Financial Statements
June 30, 2015

City of Tulsa - Rogers County Port Authority

Independent Auditor's Report

To the Board of Directors
City of Tulsa - Rogers County Port Authority
Catoosa, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of the City of Tulsa - Rogers County Port Authority (the Port Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Tulsa - Rogers 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 an opinion 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 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.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Tulsa - Rogers County Port Authority, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle
As discussed in Notes 1, 9, and 10 to the financial statements, the Authority has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Port Authority's proportionate share of the net pension liability, and schedule of Port Authority's contributions on pages 4 through 8, 24, and 25 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 Information
The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular *A-133, Audits of States, Local Governments, and Non-Profit Organization,* and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 City of Tulsa - Rogers County Port 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 Port Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Tulsa, Oklahoma
February 12, 2016

Management's Discussion and Analysis
June 30, 2015

City of Tulsa - Rogers County Port Authority

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

Financial Highlights

- The assets and deferred outflows of the Port Authority exceeded its liabilities and deferred inflows at the close of the fiscal year by $48,386,923 (net position). Of this amount, $6,369,890 (unrestricted net position), or 13.2%, may be used to meet the Port Authority's ongoing obligations.

- The Port Authority's net position increased by $3,589,192 for the year ended June 30, 2015.

- Total revenues for year ended June 30, 2015 decreased by $13,686. Land lease revenue increased by $100,525 due to new leases and rental rate adjustments on existing leases. Operating revenues decreased by $137,224. The decrease is partially attributable to a decline in low water wharf movements and barge fleeting caused by high water conditions.

- For the year ended June 30, 2015, actual financial operations of the Port were favorable compared to the operating budget prepared and approved by the Port Authority. Operating revenues of the Port Authority exceeded the budget expectations. Expenses exceeded the budget expectations, primarily related to railroad maintenance expense. The Port budget also included a sale in the Riverview Business Park that did not occur.

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 net position presents information on all of the Port Authority's assets and deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Port Authority is improving or deteriorating.

Condensed Statements of Net Position
June 30, 2015 and 2014

	2015	2014
Current Assets	$ 11,075,241	$ 12,417,347
Capital Assets, Net	42,372,701	38,340,198
Assets Held for Sale	239,645	239,645
Total assets	53,687,587	50,997,190
Total Deferred Outflows of Resources	117,754	-
Current Liabilities	1,134,960	1,515,481
Non-current Liabilities	3,762,346	3,308,807
Total liabilities	4,897,306	4,824,288
Total Deferred Inflows of Resources	521,112	-
Net Position		
Net Investment in Capital Assets	42,017,033	37,742,448
Unrestricted	6,369,890	8,430,454
Total net position	$ 48,386,923	$ 46,172,902

The statement of revenues, expenses, and changes in net position shows the business-type activity of the Port Authority and provides information regarding income and expenses, both operating and non-operating, that affect net position.

Changes in Net Position
Years Ended June 30, 2015 and 2014

	2015	2014
Revenues		
Operating Revenues		
Agricultural	$ 220,163	$ 282,169
Liquid bulk	161,048	210,777
Dry bulk	217,561	179,922
General cargo	10,601	10,220
Low water wharf	60,160	144,972
Stevedoring	527,302	490,898
Barge and towboat	455,327	500,793
Railroad	1,550,727	1,523,472
Railroad switching	769,891	766,781
Total operating revenues	3,972,780	4,110,004
Other Revenues		
Lease	3,766,503	3,665,978
Other revenues	39,070	16,057
Total other revenues	3,805,573	3,682,035
Total revenues	7,778,353	7,792,039
Expenses		
Operating Expenses		
Personnel	1,036,389	1,330,392
General and administrative	514,193	470,226
Operations	1,861,376	1,761,901
Depreciation	2,868,968	2,655,369
Total operating expenses	6,280,926	6,217,888
Non-operating Revenue (Expense)		
Investment income	193,874	144,257
Investment loss	(97,497)	(74,345)
Capital grants	2,031,788	981,136
Interest expense	(36,400)	(49,367)
Total non-operating revenue (expense)	2,091,765	1,001,681
Change in Net Position	3,589,192	2,575,832
Net Position, Beginning of Year	46,172,902	43,597,070
Prior Period Adjustments *	(1,375,171)	-
Net Position, End of Year	$ 48,386,923	$ 46,172,902

* Beginning net position for fiscal year 2015 was reduced due to the implementation of GASB 68 and GASB 71 as explained in Note 10 to the financial statements.

