



Financial Statements
June 30, 2016 and 2015

City of Tulsa - Rogers County Port Authority

City of Tulsa - Rogers County Port Authority

Table of Contents

June 30, 2016 and 2015

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Unaudited)	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position.....	9
Statements of Cash Flow	10
Notes to Financial Statements.....	12
Required Supplemental Schedules	
Schedule of Port Authority’s Proportionate share of the Net Pension Liability.....	27
Schedule of Port Authority’s Contributions	28
Other Supplemental Schedules	
Schedule of Expenditures of Federal Awards.....	29
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 <i>Government Auditing Standards</i>	30
Independent Auditor’s Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	32
Schedule of Findings and Questioned Costs.....	34
Summary of Prior Year Findings	37



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 years ended June 30, 2016 and 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 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 City of Tulsa - Rogers County Port Authority, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows 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, schedule of Port Authority's proportionate share of the net pension liability, and schedule of Port Authority's contributions on pages 3 through 7, 27, and 28 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 12, 2017 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.



Tulsa, Oklahoma
January 12, 2017



Management's Discussion and Analysis
June 30, 2016 and 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 years ended June 30, 2016 and 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 \$53,301,501 (net position). Of this amount, \$4,038,573 (unrestricted net position), or 7.6%, may be used to meet the Port Authority's ongoing obligations. The assets and deferred outflows of the Port Authority exceeded its liabilities and deferred inflows at the close of the 2015 fiscal year by \$48,386,923.
- The Port Authority's net position increased by \$4,914,578 for the year ended June 30, 2016. 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, 2016 decreased by \$785,471. Railroad revenue decreased by \$495,419 primarily due to decreased steel movements, reduced oil and gas exploration, as well as rains, floods and high flows that restricted movement on the waterway for much of the 2015 calendar year.
- 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, 2016, actual financial operations of the Port were unfavorable compared to the operating budget prepared and approved by the Port Authority. Operating revenues of the Port Authority did not meet the budget expectations. Expenses were also less than the budget expectations, primarily related to payroll and related benefits 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 statements of net position present 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.

City of Tulsa - Rogers County Port Authority
Management's Discussion and Analysis (Unaudited)
June 30, 2016 and 2015

Condensed Statements of Net Position
June 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	2014 (as restated)
Current Assets	\$ 8,586,579	\$ 11,075,241	\$ 12,417,347
Capital Assets, Net	49,399,846	42,372,701	38,340,198
Assets Held for Sale	239,645	239,645	239,645
	<u>58,226,070</u>	<u>53,687,587</u>	<u>50,997,190</u>
Total assets			
Total Deferred Outflows of Resources	<u>513,445</u>	<u>117,754</u>	<u>-</u>
Current Liabilities	1,170,381	1,134,960	1,515,481
Non-current Liabilities	3,857,737	3,762,346	4,093,756
	<u>5,028,118</u>	<u>4,897,306</u>	<u>5,609,237</u>
Total liabilities			
Total Deferred Inflows of Resources	<u>409,896</u>	<u>521,112</u>	<u>590,222</u>
Net Position			
Net Investment in Capital Assets	49,262,928	42,017,033	37,742,448
Unrestricted	4,038,573	6,369,890	7,055,283
	<u>53,301,501</u>	<u>48,386,923</u>	<u>44,797,731</u>
Total net position			

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

City of Tulsa - Rogers County Port Authority
Management's Discussion and Analysis (Unaudited)
June 30, 2016 and 2015

