



Financial Statements  
June 30, 2018 and 2017

# City of Tulsa - Rogers County Port Authority

City of Tulsa - Rogers County Port Authority

Table of Contents  
June 30, 2018 and 2017

---

Independent Auditor’s Report.....	1
Management's Discussion and Analysis (unaudited) .....	3
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 Supplementary Information	
Schedule of Port Authority's Proportionate share of the Net Pension Liability.....	28
Schedule of Port Authority's Contributions.....	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

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, 2018 and 2017, 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, 2018 and 2017, 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, 28, and 29 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 of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019 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 solely 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 the effectiveness of the City of Tulsa - Rogers County Port Authority's 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 City of Tulsa - Rogers County Port Authority's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Tulsa, Oklahoma  
February 20, 2019



Management's Discussion and Analysis  
June 30, 2018 and 2017

# 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, 2018 and 2017. 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 2018 fiscal year by \$55,755,214 (net position). Of this amount, \$6,165,668 (unrestricted net position), or 11.1%, 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 2017 fiscal year by \$54,167,433.
- The Port Authority's net position increased by \$1,587,781 for the year ended June 30, 2018. The Port Authority's net position increased by \$865,932 for the year ended June 30, 2017.
- Total operating revenues for year ended June 30, 2018 increased by \$1,114,308. Railroad revenue increased by \$640,922 and railroad switching by \$303,537 primarily because of increased steel movement.
- Total revenues for year ended June 30, 2017 increased by \$274,461. Railroad revenue increased by \$161,695 and railroad switching by \$47,512 primarily because the previous year's rains, floods and high flows had restricted movement on the waterway for much of the 2016 calendar year. Additionally, the Port benefited from a boost in agriculture activity, including better than average wheat and soybean harvests and increased fertilizer movement.
- For the year ended June 30, 2018, 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 slightly exceeded the budget expectations. Expenses were less than the budget expectations. The Port budget also included a sale in the Riverview Business Park that did not occur.
- Capital grants / Contributions revenue for year ended June 30, 2018 increased by \$215,857. Capital grants revenue for year ended June 30, 2017 decreased by \$3,956,306 from 2016. In 2018, the Port received \$300,843 in the form of FEMA relief aid for repair of riverbank erosion due to floodwater that commenced in 2017.

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

These financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplemental information related to the Municipal Employees' Retirement Plan of The City of Tulsa, Oklahoma.

#### *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, 2018 and 2017

Condensed Statements of Net Position  
June 30, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 10,542,703	\$ 8,496,943	\$ 8,586,579
Capital Assets, Net	49,488,963	49,935,554	49,399,846
Assets Held for Sale	239,645	239,645	239,645
	<u>60,271,311</u>	<u>58,672,142</u>	<u>58,226,070</u>
Total assets			
Total Deferred Outflows of Resources	<u>133,638</u>	<u>265,064</u>	<u>435,276</u>
Current Liabilities	1,220,862	932,756	1,170,381
Non-current Liabilities	<u>3,175,849</u>	<u>3,605,755</u>	<u>3,857,737</u>
	<u>4,396,711</u>	<u>4,538,511</u>	<u>5,028,118</u>
Total liabilities			
Total Deferred Inflows of Resources	<u>253,024</u>	<u>231,262</u>	<u>331,727</u>
Net Position			
Net Investment in Capital Assets	49,589,546	50,017,387	49,262,928
Unrestricted	<u>6,165,668</u>	<u>4,150,046</u>	<u>4,038,573</u>
	<u>\$ 55,755,214</u>	<u>\$ 54,167,433</u>	<u>\$ 53,301,501</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, 2018 and 2017