These statements contain the income and expenses of the Port Authority's operations.

The Port Authority's net position increased by $3,589,192 for the year ended June 30, 2015. The majority of the increase can be attributed to land lease income, capital grant funds received, and investment return from the Port's treasury notes. Net position at the beginning of fiscal year 2015 was decreased by $1,375,171 for the prior period adjustments necessary to record the effects of the Governmental Accounting Standards Board Statement Number 68 (GASB 68). GASB 68 imposed new reporting requirements on state and local governments for pensions effective for all periods beginning after June 15, 2014. Under GASB 68, the Port Authority is required to report its proportionate share of the unfunded liability associated with The Municipal Employees' Retirement Plan of the City of Tulsa (MERP) pension plan. The required entries to record the effects of GASB 68 and Governmental Accounting Standards Board Statement Number 71 (GASB 71) are book entries only in the financial statements and do not affect the funding of the Port Authority. Conversely, the change in this liability must be expensed in the statements of revenues, expenses, and changes in net position. In both cases GASB 68 and GASB 71 reporting greatly reduced the Port Authority's ending net position and is discussed in greater detail in the notes to the financial statements.

Capital grant funds received in the amount of $2,031,788 were for the renovation and enhancement of the main dock, lighting installation along the Main Parkway, and construction of perimeter fencing.

Changes in net position over time may serve as a useful indicator of the Port Authority's financial position. The Port Authority's assets and deferred outflows exceeded liabilities and deferred inflows by $48,386,923 at June 30, 2015 and by $46,172,902 at June 30, 2014.

By far, the largest portion of the Port Authority's net position reflect its investment in capital assets comprised of land, streets, utilities, docks, and waterway channel improvements, net of related outstanding debt used to acquire those assets. The Port Authority uses these capital assets to operate the Port, enabling it to provide transportation and other services and to develop land for lease to industries for the creation of jobs and area economic development activities. Various Port Authority property included in the capital assets generates both operating income and non-operating income.

Funds reserved by the Board of Directors for construction of capital improvements represent investments held in U.S. Treasury Notes fully guaranteed by the U.S. government. At June 30, 2015 and 2014, restricted funds were approximately $9,015,000 and $9,493,000, respectively.

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 starting on page 11 of this report.

Capital Asset and Debt Administration

Capital Assets

The largest portion of the Port Authority's total assets reflects its investment in capital assets of $42,372,701, or 79%, of total assets and $38,340,198, or 75%, of total assets at June 30, 2015 and 2014, respectively. This investment in capital assets includes land, buildings, infrastructure of streets, utilities, railroad, docks and waterway channel improvements, and machinery and equipment.

Long-term Debt

At June 30, 2015 and 2014, the Port Authority had total debt outstanding of $595,313 and $837,395, respectively, representing Community Development Block Grant loans for the wharf cut, completed in approximately November 2006, construction of offsite infrastructure improvements leased to a port tenant, and a note payable to a bank for the purchase of 525 acres adjacent to the south boundary of the Port.

Other Developments

The Port Authority has been awarded a $6,425,000 TIGER Grant for its main dock renovation and enhancement of main dock facilities. The grant agreement for this project is with the United States Department of Transportation (DOT) and is administered by the Maritime Administration (MARAD). The major project components are demolition of the Port's 43,000 square foot Transit Shed Warehouse, replacing it with a 300' x 165' warehouse building, renovation of the Port's overhead gantry crane, and reconstruction of West Channel Road. Total cost of the project is estimated at $12,850,000.

The Port Authority has also been awarded a federal funding grant under the "FEMA Port Security Grant Program". The grant funds are to be used for the purchase and installation of security and surveillance equipment and upgrades at the 2000-acre Port complex. Up to $195,000 of the project cost is eligible to be paid with grant funds.

