 2013 and continuing for 54 months at which time the entire remaining principle and unpaid interest will be due and payable in full. The principal balance at June 30, 2015 is $169,940.18.

Debt Service Requirements to Maturity

	Government		Business	
	Principal	Interest	Principal	Interest
Fiscal Year End 6/30/2016	$ 88,575.19	$ 35,197.69	$178,709.50	$31,964.49
Fiscal Year End 6/30/2017	$ 90,656.13	$ 33,116.75	$717,736.15	$23,197.61
Fiscal Year End 6/30/2018	$ 92,786.08	$ 30,986.82	$115,177.45	$ 3,802.66
Fiscal Year End 6/30/2019	$ 94,966.21	$ 28,806.71	$107,633.82	$ -
Fiscal Year End 6/30/2020	$ 97,933.85	$ 26,575.22	$ 31,375.68	$ -
Fiscal Year End 6/30/2021-25	$521,343.96	$ 97,520.66	$136,103.46	$ -
Fiscal Year End 6/30/2026-30	$444,560.81	$ 35,794.01	$ 17,783.11	$ -
Fiscal Year End 6/30/2031-33	$110,366.51	$ 4,097.48	$ -	$ -
Total	$1,541,188.74	$292,095.34	$1,304,519.17	$58,964.76

NOTE 9 - FUND BALANCE

The trustees of the organization have established a reserve for dock face repairs in the amount of $10,000.

NOTE 10 - LEASE INCOME-PORT FEES-MISCELLANEOUS INCOME

Lease income is derived from lease contracts of Port facilities. Port fees consist of tonnage assessments and contract switching fees from the Union Pacific Railroad. Other operational income consists of recurring rentals from pasture and residence.

NOTE 11 - OTHER ITEMS

- During the latter months of calendar year 1993, the Port authorized the purchase of life insurance policies on the Port director with premiums to be paid by the Port. This is not considered a qualified pension plan.

- No provision for accrued vacation or sick leave have been recorded in these financial statements as the amounts are not material to the financial statements taken as a whole.

- During the fiscal year ended June 30, 1998, the Port Authority entered into aggressive planning for Three Forks Harbor along the Arkansas River. The property site is located on federally owned property and leased to the Authority by the U. S. Army Corps of Engineers. Construction improvements are permitted by the U. S. Army Corps of Engineers. The project is progressing in phases. Total first phase project costs were initially estimated to be $5,386,015. Funding for the project has been secured through local, state and federal grants. Construction began on Phase I on March 11, 2003. Phase 1 was completed April 19, 2006. Phase II construction commenced during the fiscal year ending June 30, 2006, and were completed in the first quarter of 2009.

- During a prior fiscal year, the City of Muskogee committed to financially aid in the construction of the Dal Tile Railspur. The commitment consisted of a one-time payment to the Authority in the amount of $214,286.68, which represents the discounted value of the Department of Housing and Urban Development-EDIF loan over 240 periods at 4% interest. The City did not specify restrictions or conditions related to the funding and it was recorded as Aid to Construction-Dal Tile Railspur.

NOTE 12 - RISK POOL

The Port Authority utilizes workman's compensation insurance through the state of Oklahoma workman's compensation fund. This is a public entity risk pool. Participants share in the cost of maintaining the fund and claims against the fund. As such, the Port Authority could be at risk should the fund incur adverse conditions. Presently there is not reason to believe the risk pool will create a contingency beyond premium costs to the Port Authority and therefore no contingency has been recorded.

NOTE 13 – POSTEMPLOYMENT BENEFITS PLANS

The Authority maintains a qualified profit sharing plan for eligible employees. Annually the board of trustees determines the percentage of each key employee's wages that the Authority will contribute to the plan. During fiscal year ended June 30, 2015, the board authorized a contribution of $78,480.64 (nine percent of all eligible employee's wages). During fiscal year ended June 30, 2014, the contribution was $87,310.88. During fiscal year ended June 30, 2013, the contribution was $79,430.84.

NOTE 14 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority carries insurance for liability, property, and crime damage. Coverages provided are as follows:

Business Auto Coverage Liability
Umbrella Liability
Commercial General Liability
Public Officials and Employment Practices Liability
Commercial Property
Railroad Protective Liability
Marine General Liability
Marine Operator's Legal Liability
Docks and Piers Property Protection
Crime Coverage
Vacant Property
Storage Tank Third Party Liability

The Authority has had no significant reduction in insurance coverage from prior years. The Authority has had no settlements that exceed insurance coverage for the past five years.

The Authority provides group health insurance for its employees. Each electing employee must pay ten percent. Employees must also pay 100% of any premium for dependents.

NOTE 15 – SUBSEQUENT EVENTS

We have evaluated all events subsequent to the balance sheet date of June 30, 2015, through the financial statement issuance date of October 27, 2015, and determined there is a subsequent event requiring additional disclosure.