Changes in Net Position  
Years Ended June 30, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Operating Revenues			
Agricultural	\$ 223,615	\$ 261,639	\$ 186,122
Liquid bulk	309,237	321,976	275,165
Dry bulk	201,767	189,154	188,637
General cargo	11,762	10,219	10,219
Low water wharf	8,315	38,924	55,809
Stevedoring	298,976	230,138	304,186
Barge and towboat	481,698	451,683	409,254
Railroad	1,857,925	1,217,003	1,055,308
Railroad switching	953,472	649,935	602,423
Total operating revenues	<u>4,346,767</u>	<u>3,370,671</u>	<u>3,087,123</u>
Other Revenues			
Lease	3,905,490	3,808,050	3,855,581
Other revenues	129,394	88,622	50,178
Total other revenues	<u>4,034,884</u>	<u>3,896,672</u>	<u>3,905,759</u>
Total revenues	<u>8,381,651</u>	<u>7,267,343</u>	<u>6,992,882</u>
Expenses			
Operating Expenses			
Personnel	874,559	1,086,252	1,129,746
General and administrative	461,722	472,462	467,172
Operations	2,125,856	1,597,291	1,594,533
Depreciation	3,634,793	3,322,557	2,991,573
Total operating expenses	<u>7,096,930</u>	<u>6,478,562</u>	<u>6,183,024</u>
Non-operating Revenue (Expense)			
Interest income	99,918	137,212	161,018
Net decrease in the fair value of investments	(97,701)	(132,680)	(73,057)
Capital grants	300,843	84,986	4,041,292
Interest expense	-	(12,367)	(24,533)
Total non-operating revenue (expense)	<u>303,060</u>	<u>77,151</u>	<u>4,104,720</u>
Change in Net Position	1,587,781	865,932	4,914,578
Net Position, Beginning of Year	<u>54,167,433</u>	<u>53,301,501</u>	<u>48,386,923</u>
Net Position, End of Year	<u>\$ 55,755,214</u>	<u>\$ 54,167,433</u>	<u>\$ 53,301,501</u>



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

The Port Authority's net position increased by \$1,587,781 for the year ended June 30, 2018. The increase can be attributed primarily to railroad and railroad switching revenue. Capital grant funds earned in the amount of \$300,843 were for repair of riverbank erosion due to floodwater.

The Port Authority's net position increased by \$865,932 for the year ended June 30, 2017. The majority of the increase can be attributed to land lease income and capital grant funds received. Capital grant funds earned in the amount of \$84,986 were for the renovation and enhancement of the main dock and installation of an enhanced surveillance system.

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 \$55,755,214 at June 30, 2018 and \$54,167,433 at June 30, 2017.

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 designated 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, 2018 and 2017, designated funds were approximately \$6,953,000 and \$6,511,000, 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 \$49,488,963, or 82%, of total assets and \$49,935,554, or 85%, of total assets at June 30, 2018 and 2017, respectively. This investment in capital assets includes land, buildings, infrastructure of streets, utilities, railroad, docks and waterway channel improvements, and machinery and equipment. The TIGER grant project was completed in fiscal year 2017, and the related capitalized costs transferred from construction in progress to port improvements and machinery and equipment. In fiscal year 2018, costs related to the channel dredge, a T-wharf renovation, road reconstructions, and storm drain repair/upgrade were transferred from construction in progress. See Note 4 to the financial statements.

*Long-term Debt*

At June 30, 2018 and 2017, the Port Authority had total debt outstanding of \$139,062 and \$157,812, respectively, representing Community Development Block Grant loans for the wharf cut, completed in approximately November 2006, and construction of offsite infrastructure improvements leased to a port tenant. See Note 6 to the financial statements.

**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 \$4,581,080, \$3,692,950, and \$3,214,560 for the fiscal years 2019, 2020 and 2021, 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, 2019 projects total revenues of \$6,621,614, total expenses of \$6,595,043, including depreciation of \$4,102,202, and net income of \$17,571. Income for land leases is projected to be \$4,041,757 and income from operations to be \$2,007,006.