Changes in Net Position
Years Ended June 30, 2016, 2015 and 2014

	2016	2015	2014 (as restated)
Revenues			
Operating Revenues			
Agricultural	\$ 186,122	\$ 220,163	\$ 282,169
Liquid bulk	275,165	161,048	210,777
Dry bulk	188,637	217,561	179,922
General cargo	10,219	10,601	10,220
Low water wharf	55,809	60,160	144,972
Stevedoring	304,186	527,302	490,898
Barge and towboat	409,254	455,327	500,793
Railroad	1,055,308	1,550,727	1,523,472
Railroad switching	602,423	769,891	766,781
Total operating revenues	<u>3,087,123</u>	<u>3,972,780</u>	<u>4,110,004</u>
Other Revenues			
Lease	3,855,581	3,766,503	3,665,978
Other revenues	50,178	39,070	16,057
Total other revenues	<u>3,905,759</u>	<u>3,805,573</u>	<u>3,682,035</u>
Total revenues	<u>6,992,882</u>	<u>7,778,353</u>	<u>7,792,039</u>
Expenses			
Operating Expenses			
Personnel	1,129,746	1,036,389	1,330,392
General and administrative	467,172	514,193	470,226
Operations	1,594,533	1,861,376	1,761,901
Depreciation	2,991,573	2,868,968	2,655,369
Total operating expenses	<u>6,183,024</u>	<u>6,280,926</u>	<u>6,217,888</u>
Non-operating Revenue (Expense)			
Investment income	161,018	193,874	144,257
Investment loss	(73,057)	(97,497)	(74,345)
Capital grants	4,041,292	2,031,788	981,136
Interest expense	(24,533)	(36,400)	(49,367)
Total non-operating revenue (expense)	<u>4,104,720</u>	<u>2,091,765</u>	<u>1,001,681</u>
Change in Net Position	4,914,578	3,589,192	2,575,832
Net Position, Beginning of Year	<u>48,386,923</u>	<u>44,797,731</u>	<u>42,221,899</u>
Net Position, End of Year	<u>\$ 53,301,501</u>	<u>\$ 48,386,923</u>	<u>\$ 44,797,731</u>

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

The Port Authority's net position increased by \$4,914,578 for the year ended June 30, 2016. The majority of the increase can be attributed to land lease income and capital grant funds received. Capital grant funds received in the amount of \$4,041,292 were for the renovation and enhancement of the main dock and installation of an enhanced surveillance system.

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 and capital grant funds received. 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 \$53,301,501 at June 30, 2016 and \$48,386,923 at June 30, 2015.

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, 2016 and 2015, restricted funds were approximately \$5,264,000 and \$9,015,000, 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 12 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 \$49,399,846, or 85%, of total assets and \$42,372,701, or 79%, of total assets at June 30, 2016 and 2015, respectively. This investment in capital assets includes land, buildings, infrastructure of streets, utilities, railroad, docks and waterway channel improvements, and machinery and equipment. See Note 4 to financial statements for additional information on the capital assets.

Long-term Debt

At June 30, 2016 and 2015, the Port Authority had total debt outstanding of \$376,563 and \$595,313, respectively, representing Community Development Block Grant loans for the wharf cut, completed in approximately November 2006, construction of 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. See Note 6 to financial statements for additional information on the long-term debt.

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 \$4,140,459, \$3,808,780, and \$3,513,620 for the fiscal years 2017, 2018 and 2019, 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, 2017 projects total revenues of \$6,181,598, total expenses of \$5,410,464, including depreciation of \$3,197,408, and net income of \$771,134. Income for land leases is projected to be \$3,890,859 and income from operations to be \$2,014,739.

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.