Economic Factors and Next Year's Budget

The Port Authority is the landlord developer of a 2,000-acre water port and industrial park. The Port Authority has entered into long-term lease agreements with approximately 75 tenant industries and operators. Payments for current land leases and operating agreements for leasing Port improvements are scheduled to generate annual revenues of $4,194,374, $3,427,832, and $3,047,769 for the fiscal years 2016, 2017 and 2018, respectively. It is expected that expiring leases will be renewed at higher rates. The Port Authority earns additional revenues from railroad and barge shipping activities and, in certain agreements, revenues earned by operators of Port Authority facilities.

The Port Authority approves its operating budget each year in June. The budget for the fiscal year ending June 30, 2016 projects total revenues of $6,253,748, total expenses of $5,253,035, including depreciation of $3,010,968, and net income of $1,000,713. Income for land leases is projected to be $3,829,692 and income from operations to be $2,133,056.

Requests for Information

This financial report is designed to provide a general overview of the Port 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 Port of Catoosa, 5350 Cimarron Road, Catoosa, OK 74015-3027.

Assets	
Current Assets	
Cash and cash equivalents	$ 880,963
Investments	9,014,585
Accounts receivable, net of allowance for doubtful accounts of $5,849 in both 2015 and 2014	480,195
Grant receivable	528,571
Interest receivable	39,064
Prepaid expenses	48,620
Lease revenues receivable	83,243
Total current assets	11,075,241
Assets Held for Sale	239,645
Capital Assets, Non-depreciable	10,831,222
Capital Assets, Net of Depreciation	31,541,479
Total assets	53,687,587
Deferred Outflows of Resources	
Deferred outflows - pension	117,754
Total Deferred Outflows of Resources	117,754
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	483,023
Compensated absences	261,372
Current portion of long-term debt	218,750
Current portion of advance rental billings	171,815
Total current liabilities	1,134,960
Long-term Debt, Net of Current Portion	376,563
Long-term Advance Rental Billings, Net of Current Portion	2,549,335
Long-term Net Pension Liability	836,448
Total liabilities	4,897,306
Deferred Inflows of Resources	
Deferred inflows - pension	521,112
Total Deferred Inflows of Resources	521,112
Net Position	
Net investment in capital assets	42,017,033
Unrestricted	6,369,890
Total net position	$ 48,386,923

Operating Revenues	
Operations	$ 3,972,780
Lease	3,766,503
Management fees	15,000
Other	24,070
Total operating revenues	7,778,353
Operating Expenses	
Personnel	1,036,389
General and administrative	514,193
Operations	1,861,376
Depreciation	2,868,968
Total operating expenses	6,280,926
Operating Income	1,497,427
Non-operating Revenue (Expense)	
Investment income	193,874
Investment loss	(97,497)
Capital grants	2,031,788
Interest expense	(36,400)
Total non-operating revenue (expense)	2,091,765
Change in Net Position	3,589,192
Net Position, Beginning of Year	46,172,902
Prior period adjustments *	(1,375,171)
Net Position, Beginning of Year, as Restated	44,797,731
Net Position, End of Year	$ 48,386,923

* Beginning net position for fiscal year 2015 was reduced due to the implementation of GASB 68 and GASB 71 as explained in Note 10 to the financial statements.

Operating Activities	
Cash received from customers	$ 7,750,654
Cash paid to suppliers	(2,699,586)
Cash paid to employees	(1,171,868)
Cash received from affiliate	15,000
Net Cash from Operating Activites	3,894,200
Capital and Related Financing Activities	
Intergovernmental grants	2,239,353
Acquisition of capital assets	(6,907,156)
Principal payments on long-term debt	(242,082)
Interest expense paid	(36,400)
Net Cash used for Capital and Related Financing Activities	(4,946,285)
Investing Activities	
Purchases of investments	(1,494,089)
Sales and maturities of investments	1,875,000
Interest received on investments	195,137
Net Cash used for Investing Activities	576,048
Net Change in Cash and Cash Equivalents	(476,037)
Cash and Cash Equivalents, Beginning of Year	1,357,000
Cash and Cash Equivalents, End of Year	$ 880,963
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 1,497,427
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	2,868,968
Loss on disposal of capital assets	5,685
Changes in assets, liabilities, deferred inflows and outflows	
Accounts receivable	136,265
Prepaid expenses	13,439
Lease revenues receivable	29,129
Deferred outflows - pensions	(117,754)
Accounts payable and accrued expenses	(343,141)
Advance rental billings	(178,092)
Net pension liability	51,499
Compensated absences	(115)
Deferred inflows - pensions	(69,110)
Total adjustments	2,396,773
Net cash from operating activities	$ 3,894,200
Supplemental Disclosure of Cash Flow Information	
Net realized and unrealized loss on investments	$ (97,497)

