



Financial Statements
June 30, 2020 and 2019

City of Tulsa - Rogers County Port Authority

City of Tulsa - Rogers County Port Authority

Table of Contents
June 30, 2020 and 2019

Independent Auditor’s Report	1
Management's Discussion and Analysis	3
Financial Statements	
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 and Schedule of Employer Contributions	30
Other Supplemental Schedules	
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	31



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 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, 2020 and 2019, 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.

What inspires you, inspires us. | eidebailly.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Tulsa - Rogers County Port Authority as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in conformity 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 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2021, 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, 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 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 the City of Tulsa - Rogers County Port Authority's internal control over financial reporting and compliance.

Tulsa, Oklahoma
January 18, 2021



Management's Discussion and Analysis
June 30, 2020 and 2019

**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, 2020 and 2019. 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 2020 fiscal year by \$64,587,199 (net position). Of this amount, \$6,206,789 (unrestricted net position), or 9.6%, 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 2019 fiscal year by \$56,674,891.
- The Port Authority's net position increased by \$7,912,308 for the year ended June 30, 2020 due to capital contributions in the 2020 fiscal year. The Port Authority's net position increased by \$919,677 for the year ended June 30, 2019.
- Total operating revenues for year ended June 30, 2020 increased by \$28,303. Overall revenue increase of \$7,524,816 can be attributed primarily to the contribution of 2,013 acres of land from Public Service Company of Oklahoma for \$7.5 million
- Total revenues for year ended June 30, 2019 increased by \$5,105. Operating revenues decreased by \$88,424, and lease and other revenues increased by \$93,529.
- For the year ended June 30, 2020, 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. Non-operating revenues significantly exceeded budget expectations as a result of a contribution of capital assets. Expenses were slightly less than the budget expectations.

Overview of the Financial Statements

The City of Tulsa - Rogers County Port Authority is a component unit of the City of Tulsa, Oklahoma. The Port Authority was created to develop and operate the Tulsa Port of Catoosa (the Port).

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.

Condensed Statements of Net Position
June 30, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 10,481,804	\$ 11,870,739	\$ 10,542,703
Capital Assets, Net	58,481,972	48,747,001	49,488,963
Assets Held for Sale	<u>239,645</u>	<u>239,645</u>	<u>239,645</u>
Total assets	<u>69,203,421</u>	<u>60,857,385</u>	<u>60,271,311</u>
Total Deferred Outflows of Resources	<u>294,560</u>	<u>212,924</u>	<u>133,638</u>
Current Liabilities	1,530,129	1,009,217	1,220,862
Non-current Liabilities	<u>3,291,698</u>	<u>3,217,753</u>	<u>3,175,849</u>
Total liabilities	<u>4,821,827</u>	<u>4,226,970</u>	<u>4,396,711</u>
Total Deferred Inflows of Resources	<u>88,955</u>	<u>168,448</u>	<u>253,024</u>
Net Position			
Net Investment in Capital Assets	58,380,410	48,626,689	49,349,901
Unrestricted	<u>6,206,789</u>	<u>8,048,202</u>	<u>6,405,313</u>
Total net position	<u>\$ 64,587,199</u>	<u>\$ 56,674,891</u>	<u>\$ 55,755,214</u>