City of Tulsa - Rogers County Port Authority
 Statements of Net Position
 June 30, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 780,182	\$ 880,963
Investments	5,264,399	9,014,585
Accounts receivable, net of allowance for doubtful accounts of \$5,849 in both 2016 and 2015	782,303	480,195
Grant receivable	1,640,500	528,571
Interest receivable	20,069	39,064
Prepaid expenses	37,091	48,620
Lease revenues receivable	62,035	83,243
Total current assets	8,586,579	11,075,241
Assets Held for Sale	239,645	239,645
Capital Assets, Non-depreciable	17,994,549	10,831,222
Capital Assets, Net of Depreciation	31,405,297	31,541,479
Total assets	58,226,070	53,687,587
Deferred Outflows of Resources		
Deferred outflows - pension	513,445	117,754
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	510,346	483,023
Compensated absences	260,100	261,372
Current portion of long-term debt	218,750	218,750
Current portion of advance rental billings	181,185	171,815
Total current liabilities	1,170,381	1,134,960
Long-term Debt, Net of Current Portion	157,813	376,563
Long-term Advance Rental Billings, Net of Current Portion	2,385,175	2,549,335
Long-term Net Pension Liability	1,314,749	836,448
Total liabilities	5,028,118	4,897,306
Deferred Inflows of Resources		
Deferred inflows - pension	409,896	521,112
Net Position		
Net investment in capital assets	49,262,928	42,017,033
Unrestricted	4,038,573	6,369,890
Total net position	\$ 53,301,501	\$ 48,386,923

City of Tulsa - Rogers County Port Authority
 Statements of Revenues, Expenses and Changes in Net Position
 June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Operations	\$ 3,087,123	\$ 3,972,780
Lease	3,855,581	3,766,503
Management fees	15,000	15,000
Other	35,178	24,070
Total operating revenues	6,992,882	7,778,353
Operating Expenses		
Personnel	1,129,746	1,036,389
General and administrative	467,172	514,193
Operations	1,594,533	1,861,376
Depreciation	2,991,573	2,868,968
Total operating expenses	6,183,024	6,280,926
Operating Income	809,858	1,497,427
Non-operating Revenue (Expense)		
Investment income	161,018	193,874
Investment loss	(73,057)	(97,497)
Capital grants	4,041,292	2,031,788
Interest expense	(24,533)	(36,400)
Total non-operating revenue (expense)	4,104,720	2,091,765
Change in Net Position	4,914,578	3,589,192
Net Position, Beginning of Year	48,386,923	44,797,731
Net Position, End of Year	\$ 53,301,501	\$ 48,386,923

City of Tulsa - Rogers County Port Authority
 Statements of Cash Flow
 June 30, 2016 and 2015

	2016	2015
Operating Activities		
Cash received from customers	\$ 6,542,192	\$ 7,750,654
Cash paid to suppliers	(2,022,853)	(2,699,586)
Cash paid to employees	(1,159,624)	(1,171,868)
Cash received from affiliate	15,000	15,000
	<u>3,374,715</u>	<u>3,894,200</u>
Net Cash from Operating Activities		
Capital and Related Financing Activities		
Intergovernmental grants	2,929,363	2,239,353
Acquisition of capital assets	(10,018,718)	(6,907,156)
Principal payments on long-term debt	(218,750)	(242,082)
Interest expense paid	(24,533)	(36,400)
	<u>(7,332,638)</u>	<u>(4,946,285)</u>
Net Cash used for Capital and Related Financing Activities		
Investing Activities		
Purchases of investments	(1,199,360)	(1,494,089)
Sales and maturities of investments	4,876,489	1,875,000
Interest received on investments	180,013	195,137
	<u>3,857,142</u>	<u>576,048</u>
Net Cash used for Investing Activities		
Net Change in Cash and Cash Equivalents	(100,781)	(476,037)
Cash and Cash Equivalents, Beginning of Year	<u>880,963</u>	<u>1,357,000</u>
Cash and Cash Equivalents, End of Year	<u>\$ 780,182</u>	<u>\$ 880,963</u>