Note 1 - Significant Accounting Policies

Organization and Reporting Entity

The City of Tulsa - Rogers County Port Authority (the Port Authority) was created to develop and operate the Tulsa Port of Catoosa (the Port). The Port Authority is governed by a nine-member board of directors. The City of Tulsa and Rogers County, Oklahoma appoint six and three members to the board, respectively. Activities of the Port Authority include leasing port improvements, land, and structures to various tenants, including Tulsa's Port of Catoosa Facilities Authority (the Facilities Authority), a related organization of the Port Authority. The Port Authority is the beneficiary of the Facilities Authority, a public trust created to finance and develop Port facilities. The Port Authority is responsible for appointing the board of directors for the Facilities Authority. The Port Authority's accountability for this organization does not extend beyond making the appointments. The operating results of the Facilities Authority are not included in the financial statements of the Port Authority.

Approximately 29% of the Port Authority's revenues for the year ended June 30, 2015, came from Burlington Northern Santa Fe and Southern Kansas and Oklahoma Railroad. These two customers accounted for approximately 53% of accounts receivable at June 30, 2015.

The Port 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 of the City of Tulsa, Oklahoma.

Basis of Accounting

The activities of the Port 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 Port Authority uses the accrual method of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Port Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues consist of lease revenue from tenants and other revenue from usage of the Port. Operating expenses are costs associated with operating the Port Authority.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit and investments with initial maturities of three months or less.

Investments

Investments are stated at fair value, based upon quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments and investment income) is included in the statement of revenues, expenses, and changes in net position as increases or decreases in net position.

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.

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 3 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 Port Authority follows the practice of capitalizing items over $2,000 with a useful life of more than one year. The Port 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 Port 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.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, 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 their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. As of June 30, 2015, there was no restricted net position. Unrestricted net position is net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Paid Time-Off Policy

Effective August 1, 2013, the Port Authority Board approved changing from vacation and sick leave to Paid Time Off (PTO). PTO for employees accrues at varying rates depending on length of service with no caps on the balance of their PTO account. Employees are eligible to be paid for their PTO not used at retirement using the current rate of pay.

Income Taxes

The Port 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.

Capital Grants

Certain expenditures of the Port Authority are funded through various grants from local, state, and federal sources. These grants are considered earned as the related allowable expenses are incurred. Grants for capital asset acquisition and construction are reported in the statements of revenues, expenses, and changes in net position as capital grants.

During the year ended June 30, 2015, capital grants were for expenditures incurred in connection with security fencing improvements, main dock rehabilitation and installation of energy-efficient roadway lighting

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement Plan (MERP) and additions to/deductions from MERP's fiduciary net position have been determined on the same basis as they are reported by MERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are reported in the statement of net position as described below: A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The Port Authority has one item that qualifies for reporting in this category:

- Deferred outflows of resources for pension – Reported in the statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 4.72 years.

A deferred inflow of resources is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The Port Authority has one item that qualifies for reporting in this category:

- Deferred inflows of resources for pension – Reported in the statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

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.

Implementation of New Standards

In the current fiscal year, the Port Authority implemented the following new standards:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71") amends the transition provisions of GASB 68. GASB 71 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

Note 2 - Cash and Cash Equivalents and Investments

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

Level of risk		
Insured by the Federal Deposit Insurance Corporation	$	255,076
Collateralized with securities held by the pledging financial institution in the Port Authority's name		701,757
Total bank balances	$	956,833
Total book balances	$	880,963

It is the policy of the Port Authority to invest funds in insured or collateralized time-deposit accounts and direct obligations of the United States government. The Port Authority has certain guidelines, but no formal policies regarding credit risk, custodial risk, concentration of credit risk, and interest rate risk.