**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, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,873,319	\$ 1,093,163
Investments	6,953,317	6,511,034
Accounts receivable, net of allowance for doubtful accounts of \$5,849 in both 2018 and 2017	1,319,555	785,944
Grant receivable	300,048	-
Interest receivable	26,628	22,640
Prepaid expenses	18,535	27,494
Lease revenues receivable	51,301	56,668
Total current assets	10,542,703	8,496,943
Assets Held for Sale	239,645	239,645
Capital Assets, Non-depreciable	8,813,085	8,569,853
Capital Assets, Net of Depreciation	40,675,878	41,365,701
Total assets	60,271,311	58,672,142
Deferred Outflows of Resources		
Deferred outflows - pension	133,638	265,064
Total Deferred Outflows of Resources	133,638	265,064
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	919,583	665,572
Compensated absences	98,098	79,266
Current portion of long-term debt	18,750	18,750
Current portion of advance rental billings	184,431	169,168
Total current liabilities	1,220,862	932,756
Long-term Debt, Net of Current Portion	120,312	139,062
Long-term Advance Rental Billings, Net of Current Portion	2,056,854	2,221,015
Long-term Net Pension Liability	998,683	1,245,678
Total liabilities	4,396,711	4,538,511
Deferred Inflows of Resources		
Deferred inflows - pension	253,024	231,262
Total Deferred Inflows of Resources	253,024	231,262
Net Position		
Net investment in capital assets	49,589,546	50,017,387
Unrestricted	6,165,668	4,150,046
Total net position	\$ 55,755,214	\$ 54,167,433

City of Tulsa - Rogers County Port Authority  
 Statements of Revenues, Expenses and Changes in Net Position  
 June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Operations	\$ 4,346,767	\$ 3,370,671
Lease	3,905,490	3,808,050
Management fees	15,000	15,000
Other	114,394	73,622
Total operating revenues	8,381,651	7,267,343
Operating Expenses		
Personnel	874,559	1,086,252
General and administrative	461,722	472,462
Operations	2,125,856	1,597,291
Depreciation	3,634,793	3,322,557
Total operating expenses	7,096,930	6,478,562
Operating Income	1,284,721	788,781
Non-operating Revenue (Expense)		
Interest income	99,918	137,212
Net decrease in the fair value of investments	(97,701)	(132,680)
Capital grants	300,843	84,986
Interest expense	-	(12,367)
Total non-operating revenue (expense)	303,060	77,151
Change in Net Position	1,587,781	865,932
Net Position, Beginning of Year	54,167,433	53,301,501
Net Position, End of Year	\$ 55,755,214	\$ 54,167,433

City of Tulsa - Rogers County Port Authority  
 Statements of Cash Flow  
 June 30, 2018 and 2017

	2018	2017
Operating Activities		
Cash received from customers	\$ 7,689,509	\$ 7,077,892
Cash paid to suppliers	(2,317,536)	(1,904,930)
Cash paid to employees	(949,534)	(1,266,410)
Cash received from affiliate	15,000	15,000
	4,437,439	3,921,552
Net Cash from Operating Activities		
Capital and Related Financing Activities		
Intergovernmental grants	795	1,725,486
Acquisition of capital assets	(3,195,274)	(3,858,265)
Principal payments on long-term debt	(18,750)	(218,751)
Interest expense paid	-	(12,367)
	(3,213,229)	(2,363,897)
Net Cash used for Capital and Related Financing Activities		
Investing Activities		
Purchases of investments	(2,415,233)	(3,383,218)
Sales and maturities of investments	1,875,249	2,003,903
Interest received on investments	95,930	134,641
	(444,054)	(1,244,674)
Net Cash used for Investing Activities		
Net Change in Cash and Cash Equivalents	780,156	312,981
Cash and Cash Equivalents, Beginning of Year	1,093,163	780,182
Cash and Cash Equivalents, End of Year	\$ 1,873,319	\$ 1,093,163

City of Tulsa - Rogers County Port Authority  
 Statements of Cash Flow  
 June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Income to Net		
Cash from Operating Activities		
Operating income	\$ 1,284,721	\$ 788,781
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	3,634,793	3,322,557
Loss on disposal of capital assets	7,072	-
Changes in assets, liabilities, deferred inflows and outflows		
Accounts receivable	(533,611)	(3,641)
Prepaid expenses	8,959	9,597
Lease revenues receivable	5,367	5,367
Deferred outflows - pensions	131,426	170,212
Accounts payable and accrued expenses	254,011	155,226
Advance rental billings	(148,898)	(176,177)
Net pension liability	(246,995)	(69,071)
Compensated absences	18,832	(180,834)
Deferred inflows - pensions	21,762	(100,465)
Total adjustments	3,152,718	3,132,771
Net cash from operating activities	\$ 4,437,439	\$ 3,921,552
Supplemental Disclosure of Cash Flow Information		
Net realized and unrealized loss on investments	\$ (97,701)	\$ (132,680)