During the year ended June 30, 2014 and 2015, the City of Muskogee Foundation (CoMF) awarded grant funds to the Authority in the amount of $2 million and $3 million, respectively, to fund the Authority's Strategic Investment Program (SIP), a local economic development incentive program. The (SIP) was funded by a grant award, not to exceed $2 million, for the 2014 calendar year, and a grant award, not to exceed $3 million, for the 2015 calendar year. The SIP program has been funded on a calendar year basis; therefore, it is possible that funding commitments by the Authority could be made in one or more fiscal years. The purpose of the SIP is to provide incentives for the expansion of existing industry as well as incentives for the recruitment of new industry. The level of incentive is based on the amount of capital investment to be made and/or the number and quality of jobs created by the industry. The incentives are performance-based, meaning incentives are paid after investment has been made and after jobs have been created. The Authority acts as the administrator of the grant funds and contracts with qualifying industry through SIP performance agreements. As evidenced by executed performance agreements during the 2014 calendar year, the Authority committed grant funds in the amount of $688,790. The balance of the SIP grant award for 2014, in the amount of $1,311,210, was written off by the CoMF. As evidenced by executed performance agreements as of the date of this audit report, the Authority committed 2015 grant funds in the amount of $500,000, leaving a balance of $2,500,000 The balance of grant funds not committed by December 31, 2015, if any, will be written off by the CoMF.

On August 24, 2015, CoMF approved up to $17.4 million for the Authority's Strategic Investment Program for High Impact Projects (SIP-HIP). This incentive was for two specific projects, neither of which came to fruition. Unlike the SIP program which contains defined incentive limits based on capital investments and job creation, the SIP-HIP incentives are negotiated between the Authority, the industry and CoMF based on the capital investment and job creation for each project. The incentive was written off on October 26, 2015 after the industrial development projects failed to materialize.

OTHER REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Muskogee City-County Port Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Muskogee City-County Port Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Muskogee City-County Port Authority's basic financial statements, and have issued our report thereon dated October 22, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muskogee City-County Port Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Muskogee City-County Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Muskogee City-County Port Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

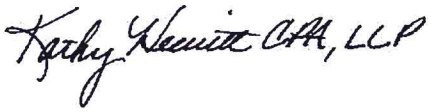
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskogee City-County Port Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

207 North 3rd Street ☐ Muskogee, OK 74401

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KATHY HEWITT, CPA, LLP
Muskogee, Oklahoma
October 27, 2015

REQUIRED SUPPLEMENTARY INFORMATION

MUSKOGEE CITY-COUNTY PORT AUTHORITY
MUSKOGEE, OKLAHOMA
STATEMENT OF REVENUES AND EXPENSES TO BUDGET
Year End June 30, 2015

	June 30, 2015	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE
Revenues				
Lease Income	$ 1,102,607	$ 1,110,794	$ 1,110,794	$ (8,187)
Port Fees (Rail and Barge)	$ 908,697	$ 1,066,250	$ 1,066,250	$ (157,553)
Industrial Development	$ 555,097	$ 555,097	$ 555,097	$ (0)
Other Operational Income (Rent, etc)	$ 127,333	$ 24,050	$ 24,050	$ 103,283
Total Revenues	$ 2,693,733	$ 2,756,191	$ 2,756,191	$ (62,458)
Operating Expenses				
Abstracting, Engineering & Advisory services	$ 2,200	$ 2,500	$ 2,500	$ 300
Accounting, Auditing & Legal	$ 13,797	$ 18,750	$ 18,750	$ 4,953
Marketing & Business Development	$ 121,875	$ 90,990	$ 90,990	$ (30,885)
General Merchandise	$ 20,820	$ 15,000	$ 15,000	$ (5,820)
Employee Training	$ 7,605	$ 10,000	$ 10,000	$ 2,395
Dues & Subscriptions	$ 19,861	$ 22,450	$ 22,450	$ 2,589
Insurance-Employee & Liability	$ 267,653	$ 279,936	$ 279,936	$ 12,283
Miscellaneous Expense	$ -	$ 500	$ 500	$ 500
Office Expense & Telephone	$ 68,202	$ 79,000	$ 79,000	$ 10,798
Repairs & Maintenance	$ 401,360	$ 375,000	$ 375,000	$ (26,360)
Salaries & Payroll Tax Expense	$ 820,019	$ 846,322	$ 846,322	$ 26,303
Staffing & Recruitment	$ 20,286	$ -	$ -	$ (20,286)
Travel	$ 65,989	$ 69,500	$ 69,500	$ 3,511
Employee Pension Contribution	$ 78,481	$ 53,285	$ 53,285	$ (25,196)
Total Operating Expenses	$ 1,908,148	$ 1,863,233	$ 1,863,233	$ (44,915)
Net Operating Income Before Non-Operating Items	$ 785,585	$ 892,958	$ 892,958	$ (107,373)
Non-Operating Income				
Interest Income	$ 5,699	$ 4,000	$ 4,000	$ 1,699
Total Non-Operating Income	$ 5,699	$ 4,000	$ 4,000	$ 1,699
Non-Operating Expenses				
Depreciation & Amortization	$ 246,229	$ 246,229	$ 246,229	$ -
Interest on Bonds and Notes Payable	$ 81,441	$ 64,530	$ 64,530	$ (16,911)
Total Non-Operating Expenses	$ 327,670	$ 310,759	$ 310,759	$ (16,911)
Net Income After Non-Operating Items	$ 463,614	$ 586,199	$ 586,199	$ (122,585)

PLEASE SEE NOTES TO ACCOMPANY FINANCIAL STATEMENTS