Investment balances, their credit quality ratings (not applicable for U.S. Treasury Notes), and their maturities as of June 30, 2015 were as follows:

	Carrying Amount	Less than 1	1 - 5	6 - 10
Investment types				
U.S. Treasury Notes	$ 6,942,519	$ -	$ 6,942,519	$ -
U.S. Treasury Money Market Fund - AAA Rated	2,072,066	2,072,066	-	-
Total bank balances	$ 9,014,585	$ 2,072,066	$ 6,942,519	$ -

Investments in U.S. Treasury notes are registered in the Port Authority's name.

At June 30, 2015, these investments consisted of $6,942,519 of U.S. Treasury Notes and $2,072,066 of cash equivalents invested in a U.S. Treasury Securities money market fund, which is held by a financial institution and collateralized by securities held by the pledging financial institution in the Port Authority's name.

Net realized loss on sales of investments, during the year ended June 30, 2015 was $75,941.

Note 3 - Leases

Lease payments received from various tenants are accounted for using the operating method. Lease payments are recorded as either operating or lease revenue, depending on the terms of the lease agreement. The following is a schedule of future minimum lease payments receivable under non-cancellable operating leases in effect at June 30, 2015.

	Lease Revenue	Operating Revenue	Total
2016	$ 3,528,034	$ 666,340	$ 4,194,374
2017	2,895,126	532,706	3,427,832
2018	2,605,913	441,856	3,047,769
2019	2,364,053	427,356	2,791,409
2020	2,062,615	326,906	2,389,521
Thereafter	8,855,794	614,433	9,470,227
Total	$ 22,311,535	$ 3,009,597	$ 25,321,132

Note 4 - Capital Assets, Including Donated Assets

Activity in capital assets for the year ended June 30, 2015, was as follows:

	June 30, 2014	Increases	Transfers	Decreases	June 30, 2015
Land (not depreciated)	$ 4,606,002	$ -	$ -	$ -	$ 4,606,002
Construction in progress (not depreciated)	5,401,699	6,121,060	(5,293,451)	(4,088)	6,225,220
Total non-depreciable assets	10,007,701	6,121,060	(5,293,451)	(4,088)	10,831,222
Port improvements	51,710,321	-	5,226,885	-	56,937,206
Grain tanks	1,056,728	-	-	-	1,056,728
Machinery and equipment	6,594,276	773,215	66,566	(24,034)	7,410,023
Low water wharf	150,000	-	-	-	150,000
Main office renovation	54,738	-	-	-	54,738
Office furniture and fixtures	331,221	12,881	-	-	344,102
Total depreciable assets	59,897,284	786,096	5,293,451	(24,034)	65,952,797
Less accumulated depreciation for					
Port improvements	(24,868,186)	(2,379,307)	-	-	(27,247,493)
Machinery and equipment	(6,342,484)	(469,823)	-	22,437	(6,789,870)
Office furniture and fixtures	(354,117)	(19,838)	-	-	(373,955)
Total accumulated depreciation	(31,564,787)	(2,868,968)	-	22,437	(34,411,318)
Net capital assets, excluding donated assets	38,340,198	4,038,188	-	(5,685)	42,372,701
Donated assets					
Port improvements	930,547	-	-	-	930,547
Less accumulated depreciation	(930,547)	-	-	-	(930,547)
Net donated assets	-	-	-	-	-
Total capital assets, net	$ 38,340,198	$ 4,038,188	$ -	$ (5,685)	$ 42,372,701

Construction in progress consists of expenditures incurred in connection with projects undertaken and incomplete at June 30, 2015. Future commitments under these projects are $8,059,493.

Certain assets from the above items are leased by the Port Authority to various tenants under operating leases. At June 30, 2015, these included:

Port improvements	$ 9,324,791
Grain tanks	1,056,728
Machinery and equipment	2,412,701
	12,794,220
Less accumulated depreciation	(6,278,485)
Net leased items	$ 6,515,735

At June 30, 2015, the Port Authority had approximately $240,000 of land held for sale.

