



Financial Statements  
June 30, 2015 and 2014

# Tulsa's Port of Catoosa Facilities Authority

Tulsa's Port of Catoosa Facilities Authority

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June 30, 2015 and 2014

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## **Independent Auditor's Report**

To the Board of Trustees  
Tulsa's Port of Catoosa Facilities Authority  
Catoosa, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Tulsa's Port of Catoosa Facilities Authority (the Facilities Authority) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Tulsa's Port of Catoosa Facilities Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tulsa's Port of Catoosa Facilities Authority, as of June 30, 2015 and 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016 on our consideration of the Tulsa's Port of Catoosa Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Facilities Authority's internal control over financial reporting and compliance.



Tulsa, Oklahoma  
February 12, 2016

Our discussion and analysis of Tulsa's Port of Catoosa Facilities Authority's (the Facilities Authority) financial performance provides an overview of the Facilities Authority's financial activities for the years ended June 30, 2015 and 2014. This discussion should be read in conjunction with the financial statements and other information to better understand the financial condition and performance of the Facilities Authority. Prior fiscal year information is presented for comparative purposes.

### **Financial Highlights**

Following are the financial highlights of the Facilities Authority for the years ended June 30, 2015 and 2014:

- The Facilities Authority's net position increased by \$47,462 for the year ended June 30, 2015. The majority of this increase can be attributed to increased land lease income. Land lease rental income increased due to the signing of an amended lease in January 2015 and Consumer Price Index (CPI) rental rate adjustments on current leases.

The Facilities Authority's net position increased by \$50,374 for the year ended June 30, 2014. The majority of this increase can be attributed to increased lease rentals. Lease rental income increased due to the signing of a new lease in March 2014.

- Total operating revenues for the year ended June 30, 2015 increased by \$7,080, or 1.95%, from 2014, primarily due to increased land lease rentals and administrative fees.

Total operating revenues for the year ended June 30, 2014 increased by \$1,732, or 0.5%, from 2013, due to consistent land lease rentals and administrative fees with prior year.

- Total operating expenses for the year ended June 30, 2015 were higher than fiscal year 2014 by \$11,729, or 3.87%, primarily due to increased land lease expenses.

Total operating expenses for the year ended June 30, 2014 were higher than fiscal year 2013 by \$10,242, or 3.5%, as a result of more maintenance and slight repairs at the Port Plaza Retail Center.

### **Overview of the Financial Statements**

These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

*Financial Statements*

The statement of financial position presents information on all of the Facilities Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Facilities Authority is improving or deteriorating.

**Condensed Statements of Net Position  
June 30, 2015, 2014, and 2013**

	2015	2014	2013
<b>Assets</b>			
Current Assets	\$ 769,731	\$ 696,205	\$ 583,067
Capital Assets	1,458,039	1,502,503	1,578,270
Total assets	\$ 2,227,770	\$ 2,198,708	\$ 2,161,337
<b>Liabilities and Net Position</b>			
Current Liabilities	\$ 28,140	\$ 29,770	\$ 25,078
Non-current Liabilities	204,144	220,914	238,609
Total liabilities	232,284	250,684	263,687
<b>Net Position</b>			
Net investment in capital assets	1,234,577	1,262,885	1,321,734
Unrestricted	760,909	685,139	575,916
Total net position	1,995,486	1,948,024	1,897,650
Total liabilities and net position	\$ 2,227,770	\$ 2,198,708	\$ 2,161,337

The statements of revenues, expenses, and changes in net position show the business-type activity of the Facilities Authority and provide information regarding income and expenses, both operating and non-operating, that affect net position.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2015, 2014, and 2013**

	2015	2014	2013
Revenues			
Lease rentals	\$ 358,604	\$ 349,864	\$ 346,545
Administrative fees	11,342	13,002	14,589
Interest income	1,916	1,787	1,391
Total revenues	371,862	364,653	362,525
Expenses			
Land lease expense	155,235	143,403	143,403
Other administrative	83,482	83,584	74,629
Depreciation	75,767	75,768	74,481
Interest expense	9,916	11,524	12,235
Total expenses	324,400	314,279	304,748
Change in Net Position	47,462	50,374	57,777
Net Position - Beginning of Year	1,948,024	1,897,650	1,839,873
Net Position - End of Year	\$ 1,995,486	\$ 1,948,024	\$ 1,897,650

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report.