## **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 15% and 25% of the Port Authority's revenues for the years ended June 30, 2018 and 2017, respectively, came from Burlington Northern Santa Fe and Southern Kansas and Oklahoma Railroad. These two customers accounted for approximately 55% and 63% of accounts receivable at June 30, 2018 and 2017, 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.

The Port Authority's investments have been designated by the Board of Directors for construction of capital improvements.

## **Fair Value Measurements**

The Port Authority follows the guidance of 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 2018 or 2017.

### **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, 2018 and 2017, 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, 2018 and 2017, the Port Authority recognized revenue from a capital grant for expenditures incurred in connection with Port-wide surveillance system. Additionally, the Port Authority was a partial recipient of FEMA funds, resulting from flood-water damages that occurred in Rogers County.

**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 position (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, 2018 and 2017.

	2018	2017
Level of risk		
Insured by the Federal Deposit Insurance Corporation	\$ 250,000	\$ 250,000
Collateralized with securities held by the pledging financial institution in the Port Authority's name	1,808,303	1,126,276
Total bank balances	\$ 2,058,303	\$ 1,376,276
Total book balances	\$ 1,873,319	\$ 1,093,163

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.

City of Tulsa - Rogers County Port Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

Investment balances as of June 30, 2018 and 2017 were as follows:

2018:	<u>Carrying Amount</u>	<u>Maturities in years</u>		<u>Fair Value Measurement</u>
		<u>Less than 1</u>	<u>1 - 5</u>	
Investment types				
U.S. Treasury Notes	<u>\$ 6,953,317</u>	<u>\$ 2,014,671</u>	<u>\$ 4,938,646</u>	Level 2
2017:	<u>Carrying Amount</u>	<u>Maturities in years</u>		<u>Fair Value Measurement</u>
		<u>Less than 1</u>	<u>1 - 5</u>	
Investment types				
U.S. Treasury Notes	<u>\$ 6,511,034</u>	<u>\$ 1,880,139</u>	<u>\$ 4,630,895</u>	Level 2

Investments in U.S. Treasury notes are registered in the Port Authority's name. U.S. government and agency securities are reported at fair value level 2 as determined by the investment custodian utilizing prices quoted by securities dealers, brokers, investment banks or other services at the valuation date. U.S. Treasury notes are rated AA+ by Standard & Poor's and AAA by Moody's.

Net realized loss on sales of investments, during the years ended June 30, 2018 and 2017 was \$70,587 and \$171,335, 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, 2018.

For the fiscal year ending June 30,	<u>Lease Revenue</u>	<u>Operating Revenue</u>	<u>Total</u>
2019	\$ 3,978,596	\$ 567,556	\$ 4,546,152
2020	3,294,843	344,606	3,639,449
2021	2,941,543	219,516	3,161,059
2022	2,306,014	72,520	2,378,534
2023	1,977,002	52,220	2,029,222
Thereafter	<u>10,115,858</u>	<u>320,439</u>	<u>10,436,297</u>
Total	<u>\$ 24,613,856</u>	<u>\$ 1,576,857</u>	<u>\$ 26,190,713</u>

**Note 4 - Capital Assets, Including Donated Assets**

Activity in capital assets for the year ended June 30, 2018, was as follows:

	June 30, 2017	Increases	Transfers	Decreases	June 30, 2018
Land (not depreciated)	\$ 4,606,002	\$ -	\$ -	\$ -	\$ 4,606,002
Construction in progress (not depreciated)	3,963,851	2,880,187	(2,635,212)	(1,743)	4,207,083
Total non-depreciable assets	8,569,853	2,880,187	(2,635,212)	(1,743)	8,813,085
Port improvements	69,579,818	151,257	2,397,797	(64,831)	72,064,041
Grain tanks	1,056,728	-	-	-	1,056,728
Low water wharf	150,000	-	-	-	150,000
Machinery and equipment	8,607,629	145,454	237,415	(293,613)	8,696,885
Main office renovation	54,738	-	-	-	54,738
Office furniture and fixtures	173,364	18,376	-	(14,555)	177,185
Total depreciable assets	79,622,277	315,087	2,635,212	(372,999)	82,199,577
Less accumulated depreciation for					
Port improvements	(33,924,295)	(2,902,762)	-	64,831	(36,762,226)
Machinery and equipment	(4,145,024)	(716,412)	-	288,284	(4,573,152)
Office furniture and fixtures	(187,257)	(15,619)	-	14,555	(188,321)
Total accumulated depreciation	(38,256,576)	(3,634,793)	-	367,670	(41,523,699)
Net capital assets, excluding donated assets	49,935,554	(439,519)	-	(7,072)	49,488,963
Donated assets					
Port improvements	930,547	-	-	-	930,547
Less accumulated depreciation	(930,547)	-	-	-	(930,547)
Net donated assets	-	-	-	-	-
Total capital assets, net	\$ 49,935,554	\$ (439,519)	\$ -	\$ (7,072)	\$ 49,488,963

City of Tulsa - Rogers County Port Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

Activity in capital assets for the year ended June 30, 2017, was as follows:

	June 30, 2016	Increases	Transfers	Decreases	June 30, 2017
Land (not depreciated)	\$ 4,606,002	\$ -	\$ -	\$ -	\$ 4,606,002
Construction in progress (not depreciated)	13,388,547	3,000,003	(12,424,699)	-	3,963,851
<b>Total non-depreciable assets</b>	<b>17,994,549</b>	<b>3,000,003</b>	<b>(12,424,699)</b>	<b>-</b>	<b>8,569,853</b>
Port improvements	59,098,887	40,000	12,162,405	(1,721,474)	69,579,818
Grain tanks	1,056,728	-	-	-	1,056,728
Low water wharf	150,000	-	-	-	150,000
Machinery and equipment	7,548,908	806,666	262,294	(10,239)	8,607,629
Main office renovation	54,738	-	-	-	54,738
Office furniture and fixtures	345,342	11,596	-	(183,574)	173,364
<b>Total depreciable assets</b>	<b>68,254,603</b>	<b>858,262</b>	<b>12,424,699</b>	<b>(1,915,287)</b>	<b>79,622,277</b>
Less accumulated depreciation for					
Port improvements	(32,952,666)	(2,693,103)	-	1,721,474	(33,924,295)
Machinery and equipment	(3,544,605)	(610,658)	-	10,239	(4,145,024)
Office furniture and fixtures	(352,035)	(18,796)	-	183,574	(187,257)
<b>Total accumulated depreciation</b>	<b>(36,849,306)</b>	<b>(3,322,557)</b>	<b>-</b>	<b>1,915,287</b>	<b>(38,256,576)</b>
Net capital assets, excluding donated assets	49,399,846	535,708	-	-	49,935,554
Donated assets					
Port improvements	930,547	-	-	-	930,547
Less accumulated depreciation	(930,547)	-	-	-	(930,547)
<b>Net donated assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital assets, net</b>	<b>\$ 49,399,846</b>	<b>\$ 535,708</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49,935,554</b>

Construction in progress consists of expenditures incurred in connection with projects undertaken and incomplete at June 30, 2018. Future commitments under these projects are \$1,081,554.

Certain assets from the above items are leased by the Port Authority to various tenants under operating leases. At June 30, 2018, these included:

Port improvements	\$ 9,349,841
Grain tanks	1,056,728
Machinery and equipment	<u>2,055,635</u>
	12,462,204
Less accumulated depreciation	<u>(7,452,023)</u>
Net leased items	<u><u>\$ 5,010,181</u></u>

At June 30, 2018 and 2017, the Port Authority had approximately \$240,000 of land held for sale.