City of Tulsa - Rogers County Port Authority
 Statements of Cash Flow
 June 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Income to Net		
Cash from Operating Activities		
Operating income	\$ 809,858	\$ 1,497,427
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	2,991,573	2,868,968
Loss on disposal of capital assets	-	5,685
Changes in assets, liabilities, deferred inflows and outflows		
Accounts receivable	(302,108)	136,265
Prepaid expenses	11,529	13,439
Lease revenues receivable	21,208	29,129
Deferred outflows - pensions	(395,691)	(117,754)
Accounts payable and accrued expenses	27,323	(343,141)
Advance rental billings	(154,790)	(178,092)
Net pension liability	478,301	51,499
Compensated absences	(1,272)	(115)
Deferred inflows - pensions	(111,216)	(69,110)
Total adjustments	2,564,857	2,396,773
Net cash from operating activities	\$ 3,374,715	\$ 3,894,200
Supplemental Disclosure of Cash Flow Information		
Net realized and unrealized loss on investments	\$ (73,057)	\$ (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 25% and 29% of the Port Authority's revenues for the years ended June 30, 2016 and 2015, respectively, came from Burlington Northern Santa Fe and Southern Kansas and Oklahoma Railroad. These two customers accounted for approximately 64% and 53% of accounts receivable at June 30, 2016 and 2015, respectively.

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.

Fair Value Measurements

During the fiscal year ending June 30, 2016, the Port Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. The Port Authority categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority's own assumptions as there is little, if any, related market activity.

Hierarchy – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs – If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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 2016 or 2015.

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 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, 2016 and 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 years ended June 30, 2016 and 2015, capital grants were for expenditures incurred in connection with main dock rehabilitation and installation of an enhanced, Port-wide surveillance system.

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

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. 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 records deferred outflows of resources and deferred inflows of resources related to its participation in the MERP.

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 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, 2016 and 2015.

	2016	2015
Level of risk		
Insured by the Federal Deposit Insurance Corporation	\$ 250,000	\$ 255,076
Collateralized with securities held by the pledging financial institution in the Port Authority's name	560,054	554,978
Total bank balances	\$ 810,054	\$ 810,054
Total book balances	\$ 780,182	\$ 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 as of June 30, 2016 and 2015 were as follows:

2016:	Carrying Amount	Maturities in years		Fair Value Measurement
		Less than 1	1 - 5	
Investment types				
U.S. Treasury Notes	\$ 3,213,854	\$ -	\$ 3,213,854	Level 2
U.S. Treasury Money Market Fund - AAA Rated	<u>2,050,545</u>	<u>2,050,545</u>	<u>-</u>	Level 2
Total bank balances	<u><u>\$ 5,264,399</u></u>	<u><u>\$ 2,050,545</u></u>	<u><u>\$ 3,213,854</u></u>	
2015:	Carrying Amount	Maturities in years		Fair Value Measurement
		Less than 1	1 - 5	
Investment types				
U.S. Treasury Notes	\$ 6,942,519	\$ -	\$ 6,942,519	Level 2
U.S. Treasury Money Market Fund - AAA Rated	<u>2,072,066</u>	<u>2,072,066</u>	<u>-</u>	Level 2
Total bank balances	<u><u>\$ 9,014,585</u></u>	<u><u>\$ 2,072,066</u></u>	<u><u>\$ 6,942,519</u></u>	

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

At June 30, 2016, these investments consisted of \$3,213,854 of U.S. Treasury Notes and \$2,050,545 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 years ended June 30, 2016 and 2015 was \$111,022 and \$75,941, respectively.

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, 2016.

City of Tulsa - Rogers County Port Authority
Notes to Financial Statements
June 30, 2016 and 2015

	Lease Revenue	Operating Revenue	Total
2017	\$ 3,583,753	\$ 556,706	\$ 4,140,459
2018	3,286,924	521,856	3,808,780
2019	3,006,264	507,356	3,513,620
2020	2,616,984	322,906	2,939,890
2021	2,064,639	119,000	2,183,639
Thereafter	9,915,334	653,433	10,568,767
Total	\$ 24,473,898	\$ 2,681,257	\$ 27,155,155

Note 4 - Capital Assets, Including Donated Assets

Activity in capital assets for the year ended June 30, 2016, was as follows:

	June 30, 2015	Increases	Transfers	Decreases	June 30, 2016
Land (not depreciated)	\$ 4,606,002	\$ -	\$ -	\$ -	\$ 4,606,002
Construction in progress (not depreciated)	6,225,220	9,909,894	(2,746,567)	-	13,388,547
Total non-depreciable assets	10,831,222	9,909,894	(2,746,567)	-	17,994,549
Port improvements	56,937,206	-	2,375,117	(213,436)	59,098,887
Grain tanks	1,056,728	-	-	-	1,056,728
Low water wharf	150,000	-	-	-	150,000
Machinery and equipment	7,410,023	66,219	371,450	(298,784)	7,548,908
Main office renovation	54,738	-	-	-	54,738
Office furniture and fixtures	344,102	42,605	-	(41,365)	345,342
Total depreciable assets	65,952,797	108,824	2,746,567	(553,585)	68,254,603
Less accumulated depreciation for					
Port improvements	(27,247,493)	(2,412,628)	(3,505,981)	213,436	(32,952,666)
Machinery and equipment	(6,789,870)	(559,500)	3,505,981	298,784	(3,544,605)
Office furniture and fixtures	(373,955)	(19,445)	-	41,365	(352,035)
Total accumulated depreciation	(34,411,318)	(2,991,573)	-	553,585	(36,849,306)
Net capital assets, excluding donated assets	42,372,701	7,027,145	-	-	49,399,846
Donated assets					
Port improvements	930,547	-	-	-	930,547
Less accumulated depreciation	(930,547)	-	-	-	(930,547)
Net donated assets	-	-	-	-	-
Total capital assets, net	\$ 42,372,701	\$ 7,027,145	\$ -	\$ -	\$ 49,399,846

City of Tulsa - Rogers County Port Authority
Notes to Financial Statements
June 30, 2016 and 2015

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
Low water wharf	150,000	-	-	-	150,000
Machinery and equipment	6,594,276	773,215	66,566	(24,034)	7,410,023
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, 2016. Future commitments under these projects are \$1,543,281.

Certain assets from the above items are leased by the Port Authority to various tenants under operating leases. At June 30, 2016, these included:

Port improvements	\$ 9,506,569
Grain tanks	885,000
Machinery and equipment	<u>2,210,383</u>
	12,601,952
Less accumulated depreciation	<u>(6,066,872)</u>
Net leased items	<u><u>\$ 6,535,080</u></u>

At June 30, 2016 and 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 2016 was \$243,283. Pledged revenues totaled approximately \$6.5 million for the year ended June 30, 2016. At June 30, 2016, pledged future revenues totaled \$369,813, which was the amount of the remaining principal and interest on the notes.

Note 6 - Long-term Liabilities

At June 30, 2016 and 2015, long-term debt consisted of the following:

	2016	2015
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.	\$ 176,563	\$ 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.	200,000	400,000
Less current portion	376,563 (218,750)	595,313 (218,750)
Long-term debt, less current portion	\$ 157,813	\$ 376,563

At June 30, 2016, debt service requirements of the Port Authority were as follows:

Year ended June 30,	Principal	Interest
2017	\$ 218,750	\$ 12,000
2018	18,750	-
2019	18,750	-
2020	18,750	-
2021	18,750	-
2022-2025	75,000	-
2026-2027	7,813	-
Total	\$ 376,563	\$ 12,000

City of Tulsa - Rogers County Port Authority
Notes to Financial Statements
June 30, 2016 and 2015

The long-term liability balances and activity for the years ended June 30, 2016 and 2015 were as follows:

	June 30, 2015	Additions	Reductions	June 30, 2016	Amount Due Within One Year
Compensated absences	\$ 261,372	\$ 22,560	\$ 23,832	\$ 260,100	\$ 260,100
Advance rental billings	2,721,150	12,833	167,623	2,566,360	181,185
Notes payable	595,313	-	218,750	376,563	218,750
Total long-term liabilities	<u>\$ 3,577,835</u>	<u>\$ 35,393</u>	<u>\$ 410,205</u>	<u>\$ 3,203,023</u>	<u>\$ 660,035</u>