**Financial Analysis**

Assets of the Facilities Authority exceeded liabilities by \$1,995,486 and \$1,948,024 at the close of the 2015 and 2014 fiscal years, respectively. The largest portion of the Facilities Authority's net position reflects its investment in capital assets (e.g. buildings and infrastructure), net of related outstanding debt used to acquire those assets. Property included in capital assets generates lease income.

Total net position of the Facilities Authority increased by \$47,462 and \$50,374 for the 2015 and 2014 fiscal years, respectively. The increase for 2015 and 2014 is attributable to lease rental income in excess of expenses.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

The largest portion of the Facilities Authority's total assets reflects its investment in capital assets of \$1,458,039 and \$1,502,503 as of June 30, 2015 and 2014, respectively. Capital assets consist primarily of the retail business center and leasehold improvements. Depreciation expense was \$75,767 and \$75,768 for the years ended June 30, 2015 and 2014, respectively.

The retail business center is a 12,400 square-foot building constructed on land leased from the City of Tulsa - Rogers County Port Authority (the Port Authority). The center leases space to tenants for providing commercial services and other uses and currently includes three food-service companies and offices for a construction company. The land lease with the Port Authority is a 20-year primary-term lease expiring August 21, 2022.

#### *Long-term Debt*

At the end of fiscal years 2015 and 2014, the Facilities Authority had total outstanding debt of \$223,462 and \$239,618, respectively. The debt represents a 20-year loan for construction of the retail business center. In October 2010, the Facilities Authority paid the loan down to \$300,000 principal and refinanced the loan with a lower interest rate fixed at 4.5% for 5 years with the remaining loan term interest rate at prime + 1.25%. Changes in total outstanding debt represent principal payments on this note.

### **Economic Factors and Next Year's Budget**

The Facilities Authority is a tax-exempt public trust of the Port Authority. The Port Authority is the primary beneficiary of the Facilities Authority. The Facilities Authority was created by the Port Authority to finance and promote development of the Port Authority's 2,000-acre water port and industrial park. Past activities include financing of infrastructure improvements and obtaining conduit financing for tenants of the Port Authority. The Facilities Authority is not responsible for the repayment of loans arranged under conduit financing arrangements with tenants of the Port Authority; however, the Facilities Authority is responsible for the debt relating to the retail business center.

The Facilities Authority approves its operating budget each year in June. The budget for the fiscal year ending June 30, 2016 projects total revenues of \$237,634, total expenses of \$184,041, including depreciation of \$80,240, and an increase to change in net position of \$53,593. The Facilities Authority's capital budget also includes \$30,000 to finish out rental space in the Port Plaza Retail Center.

### **Requests for Information**

The financial report is designed to provide a general overview of the Facilities Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Tulsa's Port of Catoosa Facilities Authority, 5350 Cimarron Road, Catoosa, OK 74015-3027.



Tulsa's Port of Catoosa Facilities Authority  
 Statements of Net Position  
 June 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 767,760	\$ 695,712
Accounts receivable, no allowance for doubtful accounts in 2015 and 2014	1,788	493
Prepaid expenses	183	-
Total current assets	769,731	696,205
Capital Assets, Net	1,458,039	1,502,503
Total assets	\$ 2,227,770	\$ 2,198,708
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,209	\$ 4,453
Accrued liabilities	6,613	6,613
Current portion of long-term debt	19,318	18,704
Total current liabilities	28,140	29,770
Long-term Debt, Net of Current Portion	204,144	220,914
Total liabilities	232,284	250,684
<b>Net Position</b>		
Net investment in capital assets	1,234,577	1,262,885
Unrestricted	760,909	685,139
Total net position	1,995,486	1,948,024
Total liabilities and net position	\$ 2,227,770	\$ 2,198,708