**Note 5 - Pledged Revenues**

The Port Authority had pledged future revenues to repay approximately \$2.4 million in notes payable issued in 2005 and 2007. Proceeds from the notes were used for construction of infrastructure improvement projects to benefit Port Authority tenants, a sewer line extension to provide sanitary sewer service along Port Authority property that fronts State Highway 67, and the purchase of 525 acres adjacent on the south edge of the Port. The \$2 million land purchase note was paid in full March 2017. The remaining interest free note is payable through 2025, solely from the revenues. Principal and interest paid in 2018 and 2017 was \$18,750 and \$231,065, respectively. At June 30, 2018, pledged future revenues totaled \$139,062, which is the amount of the remaining principal on the note.

**Note 6 - Long-term Liabilities**

At June 30, 2018 and 2017, long-term debt consisted of the following:

	2018	2017
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.	\$ 139,062	\$ 157,812
Less current portion	(18,750)	(18,750)
Long-term debt, less current portion	\$ 120,312	\$ 139,062

At June 30, 2018, debt service requirements of the Port Authority were as follows:

Year ended June 30,	Principal	Interest
2019	\$ 18,750	\$ -
2020	18,750	-
2021	18,750	-
2022	18,750	-
2023	18,750	-
2023-2027	45,312	-
Total	\$ 139,062	\$ -

The long-term liability balances and activity for the years ended June 30, 2018 and 2017 were as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Amount Due Within One Year
Compensated absences	\$ 79,266	\$ 18,832	\$ -	\$ 98,098	\$ 98,098
Advance rental billings	2,390,183	35,692	184,590	2,241,285	184,431
Notes payable	157,812	-	18,750	139,062	18,750
<b>Total long-term liabilities</b>	<b>\$ 2,627,261</b>	<b>\$ 54,524</b>	<b>\$ 203,340</b>	<b>\$ 2,478,445</b>	<b>\$ 301,279</b>

  

	June 30, 2016	Additions	Reductions	June 30, 2017	Amount Due Within One Year
Compensated absences	\$ 260,100	\$ 32,949	\$ 213,783	\$ 79,266	\$ 79,266
Advance rental billings	2,566,360	13,517	189,694	2,390,183	169,168
Notes payable	376,563	-	218,751	157,812	18,750
<b>Total long-term liabilities</b>	<b>\$ 3,203,023</b>	<b>\$ 46,466</b>	<b>\$ 622,228</b>	<b>\$ 2,627,261</b>	<b>\$ 267,184</b>

### 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, 2018 and 2017.

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 \$201,353 and \$206,730 in 2018 and 2017, respectively.



### **Note 10 - Future Changes in Accounting Pronouncements**

GASB has issued several statements which have not yet been implemented by the Port Authority. GASB Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2018, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Management is still evaluating the applicability of Statement No. 84 to the Port Authority.

GASB Statement No. 87, *Leases*, effective for reporting periods beginning after December 15, 2019, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

### **Note 11 - 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. 2<sup>nd</sup> Street, Suite 1570, 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 entering the plan prior to July 1, 2018 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. Employees entering the plan on or after July 1, 2018 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 90. Reduced benefits are available after age 60 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 6.0% 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. 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 years ended June 30, 2018 and 2017. The Port Authority was required to contribute 15.5 percent of pensionable wages for the year ended June 30, 2018, and 11.5 percent of pensionable wages for the year ended June 30, 2017. The participating employers are also responsible for Actuarially Determined Employer Contributions (ADEC) that exceeds the 15.5 percent of pensionable wages. Actual contributions to the pension plan from the Port Authority were \$94,172 and \$85,510 for the years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018, the Port Authority reported a liability of \$998,683 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The liability for June 30, 2017 was \$1,245,678. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to year-end. 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. At June 30, 2018 and 2017, the Port Authority's proportion was 0.5087% and 0.6305%, respectively.