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, 2020 and 2019

Changes in Net Position
Years Ended June 30, 2020, 2019, and 2018

	2020	2019	2018
Revenues			
Operating Revenues			
Agricultural	\$ 279,220	\$ 255,138	\$ 223,615
Liquid bulk	228,503	195,417	309,237
Dry bulk	157,697	154,763	201,767
General cargo	10,220	10,627	11,762
Low water wharf	32,529	-	8,315
Stevedoring	234,209	377,171	298,976
Barge and towboat	654,656	472,613	481,698
Railroad	1,556,950	1,850,014	1,857,925
Railroad switching	775,385	942,600	953,472
Total operating revenues	<u>3,929,369</u>	<u>4,258,343</u>	<u>4,346,767</u>
Other Revenues			
Lease	4,166,522	4,097,348	3,905,490
Other revenues	319,168	31,065	129,394
Total other revenues	<u>4,485,690</u>	<u>4,128,413</u>	<u>4,034,884</u>
Total revenues	<u>8,415,059</u>	<u>8,386,756</u>	<u>8,381,651</u>
Expenses			
Operating Expenses			
Personnel	1,177,962	1,031,353	874,559
General and administrative	712,975	519,465	461,722
Operations	2,554,134	2,406,499	2,118,784
Depreciation	3,849,079	3,804,648	3,634,793
Total operating expenses	<u>8,294,150</u>	<u>7,761,965</u>	<u>7,089,858</u>
Non-operating Revenue (Expense)			
Interest income	224,464	163,715	99,918
Net change in the fair value of investments	66,935	139,269	(97,701)
Contribution of capital assets	7,500,000	-	-
Capital grants	-	-	300,843
Loss on disposal of assets	-	(8,098)	(7,072)
Net non-operating revenue	<u>7,791,399</u>	<u>294,886</u>	<u>295,988</u>
Change in Net Position	7,912,308	919,677	1,587,781
Net Position, Beginning of Year	<u>56,674,891</u>	<u>55,755,214</u>	<u>54,167,433</u>
Net Position, End of Year	<u>\$ 64,587,199</u>	<u>\$ 56,674,891</u>	<u>\$ 55,755,214</u>

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

The Port Authority's net position increased by \$7,912,308 for the year ended June 30, 2020. The increase can be attributed primarily to the contribution of 2,013 acres of land from Public Service Company of Oklahoma for \$7.5 million. Total interest income and net increase in the fair value of investments was \$291,399 for 2019.

The Port Authority's net position increased by \$919,677 for the year ended June 30, 2019. The increase in the net position can be attributed primarily to lease, railroad and railroad switching revenue. Total interest income and net increase in the fair value of investments was \$302,984 for 2019.

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 \$64,587,199 at June 30, 2020 and \$56,674,891 at June 30, 2019.

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, 2020 and 2019, designated funds were approximately \$7,500,000 and \$10,100,000, 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 \$58,481,972, or 85%, of total assets and \$48,747,001, or 80%, of total assets at June 30, 2020 and 2019, respectively. This investment in capital assets includes land, buildings, infrastructure of streets, utilities, railroad, docks and waterway channel improvements, and machinery and equipment. In fiscal year 2020, a contribution of land of approximately 2,013 acres, worth an estimated \$7.5 million, was made to the Port by Public Service Company of Oklahoma. In fiscal year 2020, construction in progress for building upgrades, road reconstruction, and landscaping improvements was completed and transferred to port improvements. In fiscal year 2019, construction in progress for building upgrades, road reconstruction, a low water wharf renovation, landscaping and port-wide drainage improvements was completed and transferred to port improvements. See Note 4 to the financial statements.

Long-term Debt

At June 30, 2020 and 2019, the Port Authority had total debt outstanding of \$101,562 and \$120,312, 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

In fiscal year 2020, the Port Authority experienced financial impacts due to the COVID-19 pandemic and its correlation to an already depressed energy sector. Operation revenue had a decrease as a direct result of decreased usage of Port facilities by our customers and shipping activities also declined. Additional expenses on the administrative side included additional hardware and software installation which allowed for all staff members to work remotely during the Governor's shelter-in-place mandates. Additionally, we are anticipating fiscal 2021 revenues to remain lower as facility use and shipping activity is slow to recover.

The Port Authority is the landlord developer of a 2,000-acre water port and industrial park, and the new and largely undeveloped 2,000-acre Port of Inola. 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 \$4,050,563, \$3,226,171, and \$2,884,712 for the fiscal years 2021, 2022 and 2023, 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, 2021, projects total revenues of \$6,216,129, total expenses of \$7,077,159, including depreciation of \$3,894,139, and net loss of \$721,066. Income for land leases is projected to be \$4,030,573 and income from operations to be \$1,764,056.