	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	<u>\$ 3,998,124</u>	<u>\$ 95,022</u>	<u>\$ 515,311</u>	<u>\$ 3,577,835</u>	<u>\$ 651,937</u>

	June 30, 2013	Additions	Reductions	June 30, 2014	Amount Due Within One Year
Compensated absences	\$ 124,509	\$ 207,970	\$ 70,992	\$ 261,487	\$ 261,487
Advance rental billings	3,083,714	21,586	206,058	2,899,242	185,747
Notes payable	1,096,145	-	258,750	837,395	242,083
Total long-term liabilities	<u>\$ 4,304,368</u>	<u>\$ 229,556</u>	<u>\$ 535,800</u>	<u>\$ 3,998,124</u>	<u>\$ 689,317</u>

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 - Contingencies

In the normal course of operations, the Port Authority receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to be material.

Note 9 - Related Party Transactions

The Port Authority receives a management fee from the Facilities Authority. The fees were \$15,000 for both of the years ended June 30, 2016 and 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 \$201,974 and \$240,985 in 2016 and 2015, respectively.

Note 10 - 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, Office of the 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 pensionable wages 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 ordinance. Employees were required to contribute 6.5 percent of their pensionable wages for the years ended June 30, 2016 and 2015. The Port Authority was required to contribute 11.5 percent of pensionable wages for the years ended June 30, 2016 and 2015. Actual contributions to the pension plan from the Port Authority were \$80,382 and \$83,625 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016, the Port Authority reported a liability of \$1,314,749 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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. The Port Authority's proportion of the net pension liability was based on the Port Authority's share of contributions to the pension plan relative to the contributions of all participating employers.

City of Tulsa - Rogers County Port Authority
Notes to Financial Statements
June 30, 2016 and 2015

At June 30, 2016 and 2015, the Port Authority's proportion was 0.6078% and 0.6678%, respectively.

For the years ended June 30, 2016 and 2015, the Port Authority recognized pension expense (gain) of \$(28,606) and \$(135,365), respectively. At June 30, 2016 and 2015, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016:		
Differences between expected and actual plan experience	\$ 14,036	\$ 34,027
Changes of assumptions	287,619	175,828
Net difference between projected and actual earnings on pension plan investments	211,790	78,169
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	<u>-</u>	<u>121,872</u>
Total	<u>\$ 513,445</u>	<u>\$ 409,896</u>
2015:		
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	<u>-</u>	<u>53,682</u>
Total	<u>\$ 117,754</u>	<u>\$ 521,112</u>

Note: Changes of assumptions – In 2016, amounts reported as changes in assumptions resulted primarily from the changes in the mortality table and discount rate from 7.75% to 7.50%.

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

<u>Year ended June 30,</u>	
2017	\$ (23,949)
2018	(23,949)
2019	(23,949)
2020	(10,774)
2021	-
Thereafter	-

Actuarial assumptions – 2016: The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 11.75 percent, including inflation.
Investment rate of return	7.50 percent compounded annually, net of investment expense and including inflation

Mortality rates were based on the RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Generational mortality improvements with Scale MP-2015 are from the table's base year of 2014.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	24%	1.16%
Domestic equity	36%	6.19%
International equity	24%	6.59%
Real estate	8%	4.24%
Commodities	3%	.50%
Timber	4%	4.25%
Cash	1%	.11%
Total	100%	

Actuarial assumptions – 2015: 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2016 and 2015 was 7.50 and 7.75 percent, respectively. 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 the participating employers will be made as specified in the MERP's funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 14.85 percent of payroll, which is the actuarially determined contribution rate. Based on those assumptions, MERP'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 the 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 - 2016: The following presents the Port Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Port Authority's proportionate share of the net pension liability	\$ 1,766,979	\$ 1,314,749	\$ 935,822

Sensitivity of the Port Authority's proportionate share of the net pension liability to changes in the discount rate - 2015: 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.