For the years ended June 30, 2018 and 2017, the Port Authority recognized pension expense (gain) of \$(93,807) and \$676, respectively. At June 30, 2018 and 2017, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2018:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ 10,926	\$ 24,683
Changes of assumptions	101,174	4,286
Net difference between projected and actual earnings on pension plan investments	-	8,538
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	21,538	215,517
Total	\$ 133,638	\$ 253,024

City of Tulsa - Rogers County Port Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017:		
Differences between expected and actual plan experience	\$ 10,340	\$ 53,916
Changes of assumptions	211,880	93,854
Net difference between projected and actual earnings on pension plan investments	11,734	-
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	31,110	83,492
Total	\$ 265,064	\$ 231,262

Changes of assumptions: On occasion, as the result of an experience study or other actuarial considerations, certain assumptions used for estimates may need to be changed. No assumption changes were made in the current year. 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:

Year ended June 30,	
2019	\$ (12,762)
2020	(32,622)
2021	(62,084)
2022	(11,918)
Total	\$ (119,386)

**Measurement date and valuation date -- 2018:** The Plan had an annual actuarial valuation date of January 1, 2018, which was rolled forward from the valuation date using actuarial assumptions and methods, to the Plan's measurement date of June 30, 2018.

**Actuarial assumptions -- 2018:** The total pension liability was determined by an actuarial valuation using the following assumptions:

Inflation	3.00 percent
Salary increases	4.00 to 11.75 percent, including inflation at 3.00%.
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, 2018 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. Following is the Plan's asset allocation policy as of June 30, 2018, and the long-term expected geometric real rate of return for each major asset class:

<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%	.40%
Timber	4%	3.75%
Cash	1%	.11%
Total	<u>100%</u>	

**Measurement date and valuation date -- 2017:** The Plan had an annual actuarial valuation date of January 1, 2017, which was rolled forward from the valuation date using actuarial assumptions and methods, to the Plan's measurement date of June 30, 2017.

**Actuarial assumptions -- 2017:** The total pension liability was determined by an actuarial valuation using the following assumptions:

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, 2017 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	<u>100%</u>	

**Discount rate:** As of both June 30, 2018 and 2017, a single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were sufficient to finance all the future benefit payments of the current plan members. 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 for the Plan.

The projection of cash flows used to determine the discount rates assumes that in all future years the employer contribution rate will be 15.50% of payroll.

**Sensitivity of the Port Authority’s proportionate share of the net pension liability to changes in the discount rate - 2018:** 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:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Port Authority’s proportionate share of the net pension liability	\$ 1,395,746	\$ 998,683	\$ 665,994

**Sensitivity of the Port Authority’s proportionate share of the net pension liability to changes in the discount rate - 2017:** 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:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Port Authority’s proportionate share of the net pension liability	\$ 1,722,668	\$ 1,245,678	\$ 845,858

*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](http://www.cityoftulsa.org).



Required Supplementary Information  
June 30, 2018

# 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, 2018 and 2017

---

<u>Year</u>	<u>Port Authority's proportion of net pension liability</u>	<u>Port Authority's proportionate share of net pension liability</u>	<u>Port Authority's covered payroll</u>	<u>Port Authority's proportionate share of net pension liability as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2018	0.5087%	\$ 998,683	607,561	164.38%	70.61%
2017	0.6305%	1,245,678	734,555	169.58%	69.39%
2016	0.6078%	1,314,749	713,602	184.24%	65.62%
2015	0.6678%	836,448	692,037	120.87%	77.13%
2014	0.7026%	784,949	778,931	100.77%	79.29%

Changes of assumptions. No assumption changes were made in the current year. 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%.

Note to Schedule: Only five fiscal years are presented because 10-year data is not yet available.



**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, 2018 and 2017

---

Year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Port Authority's covered payroll	Contributions as a percentage of covered payroll
2018	\$ 93,504	\$ 94,172	\$ (668)	\$ 607,561	15.50%
2017	109,081	85,510	23,571	734,555	11.64%
2016	75,927	85,190	(9,263)	713,602	11.94%
2015	76,055	86,050	(9,995)	692,037	12.43%
2014	85,916	84,333	1,583	778,931	10.83%

Note to Schedule: Only five fiscal years are presented because 10-year data is not yet available.



Other Reports  
June 30, 2018

# City of Tulsa - Rogers County Port Authority



**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, 2018, 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 20, 2019.

**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.

Tulsa, Oklahoma  
February 20, 2019