Requests for Information

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

City of Tulsa - Rogers County Port Authority

Statements of Net Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,976,089	\$ 783,399
Investments	7,490,291	10,079,278
Accounts receivable, net of allowance for doubtful accounts of \$5,849 in both 2020 and 2019	918,137	893,654
Interest receivable	38,591	47,753
Prepaid expenses	26,462	24,054
Lease revenues receivable	32,234	42,601
Total current assets	10,481,804	11,870,739
Assets Held for Sale	239,645	239,645
Capital Assets, Non-depreciable	16,590,746	8,247,843
Capital Assets, Net of Depreciation	41,891,226	40,499,158
Total assets	69,203,421	60,857,385
Deferred Outflows of Resources		
Deferred outflows - pension	294,560	212,924
Total Deferred Outflows of Resources	294,560	212,924
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	1,208,602	713,397
Compensated absences	124,313	113,339
Current portion of long-term debt	18,750	18,750
Current portion of advance rental billings	178,464	163,731
Total current liabilities	1,530,129	1,009,217
Long-term Debt, Net of Current Portion	82,812	101,562
Long-term Advance Rental Billings, Net of Current Portion	1,728,534	1,892,694
Long-term Net Pension Liability	1,480,352	1,223,497
Total liabilities	4,821,827	4,226,970
Deferred Inflows of Resources		
Deferred inflows - pension	88,955	168,448
Total Deferred Inflows of Resources	88,955	168,448
Net Position		
Net investment in capital assets	58,380,410	48,626,689
Unrestricted	6,206,789	8,048,202
Total net position	\$ 64,587,199	\$ 56,674,891

City of Tulsa - Rogers County Port Authority
 Statements of Revenues, Expenses and Changes in Net Position
 June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Operations	\$ 3,929,369	\$ 4,258,343
Lease	4,166,522	4,097,348
Management fees	48,000	20,000
Other	271,168	11,065
Total operating revenues	8,415,059	8,386,756
Operating Expenses		
Personnel	1,177,962	1,031,353
General and administrative	712,975	519,465
Operations	2,554,134	2,406,499
Depreciation	3,849,079	3,804,648
Total operating expenses	8,294,150	7,761,965
Operating Income	120,909	624,791
Non-operating Revenue (Expense)		
Interest income	224,464	163,715
Net increase in the fair value of investments	66,935	139,269
Contribution of capital assets	7,500,000	-
Loss on disposal of assets	-	(8,098)
Net non-operating revenue (expense)	7,791,399	294,886
Change in Net Position	7,912,308	919,677
Net Position, Beginning of Year	56,674,891	55,755,214
Net Position, End of Year	\$ 64,587,199	\$ 56,674,891

City of Tulsa - Rogers County Port Authority

Statements of Cash Flow

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Cash received from customers	\$ 8,203,516	\$ 8,616,497
Cash paid to suppliers	(3,185,879)	(3,137,669)
Cash paid for salaries, employee benefits and taxes	(1,071,262)	(955,160)
Cash received from affiliate	48,000	20,000
Net Cash from Operating Activities	<u>3,994,375</u>	<u>4,543,668</u>
Capital and Related Financing Activities		
Intergovernmental grants	-	300,048
Acquisition of capital assets	(5,672,483)	(3,075,961)
Proceeds from sale of capital assets	-	5,177
Principal payments on long-term debt	(18,750)	(18,750)
Net Cash used for Capital and Related Financing Activities	<u>(5,691,233)</u>	<u>(2,789,486)</u>
Investing Activities		
Purchases of investments	(1,219,080)	(4,671,692)
Sales and maturities of investments	3,875,002	1,685,000
Interest received on investments	233,626	142,590
Net Cash from (used for) Investing Activities	<u>2,889,548</u>	<u>(2,844,102)</u>
Net Change in Cash and Cash Equivalents	1,192,690	(1,089,920)
Cash and Cash Equivalents, Beginning of Year	<u>783,399</u>	<u>1,873,319</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,976,089</u>	<u>\$ 783,399</u>

City of Tulsa - Rogers County Port Authority

Statements of Cash Flow

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net		
Cash from Operating Activities		
Operating income	\$ 120,909	\$ 624,791
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	3,849,079	3,804,648
Changes in assets, liabilities, deferred inflows and outflows		
Accounts receivable	(24,483)	425,901
Prepaid expenses	(2,408)	(5,519)
Lease revenues receivable	10,367	8,700
Deferred outflows - pensions	(81,636)	(79,286)
Accounts payable and accrued expenses	83,638	(206,186)
Advance rental billings	(149,427)	(184,860)
Net pension liability	256,855	224,814
Compensated absences	10,974	15,241
Deferred inflows - pensions	(79,493)	(84,576)
Total adjustments	<u>3,873,466</u>	<u>3,918,877</u>
Net Cash from Operating Activities	<u>\$ 3,994,375</u>	<u>\$ 4,543,668</u>
Supplemental Disclosure of Cash Flow Information		
Net realized and unrealized gain on investments	<u>\$ 66,935</u>	<u>\$ 139,269</u>
Capital asset additions included in accounts payable	<u>\$ 411,567</u>	<u>\$ -</u>
Contribution of capital assets	<u>\$ 7,500,000</u>	<u>\$ -</u>