Note 5 - Pledged Revenues

The Port Authority has pledged future revenues to repay approximately $3.0 million in notes payable issued in 2001, 2005, and 2007. Proceeds from the notes were used for the wharf cut, construction of offsite infrastructure improvements leased to a Port Authority tenant, a sewer line extension to provide sanitary sewer service along Port Authority property that fronts on State Highway 67, and the purchase of 525 acres adjacent to the south edge of the Port. Principal and interest on the notes are payable through 2025, solely from the revenues. Annual principal and interest on the notes are expected to require approximately 5% of such net revenues. Principal and interest paid in 2015 was $278,482. Pledged revenues totaled approximately $6.5 million for the year ended June 30, 2015. At June 30, 2015, pledged future revenues totaled $631,313, which was the amount of the remaining principal and interest on the notes.

Note 6 - Long-term Liabilities

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

0% note payable to Oklahoma Department of Commerce (ODOC), through Rogers County as agent for ODOC, through the Facilities Authority as agent for Rogers County. The note is due in monthly installments of $1,563. The note matures in November 2025 and is collateralized by a pledge of the Port Authority's revenues.	$ 195,313
6% note payable to a bank, due in annual installments of $200,000, plus interest, and maturing in March 2017. The note is collateralized by a pledge of the Port Authority's revenues.	400,000
	595,313
Less current portion	(218,750)
Long-term debt, less current portion	$ 376,563

At June 30, 2015, debt service requirements of the Port Authority were as follows:

Year ended June 30,	Principal	Interest
2016	$ 218,750	$ 24,000
2017	218,750	12,000
2018	18,750	-
2019	18,750	-
2020	18,750	-
2021-2024	75,000	-
2025-2026	26,563	-
Total	$ 595,313	$ 36,000

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

	June 30, 2014	Additions	Reductions	June 30, 2015	Amount Due Within One Year
Compensated absences	$ 261,487	$ 87,367	$ 87,482	$ 261,372	$ 261,372
Advance rental billings	2,899,242	7,655	185,747	2,721,150	171,815
Notes payable	837,395	-	242,082	595,313	218,750
Total long-term liabilities	$ 3,998,124	$ 95,022	$ 515,311	$ 3,577,835	$ 651,937

Note 7 - Risk Management

The Port Authority is exposed to various risks of loss related theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the Port Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 8 - Related Party Transactions

The Port Authority receives a management fee from the Facilities Authority. The fees were $15,000 the year ended June 30, 2015.

The Port Authority leases certain real estate to the Facilities Authority, who subleases it to tenants. Substantially all lease revenues from the tenants are passed through to the Port Authority. Lease revenue received from the Facilities Authority was $286,647 in 2015.

Note 9 - Pension and Retirement Benefits

Plan description: Employees of the Port Authority are provided with pensions through the Municipal Employee Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City). MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City of Tulsa's Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2nd Street, Tulsa, Oklahoma 74103.

Benefits provided: MERP provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest 30 months of salary during the last five-years of service and a multiplier based on the years of service. Employees are eligible for full retirement at age 65 and at least 5 years of service or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 2.5% per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement with additional service credited during the period of disability. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50% of the member's accrued benefit determined based on final average earnings and service as of the date of death.

Contributions: Contributions are set per City of Tulsa ordinance. Employees are required to contribute 6.5 percent of their pensionable wages for the year ended June 30, 2015. The Port Authority is required to contribute 11.5 percent of pensionable wages for the year ended June 30, 2015. The Port Authority is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceeds the 11.5 percent of pensionable wages. Actual contributions to the pension plan from the Port Authority were $86,050 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Port Authority reported a liability of $836,448 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension liability to June 30, 2015. The Port Authority's proportion of the net pension liability was based on a projection of the Port Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2015, the Port Authority's proportion was 0.6678 percent, which was a decrease of 0.0348 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Port Authority recognized pension expense (gain) of $(135,365). At June 30, 2015, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ -	$ 51,637
Changes of assumptions	-	286,965
Net difference between projected and actual earnings on pension plan investments	117,754	128,828
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	-	53,682
Total	$ 117,754	$ 521,112

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	$ (14,431)
2017	(14,431)
2018	(14,431)
2019	(10,389)
2020	-
Thereafter	-