Tulsa's Port of Catoosa Facilities Authority  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Retail center lease rentals	\$ 98,902	\$ 106,437
Land lease income	213,545	197,270
Other building rentals	46,157	46,157
Administrative fees	11,342	13,002
Total operating revenues	369,946	362,866
Operating Expenses		
Land lease	155,235	143,403
Administrative fees to Port Authority	15,000	15,000
Retail center	68,482	68,584
Depreciation expense	75,767	75,768
Total operating expenses	314,484	302,755
Operating Income	55,462	60,111
Non-operating Revenue (Expense)		
Interest income	1,916	1,787
Interest expense	(9,916)	(11,524)
Total non-operating revenue (expense)	(8,000)	(9,737)
Change in Net Position	47,462	50,374
Net Position, Beginning of Year	1,948,024	1,897,650
Net Position, End of Year	\$ 1,995,486	\$ 1,948,024

Tulsa's Port of Catoosa Facilities Authority  
Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Cash received from customers	\$ 368,651	\$ 363,290
Cash paid to suppliers	(226,144)	(207,910)
Cash paid to affiliate	(15,000)	(15,000)
	<u>127,507</u>	<u>140,380</u>
Net Cash from Operating Activities		
Capital and Related Financing Activities		
Purchase of capital assets	(31,303)	-
Principal payments on long-term debt	(16,156)	(16,918)
Interest paid	(9,916)	(11,525)
	<u>(57,375)</u>	<u>(28,443)</u>
Net Cash used for Capital and Related Financing Activities		
Investing Activities		
Investment income	1,916	1,787
	<u>1,916</u>	<u>1,787</u>
Net Cash from Investing Activities		
Net Change in Cash and Cash Equivalents	72,048	113,724
Cash and Cash Equivalents, Beginning of Year	<u>695,712</u>	<u>581,988</u>
Cash and Cash Equivalents, End of Year	<u>\$ 767,760</u>	<u>\$ 695,712</u>
Reconciliation of Operating Income to Net		
Cash from Operating Activities		
Operating income	\$ 55,462	\$ 60,111
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	75,767	75,768
Changes in assets and liabilities		
Accounts receivable	(1,295)	425
Prepaid expenses	(183)	161
Accounts payable	(2,244)	2,415
Accrued liabilities	-	1,500
Total adjustments	<u>72,045</u>	<u>80,269</u>
Net Cash from Operating Activities	<u>\$ 127,507</u>	<u>\$ 140,380</u>

**Note 1 - Significant Accounting Policies**

**Organization and Reporting Entity**

Tulsa's Port of Catoosa Facilities Authority (the Facilities Authority), a related organization of the City of Tulsa - Rogers County Port Authority (the Port Authority), is a tax-exempt public trust, which was created in 1969 to finance and promote development of Tulsa Port of Catoosa industrial facilities. The Port Authority is responsible for appointing the Facilities Authority's board of directors. The Port Authority's accountability for the Facilities Authority does not extend beyond making the appointments.

The Facilities Authority has entered into agreements with the Port Authority and its tenants, whereby the Facilities Authority has leased from the Port Authority certain properties and, in turn, the Facilities Authority has leased these properties to the Port Authority's tenants.

The Facilities Authority also owns and operates a retail center located at the entrance to the Port of Catoosa.

The Port Authority is the primary beneficiary of the Facilities Authority; the City of Tulsa and Rogers County, Oklahoma are the secondary beneficiaries.

The Facilities Authority has no component units, as defined by the Governmental Accounting Standards Board (GASB). In addition, the accompanying financial statements do not include any fiduciary funds.

These financial statements do not purport to, and do not present fairly, the financial position, changes in financial position, or cash flows of the City of Tulsa - Rogers County Port Authority.