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 44% and 32% of the Port Authority's revenues for the years ended June 30, 2020 and 2019, respectively, came from three customers. These customers accounted for approximately 87% and 80% of accounts receivable at June 30, 2020 and 2019, 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.

The Port Authority is a component unit of the City of Tulsa, Oklahoma. 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 acquisition value at the date of the gift. Before July 1, 2019, the Port Authority followed the practice of capitalizing items over \$2,000 with a useful life of more than one year. In fiscal year 2020, the Port Authority increased the capitalization threshold to \$5,000.

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 2020 or 2019.

Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows. 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, 2020 and 2019, 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

Paid Time Off (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.

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. The Port Authority did not have any capital grants revenue for the years ended June 30, 2020 and 2019.

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.

Implementation of New Standard

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

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (GASB 95) was issued in May 2020, and the primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods after June 15, 2018, and later. The Port Authority postponed the implementation dates of the GASB's affected by this standard. See upcoming pronouncements at Note 10.

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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
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	<u>1,741,033</u>	<u>593,487</u>
Total bank balances	<u>\$ 1,991,033</u>	<u>\$ 843,487</u>
Total book balances	<u>\$ 1,976,089</u>	<u>\$ 783,399</u>

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, 2020 and 2019 were as follows:

2020:	<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>\$ 7,490,291</u>	<u>\$ 4,567,282</u>	<u>\$ 2,923,009</u>	Level 2
2019:				
	<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>\$ 10,079,278</u>	<u>\$ 2,426,365</u>	<u>\$ 7,652,913</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, 2020 and 2019, was \$41,527 and \$12,451, 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, 2020.

For the fiscal year ending June 30,	<u>Lease Revenue</u>	<u>Operating Revenue</u>	<u>Total</u>
2021	\$ 3,707,207	\$ 343,356	\$ 4,050,563
2022	2,882,815	343,356	3,226,171
2023	2,561,656	323,056	2,884,712
2024	2,124,423	323,056	2,447,479
2025	1,732,670	124,070	1,856,740
Thereafter	<u>7,501,858</u>	<u>338,650</u>	<u>7,840,508</u>
Total	<u>\$ 20,510,628</u>	<u>\$ 1,795,544</u>	<u>\$ 22,306,172</u>

Note 4 - Capital Assets, Including Donated Assets

Activity in capital assets for the year ended June 30, 2020, was as follows:

	June 30, 2019	Increases	Transfers	Decreases	June 30, 2020
Land (not depreciated)	\$ 4,606,002	\$ 69,771	\$ -	\$ -	\$ 4,675,773
Construction in progress (not depreciated)	3,641,841	5,426,064	(4,652,932)	-	4,414,973
Total non-depreciable assets	8,247,843	5,495,835	(4,652,932)	-	9,090,746
Port improvements	74,018,232	13,966	4,642,807	-	78,675,005
Grain tanks	1,056,728	-	-	-	1,056,728
Low water wharf	150,000	-	-	-	150,000
Machinery and equipment	9,203,377	560,234	-	(210,455)	9,553,156
Main office renovation	54,738	-	-	-	54,738
Office furniture and fixtures	186,351	14,015	10,125	-	210,491
Total depreciable assets	84,669,426	588,215	4,652,932	(210,455)	89,700,118
Less accumulated depreciation for					
Port improvements	(38,988,787)	(3,076,584)	-	-	(42,065,371)
Machinery and equipment	(4,987,139)	(752,786)	-	210,455	(5,529,470)
Office furniture and fixtures	(194,342)	(19,709)	-	-	(214,051)
Total accumulated depreciation	(44,170,268)	(3,849,079)	-	210,455	(47,808,892)
Net capital assets, excluding donated assets	48,747,001	2,234,971	-	-	50,981,972
Donated assets					
Land (not depreciated)	-	7,500,000	-	-	7,500,000
Port improvements	930,547	-	-	-	930,547
Less accumulated depreciation	(930,547)	-	-	-	(930,547)
Net donated assets	-	7,500,000	-	-	7,500,000
Total capital assets, net	\$ 48,747,001	\$ 9,734,971	\$ -	\$ -	\$ 58,481,972