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.25 to 13.70 percent, including inflation.
Investment rate of return	7.75 percent compounded annually, net of investment expense and including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Tables, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the four-year period ending December 31, 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	34%	1.75%
Domestic equity	31	7.04
International equity	21	7.10
Real estate	7	5.15
Commodities	3	.50
Timber	4	4.65
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from Port Authority will be made at specified in the MERP funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Port Authority's proportionate share of the net pension liability to changes in the discount rate: The following presents the Port Authority's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	**Current Discount Rate (7.75%)**	**1% Increase (8.75%)**
Port Authority's proportionate share of the net pension liability	$ 1,228,620	$ 836,448	$ 502,108

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the City of Tulsa's Comprehensive Annual Financial Report; which can be located at www.cityoftulsa.org.

Note 10 - Prior Period Adjustment

Net Position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

Beginning Net Position - as Originally Presented	$ 46,172,902
Restatement due to:	
Net pension liability (measurement date as of June 30, 2014)	(784,949)
Port Authority deferred inflows	(590,222)
Beginning Net Position - as Restated	$ 44,797,731

Required Supplementary Information
June 30, 2015

City of Tulsa - Rogers County Port Authority

	2015	2014
Port Authority's proportion of the net pension liability	0.6678%	0.7026%
Port Authority's proportionate share of the net pension liability	$ 836,448	$ 784,949
Port Authority's covered-employee payroll	$ 692,037	$ 778,931
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	120.87%	100.77%
Plan fiduciary net position as a percentage of the total pension liability *	77.13%	79.29%

* Per The Municipal Employees' Retirement Plan of the City of Tulsa's GASB 67 and 68 Reporting and Disclosure Information.

Net Pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.

Schedule of Port Authority's Contributions
The Municipal Employees' Retirement Plan of The City of Tulsa, OK
Last Two Fiscal Years

	2015	2014
Contractually required contribution	$ 76,055	$ 85,916
Contributions in relation to the contractually required contribution	86,050	84,333
Contribution deficiency (excess)	$ (9,995)	$ 1,583
Port Authority’s covered-employee payroll	$ 692,037	$ 778,931
Contributions as a percentage of covered-employee payroll	12.43%	10.83%

Other Supplementary Information
June 30, 2015

City of Tulsa - Rogers County Port Authority

Federal Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Federal Grant Expenditures
U.S. Department of Transportation:			
Direct Program:			
TIGER Discretionary Grants	20.933	N/A	$ 1,756,791
Total U.S. Department of Transportation			1,756,791
U.S. Department of Homeland Security:			
Direct Program:			
Port Security Grant Program	97.056	EMW2012PU00136	194,997
Total U.S. Department of Homeland Security			194,997
Total Expenditures of Federal Awards			$ 1,951,788

Note 1 – Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of City of Tulsa - Rogers County Port Authority under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Subrecipients

The Port Authority provided no awards to subrecipients.

CPAs & BUSINESS ADVISORS

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 Directors
City of Tulsa - Rogers County Port 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 City of Tulsa - Rogers County Port Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Tulsa – Rogers County Port 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 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 City of Tulsa - Rogers 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*.

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.

Eide Bailly LLP

Tulsa, Oklahoma
February 12, 2016

EideBailly
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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors
City of Tulsa - Rogers County Port Authority
Catoosa, Oklahoma

Report on Compliance for the Major Federal Program
We have audited the City of Tulsa - Rogers County Port Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Tulsa - Rogers County Port Authority's major federal program for the year ended June 30, 2015. The City of Tulsa - Rogers County Port Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for the City of Tulsa - Rogers County Port Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tulsa - Rogers County Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Tulsa - Rogers County Port Authority's compliance.

Opinion on the Major Federal Program
In our opinion, the City of Tulsa - Rogers County Port Authority (the Port Authority) complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance
Management of the City of Tulsa - Rogers County Port Authority (the Port Authority) is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Tulsa, Oklahoma
February 12, 2016

Section I - Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No
Federal Awards	
Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Name of Federal Program or Cluster	CFDA number
TIGER Discretionary Grants	20.933
Dollar threshold used to distinguish between Type A and Type B programs	$ 300,000
Auditee qualified as low-risk auditee	No

Section II - Findings relating to the Financial Statements

None.

Section III - Findings and Questioned Costs for Major Federal Awards

None.

None.