Required Supplementary Information
June 30, 2016

City of Tulsa - Rogers County Port Authority

City of Tulsa - Rogers County Port Authority
 Schedule of Port Authority's Proportionate share of the Net Pension Liability
 The Municipal Employees' Retirement Plan of The City of Tulsa, OK
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Port Authority's proportion of the net pension liability	0.6078%	0.6678%	0.7026%
Port Authority's proportionate share of the net pension liability	\$ 1,314,749	\$ 836,448	\$ 784,949
Port Authority's covered-employee payroll	\$ 713,602	\$ 692,037	\$ 778,931
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.24%	120.87%	100.77%
Plan fiduciary net position as a percentage of the total pension liability	65.62%	77.13%	79.29%

Changes of assumptions: In 2016, amounts reported as changes of assumptions resulted primarily from changes in the mortality table and discount rate from 7.75% to 7.50%.

City of Tulsa - Rogers County Port Authority
 Schedule of Port Authority's Contributions
 The Municipal Employees' Retirement Plan of The City of Tulsa, OK
 June 30, 2016 and 2015

	2016	2015	2014
Contractually required contribution	\$ 75,927	\$ 76,055	\$ 85,916
Contributions in relation to the contractually required contribution	85,190	86,050	84,333
Contribution deficiency (excess)	\$ (9,263)	\$ (9,995)	\$ 1,583
Port Authority's covered-employee payroll	\$ 713,602	\$ 692,037	\$ 778,931
Contributions as a percentage of covered-employee payroll	11.94%	12.43%	10.83%



Other Supplementary Information
June 30, 2016

City of Tulsa - Rogers County Port Authority

City of Tulsa - Rogers County Port Authority
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2016

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	\$ 3,924,642
Total U.S. Department of Transportation			<u>3,924,642</u>
U.S. Department of Homeland Security:			
Direct Program:			
Port Security Grant Program	97.056	EMW2015PU00425	<u>116,650</u>
Total U.S. Department of Homeland Security			<u>116,650</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,041,292</u></u>

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 – Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Port Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Subrecipients

The Port Authority provided no awards to subrecipients.



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, 2016, 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 January 12, 2017.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described as 2016-A in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

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*.

The Port Authority's Response to the Finding

The Port Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Port Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Tulsa, Oklahoma
January 12, 2017



Independent Auditor's Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Tulsa, Oklahoma
January 12, 2017

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
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 the Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
TIGER Discretionary Grants	20.933
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

**2016-A Material Adjustment
Material Weakness in Internal Control over Financial Reporting**

Criteria: Under GAAP, grant revenue under cost-reimbursement contracts is recognized as an amount equal to the amount of allowable expenses incurred. Revenue is earned when the expense is incurred.

Condition: The Port Authority’s internal control system did not identify amounts to be recorded as grant revenue receivable

Cause: The grant revenue was earned prior to year-end but not yet received which created a timing difference of revenue recognition. Management had not recorded the TIGER grant revenue (a cost reimbursement grant) which is not in accordance with GAAP which requires recognition when the related expenses are incurred.

Effect: As a result of the audit procedures, one adjustment to record approximately \$641,000 in grant revenue and related receivables was necessary.

Recommendation: We recommend a control process be put in place to properly capture year-end revenue amounts in order to be presented in accordance with GAAP.

Views of Responsible Officials:
Management concurs with the finding and feels that proper procedures were implemented in FY2017 to correct this oversight and ensure that it does not recur.

City of Tulsa - Rogers County Port Authority
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section III – Federal Award Findings and Questioned Costs

None.

City of Tulsa - Rogers County Port Authority
Summary of Prior Year Findings
June 30, 2015

None.