City of Tulsa - Rogers County Port Authority

Notes to Financial Statements

June 30, 2020 and 2019

Activity in capital assets for the year ended June 30, 2019, was as follows:

	June 30, 2018	Increases	Transfers	Decreases	June 30, 2019
Land (not depreciated)	\$ 4,606,002	\$ -	\$ -	\$ -	\$ 4,606,002
Construction in progress (not depreciated)	4,207,083	2,289,998	(2,855,240)	-	3,641,841
Total non-depreciable assets	8,813,085	2,289,998	(2,855,240)	-	8,247,843
Port improvements	72,064,041	611,743	2,196,848	(854,400)	74,018,232
Grain tanks	1,056,728	-	-	-	1,056,728
Low water wharf	150,000	-	-	-	150,000
Machinery and equipment	8,696,885	146,971	658,392	(298,871)	9,203,377
Main office renovation	54,738	-	-	-	54,738
Office furniture and fixtures	177,185	27,249	-	(18,083)	186,351
Total depreciable assets	82,199,577	785,963	2,855,240	(1,171,354)	84,669,426
Less accumulated depreciation for					
Port improvements	(36,762,226)	(3,072,120)	-	845,559	(38,988,787)
Machinery and equipment	(4,573,152)	(708,547)	-	294,560	(4,987,139)
Office furniture and fixtures	(188,321)	(23,981)	-	17,960	(194,342)
Total accumulated depreciation	(41,523,699)	(3,804,648)	-	1,158,079	(44,170,268)
Net capital assets, excluding donated assets	49,488,963	(728,687)	-	(13,275)	48,747,001
Donated assets					
Port improvements	930,547	-	-	-	930,547
Less accumulated depreciation	(930,547)	-	-	-	(930,547)
Net donated assets	-	-	-	-	-
Total capital assets, net	\$ 49,488,963	\$ (728,687)	\$ -	\$ (13,275)	\$ 48,747,001

Construction in progress consists of expenditures incurred in connection with projects undertaken and incomplete at June 30, 2020. Future commitments under these projects are \$2,611,978.

On December 27, 2019, Public Service Company of Oklahoma (PSO) transferred ownership of 2,013 acres along the Verdigris River in Inola, Rogers County, Oklahoma, with an estimated value of approximately \$7,500,000, to the Port Authority for future economic development. The contribution is reflected in the accompanying statement of revenues, expenses and changes in net position.

City of Tulsa - Rogers County Port Authority

Notes to Financial Statements

June 30, 2020 and 2019

Certain assets from the above items are leased by the Port Authority to various tenants under operating leases. At June 30, 2020, these included:

Port improvements	\$ 9,349,841
Grain tanks	1,056,728
Machinery and equipment	<u>2,158,446</u>
	12,565,015
Less accumulated depreciation	<u>(8,367,223)</u>
Net leased items	<u><u>\$ 4,197,792</u></u>

At June 30, 2020 and 2019, 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. The Port Authority paid principal in 2020 and 2019 of \$18,750. At June 30, 2020, pledged future revenues totaled \$101,562, which is the amount of the remaining principal on the note.

Note 6 - Long-term Liabilities

The Port Authority received advance rental billings from two leaseholders as payment for leases that expire in years 2025 and 2032. The advance rental billings are recognized as lease revenue in the year to which the payments apply.