**Basis of Accounting**

The activities of the Facilities Authority are accounted for in a proprietary fund. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is on the determination of net income, financial position, and cash flows. As a result, the Facilities Authority uses the accrual method of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Facilities Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues consist of retail center tenant rent, administrative fees paid by Port of Catoosa tenants for financing arrangements, and land lease income. Operating expenses are costs associated with operating the Facilities Authority.

**Cash and Cash Equivalents**

Cash and cash equivalents include demand deposit accounts and unrestricted short-term investments with original maturities of 90 days or less.

### **Accounts Receivable**

An allowance for doubtful accounts is established by management, based on past experience and analysis of current receivable collectability. Accounts receivable are short-term, non-interest bearing, and uncollateralized and are considered past due after 30 days. The Facilities Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

### **Capital Assets**

Capital assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 5 to 30 years. Maintenance and repairs are charged to expense as incurred, whereas renewals and betterments are generally capitalized. Donated property is capitalized at its fair market value at the date of the gift. The Facilities Authority follows the practice of capitalizing items over \$2,000 with a useful life of more than one year. The Facilities Authority records impairments to its capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values, as determined by the Facilities Authority, based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2015 and 2014.

### **Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Facilities Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

### **Income Taxes**

The Facilities Authority is a governmental entity, as described in Section 115 of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes pursuant to this section of the IRC.

### **Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Note 2 - Cash and Cash Equivalents**

The deposit balances of the Facilities Authority, which consist of cash and cash equivalents, are categorized below to give an indication of the level of custodial risk assumed by the Facilities Authority at June 30, 2015 and 2014.

	2015	2014
Level of risk		
Insured by the Federal Deposit Insurance Corporation	\$ 380,576	\$ 355,509
Collateralized with securities held by the pledging financial institution in the Facilities Authority's name	415,808	339,502
Total bank balances	\$ 796,384	\$ 695,011
Total book balances	\$ 767,760	\$ 695,712

**Note 3 - Capital Assets**

Activity in capital assets for the years ending June 30, 2015 and 2014 was as follows:

	June 30, 2014	Increases	Decreases	June 30, 2015
Buildings and improvements				
Retail center	\$ 1,277,963	\$ 31,303	\$ -	\$ 1,309,266
Leasehold improvements	930,000	-	-	930,000
Less accumulated depreciation	(705,460)	(75,767)	-	(781,227)
Net capital assets	\$ 1,502,503	\$ (44,464)	\$ -	\$ 1,458,039
	June 30, 2013	Increases	Decreases	June 30, 2014
Buildings and improvements				
Retail center	\$ 1,277,963	\$ -	\$ -	\$ 1,277,963
Leasehold improvements	930,000	-	-	930,000
Less accumulated depreciation	(629,692)	(75,768)	-	(705,460)
Net capital assets	\$ 1,578,271	\$ (75,768)	\$ -	\$ 1,502,503

All of the above items are leased by the Facilities Authority to various tenants under operating leases.

**Note 4 - Conduit Debt**

The Facilities Authority arranges long-term financing with financial institutions for some of the Tulsa Port of Catoosa's tenants and earns administrative fees for this service. The financing agreements are structured such that the debt is to be repaid solely by the tenant from the revenues derived from the related facilities leased or acquired or from the disposition of the related collateral. The Facilities Authority is not obligated to repay such debt. The

aggregate amount of these financings, as of June 30, 2015 and 2014, was approximately \$1,551,000 and \$1,905,000 respectively, which is not reflected in the accompanying financial statements.

The Facilities Authority acted as an agent for Rogers County in financing transactions between Rogers County and the Port Authority. The purpose of the loans was for carrying out Oklahoma Department of Commerce approved economic development projects for the Port Authority. In management's opinion, the Facilities Authority has no obligation under the loans and, therefore, liabilities have not been recorded in the Facilities Authority's financial statements. The aggregate amount of these financings as of June 30, 2015 and 2014 was \$195,313 and \$237,396, respectively.