At June 30, 2020 and 2019, long-term debt consisted of the following:

	<u>2020</u>	<u>2019</u>
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.	\$ 101,562	\$ 120,312
Less current portion	<u>(18,750)</u>	<u>(18,750)</u>
Long-term debt, less current portion	<u>\$ 82,812</u>	<u>\$ 101,562</u>

At June 30, 2020, debt service requirements of the Port Authority were as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 18,750	\$ -
2022	18,750	-
2023	18,750	-
2024	18,750	-
2025	18,750	-
2026	<u>7,812</u>	<u>-</u>
Total	<u>\$ 101,562</u>	<u>\$ -</u>

City of Tulsa - Rogers County Port Authority
Notes to Financial Statements
June 30, 2020 and 2019

The long-term liability balances and activity for the years ended June 30, 2020 and 2019, were as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020	Amount Due Within One Year
Compensated absences	\$ 113,339	\$ 124,313	\$ 113,339	\$ 124,313	\$ 124,313
Advance rental billings	2,056,425	60,150	209,577	1,906,998	178,464
Notes payable	120,312	-	18,750	101,562	18,750
Total long-term liabilities	\$ 2,290,076	\$ 184,463	\$ 341,666	\$ 2,132,873	\$ 321,527

	June 30, 2018	Additions	Reductions	June 30, 2019	Amount Due Within One Year
Compensated absences	\$ 98,098	\$ 113,339	\$ 98,098	\$ 113,339	\$ 113,339
Advance rental billings	2,241,285	55,654	240,514	2,056,425	163,731
Notes payable	139,062	-	18,750	120,312	18,750
Total long-term liabilities	\$ 2,478,445	\$ 168,993	\$ 357,362	\$ 2,290,076	\$ 295,820

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 - Commitments and 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.

In fiscal year 2020, PSO donated land to the Port was an estimated value of \$7.5 million. The Port has a required investment of \$3 million toward construction of railroad infrastructure within 36 months. The Port and PSO will jointly market the land for economic and industrial development for a minimum of ten years.

Note 9 - Related Party Transactions

The Port Authority receives a management fee from the Facilities Authority. The fees were \$48,000 and \$15,000 for the years ended June 30, 2020 and 2019, respectively.

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 \$244,244 and \$208,340 in 2020 and 2019, 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*, 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. GASB 84 will be implemented by the Port Authority in fiscal year 2021 and the impact has not yet been determined.

GASB Statement No. 87, *Leases*, 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. GASB 87 will be implemented by the Port Authority in fiscal year 2022 and the impact has not yet been determined.

GASB Statement No. 91, *Conduit Debt Obligations* was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB 91 will be implemented by the Port Authority in fiscal year 2023 and the impact has not yet been determined.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). GASB 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The Port Authority will adopt GASB 92 in fiscal year 2022 and the impact has not yet been determined.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Port Authority will adopt GASB 96 in fiscal year 2023. The Port Authority has not determined the impact of GASB 96 on the financial statements.

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. 2nd 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 salary 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 were required to contribute 6.5 percent of their pensionable wages for the years ended June 30, 2020 and 2019. The Port Authority was required to contribute 15.5 percent of pensionable wages for the years ended June 30, 2020 and 2019. 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 \$118,357 and \$100,297 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020, the Port Authority reported a liability of \$1,480,352 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The liability for June 30, 2019 was \$1,223,497. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. 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, 2020 and 2019, the Port Authority's proportion was 0.5829% and 0.5210%, respectively.

For the years ended June 30, 2020 and 2019, the Port Authority recognized pension expense of \$95,726 and \$60,952, respectively. At June 30, 2020 and 2019, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual plan experience	\$ 2,546	\$ 25,725
Changes of assumptions	83,010	-
Net difference between projected and actual earnings on pension plan investments	99,675	-
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	<u>109,329</u>	<u>63,230</u>
Total	<u>\$ 294,560</u>	<u>\$ 88,955</u>
2019:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual plan experience	\$ 5,774	\$ 40,857
Changes of assumptions	141,853	-
Net difference between projected and actual earnings on pension plan investments	36,452	-
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	<u>28,845</u>	<u>127,591</u>
Total	<u>\$ 212,924</u>	<u>\$ 168,448</u>

Changes in Assumptions - On occasion, as the result of an experience study or other actuarial considerations, certain assumptions used for estimates may need to be changed. When this occurs, the Plan will generally experience an increase or decrease in either deferred inflows or deferred outflows. These amounts are amortized as pension expense over the remaining service life as a portion of pension expense. The Plan's most recent actuarial experience study was for the 5-year period from January 1, 2010 to December 31, 2015 and was applied to the January 1, 2020 valuation. Effective for the January 1, 2019 valuation, the Plan made changes to its inflation rate with a corresponding change in the investment rate of return and the salary scale. In addition, payroll growth rate assumption was decreased.

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>	
2021	\$ 44,553
2022	80,010
2023	54,892
2024	26,150
Total	<u>\$ 205,605</u>

Asset Allocation and Long-term Expected Real Rate of Return: 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, and the long-term expected geometric real rate of return for each major asset class:

<u>Asset Class</u>	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	24%	1.16%	24%	1.16%
Domestic equity	36%	6.19%	36%	6.19%
International equity	24%	6.59%	24%	6.59%
Real estate	8%	4.24%	8%	4.24%
Commodities	3%	0.50%	3%	0.95%
Timber	4%	3.80%	4%	4.15%
Cash	1%	0.11%	1%	0.11%
	<u>100%</u>		<u>100%</u>	

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on the Plan's investments, net of investment expense, was 3.4% and 4.2%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusting for the changing amounts actually invested.

Measurement date and valuation date: For 2020, the Plan had an annual actuarial valuation date of January 1, 2020, which was rolled forward from the valuation date using generally accepted actuarial principals and methods, to the Plan's measurement date of June 30, 2020. For 2019, the Plan had an annual actuarial valuation date of January 1, 2019, which was rolled forward from the valuation date using generally accepted actuarial principals and methods, to the Plan's measurement date of June 30, 2019.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation using the following assumptions for both 2020 and 2019:

Investment rate of return*	7.00%
Projected salary increases*	3.50-11.25%
* Includes inflation at 2.50%	
Mortality rates	RP-2014 Mortality Table with Blue Collar Adjustment, which is projected on a fully generational basis with scale MP-2015

Except for certain economic and demographic assumptions, the actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015. For the January 1, 2019 valuation and going forward the inflation rate assumption was decreased from 3.00% to 2.50% with a corresponding decrease of .50% in the investment rate of return and the salary scale. In addition, the payroll growth assumption was decreased from 3.00% to 2.75%. Some adjustments were also made to retirement rates of Plan participants hired on or after July 1, 2018 to reflect differences in eligibility requirements for early and normal retirement as well as the early retirement reductions.

Expected Remaining Service Life of Members: Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the Plan's members, including retirees. For the years ended June 30, 2020, 2019, 2018, 2017, and 2016, the membership's remaining service life was 3.91 years, 4.09 years, 4.18 years, 4.25 years, and 4.45 years, respectively.

Discount rate: As of June 30, 2020 and 2019, single discount rates of 7.00% were used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. 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: The following presents the Port Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate for the years ended June 30 2020 and 2019:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% increase (8.00%)
2020	\$ 1,988,383	\$ 1,480,352	\$ 1,056,680
2019	\$ 1,665,505	\$ 1,223,497	\$ 854,741

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, 2020

**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 and
Schedule of Employer Contributions
The Municipal Employees' Retirement Plan of The City of Tulsa, OK
Last seven fiscal years

Year	Port Authority's proportion of net pension liability	Port Authority's proportionate share of net pension liability	Port Authority's covered payroll	Port Authority's proportionate share of net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.5829%	\$ 1,480,352	\$ 763,595	193.87%	65.22%
2019	0.5210%	1,223,497	647,080	189.08%	66.91%
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. The Plan's most recent actuarial experience study was for the 5-year period from January 1, 2010 to December 31, 2015 and was applied to the January 1, 2020 valuation. Effective for the January 1, 2019 valuation the Plan made changes to its inflation rate with a corresponding change in the investment rate of return and the salary scale. In addition, the payroll growth rate assumption was decreased. There were no assumption changes for the 2020 valuation. 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 seven fiscal years are presented because 10-year data is not yet available.

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
2020	\$ 133,782	\$ 118,357	\$ 15,425	\$ 763,595	15.50%
2019	99,586	100,297	(711)	647,080	15.50%
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 seven fiscal years are presented because 10-year data is not yet available.



Other Reports
June 30, 2020

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 (the Port Authority), as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Tulsa - Rogers County Port Authority’s basic financial statements and have issued our report thereon dated January 18, 2021.

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) as a basis for designing 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 Port Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Port Authority’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Tulsa, Oklahoma
January 18, 2021