**Note 5 - Related Party Transactions**

The Facilities Authority pays monthly administrative charges to the Port Authority. The administrative charges were \$15,000 for each of the years ended June 30, 2015 and 2014. The Facilities Authority is not a part of the Port Authority; however, if this relationship did not exist, the results of operations could be significantly different.

During the year ended June 30, 2007, the Facilities Authority received \$325,000 in contributed capital from the Port Authority to assist the Facilities Authority in acquiring an investment in a customer's building located at the Port of Catoosa. The Facilities Authority agreed to acquire the building and lease it back to the customer. The lease was renewed in October 2015 for a 3-year term, with monthly payments of \$4,000.

The Facilities Authority leases certain real estate from the Port Authority and subleases it to its tenants. Substantially all lease revenues from the tenants are passed through to the Port Authority. Lease revenue passed through to the Port Authority from the Facilities Authority was \$286,647 and \$249,979 in 2015 and 2014, respectively.

**Note 6 - Leases**

Lease payments are received from tenants of the Port Plaza retail center and other facilities and are recognized as revenue when earned. Leases in place at year-end expire at various times through March 2021. The following is a schedule of future minimum lease payments to be received under non-cancellable operating leases at June 30, 2015.

Year ending June 30,		
2016	\$	182,841
2017		183,456
2018		169,957
2019		123,835
2020		70,854
Thereafter		267,362
Total	\$	998,305

**Note 7 - Long-term Debt**

At June 30, 2015 and 2014, long-term debt consisted of the following:

	2015	2014
Note payable to a financial institution requiring monthly payments of \$2,370, including interest at 4.5% through October 2015. In October 2015, the interest rate will adjust to Wall Street Journal Prime plus 1.25% and will be fixed for 60 months. In October 2020, the interest rate will adjust to Wall Street Journal Prime plus 1.25% and will be fixed for the remaining 54 months. The note matures in March 2025 and is collateralized by real estate and improvements.	\$ 223,462	\$ 239,618
Less current portion	(19,318)	(18,704)
Long-term debt, net of current portion	\$ 204,144	\$ 220,914

The above represents borrowings under a loan agreement. The Facilities Authority's borrowing capability under the loan agreement is limited to 80% of the current appraised value of the real estate and may not exceed \$925,000, the Facilities Authority is in compliance with this requirement. The Facilities Authority's operating account is used to liquidate the long-term debt.

Debt service requirements of the Facilities Authority at June 30, 2015 were as follows (interest requirements are estimated based on the interest rate in effect as of June 30, 2015):

Year ending June 30,	Principal	Interest
2016	\$ 19,318	\$ 9,082
2017	20,036	8,364
2018	20,575	7,825
2019	21,520	6,880
2020	22,509	5,891
Thereafter	119,504	13,196
Total	\$ 223,462	\$ 51,238



Tulsa's Port of Catoosa Facilities Authority  
Notes to Financial Statements  
June 30, 2015 and 2014

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The long-term liability balances and activity for the years ended June 30, 2015 and 2014 were as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Amount Due Within One Year</u>
Long-term debt	<u>\$ 239,618</u>	<u>\$ -</u>	<u>\$ 16,156</u>	<u>\$ 223,462</u>	<u>\$ 19,318</u>
					<u>Amount Due Within One Year</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Year</u>
Long-term debt	<u>\$ 256,536</u>	<u>\$ -</u>	<u>\$ 16,918</u>	<u>\$ 239,618</u>	<u>\$ 18,704</u>



**Report of 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  
Tulsa's Port of Catoosa Facilities Authority  
Catoosa, Oklahoma

We have audited, in accordance with 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 Tulsa's Port of Catoosa Facilities Authority (the Facilities Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Tulsa's Port of Catoosa Facilities Authority's basic financial statements, and have issued our report thereon dated February 12, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Facilities 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facilities 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 the Tulsa's Port of Catoosa Facilities 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*.

**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.

The image shows a handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Tulsa, Oklahoma  
February 12, 2016