Financial Statements and Reports Required by *Government Auditing Standards* and by the Uniform Guidance
June 30, 2023 and 2022

City of Tulsa - Rogers County Port Authority

EideBailly

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Port Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Port Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Port Authority's proportionate share of the net pension liability, and schedule of the Port Authority's contributions on pages 5 through 11 and 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port Authority's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2024, on our consideration of the 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 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 Port Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Tulsa, Oklahoma
March 11, 2024

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, and Tulsa Ports (the Port), provides an overview of the Port Authority's financial activities for the years ended June 30, 2023 and 2022. 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

- During 2022, the Port Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87), effective July 1, 2021. The implementation established long-term lease receivables and related deferred inflows of resources for the Port Authority's long-term lease agreements with its tenants. Thus, this was in effect for both fiscal year 2023 and 2022 but not fiscal year 2021.

- The assets and deferred outflows of the Port Authority exceeded its liabilities and deferred inflows at the close of the 2023 fiscal year by $73,086,566 (net position). Of this amount, $7,044,624 (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 2022 fiscal year by $66,738,211 (net position). Of this amount, $5,113,988 (unrestricted net position), or 7.2%, 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 2021 fiscal year by $65,821,369.

- The Port Authority's net position increased by $6,348,355 for the year ended June 30, 2023 due to capital grants/contributions in the 2023 fiscal year. The Port Authority's net position increased by $916,842 for the year ended June 30, 2022 due to capital grants/contributions in the 2022 fiscal year. The Port Authority's net position increased by $1,234,170 for the year ended June 30, 2021 due to capital grants in the 2021 fiscal year.

- Total operating revenues for year ended June 30, 2022 increased by $591,223, primarily due to an increase in lease and operating revenue. With the implementation of GASB 87, the classification of revenues changed, resulting in a decrease in other revenues and an increase in lease rental interest revenue.

- For the year ended June 30, 2023 , 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 due to increased rail activity. Non-operating revenues exceeded budget expectations as a result of capital grants/contributions. Expenses were slightly higher than the budget expectations, due in great part to increased rail volume that increased both revenues and expenses.

Overview of the Financial Statements

The Port Authority was created to develop and operate the Tulsa Port of Catoosa (the Port). Its beneficiaries are the City of Tulsa and Rogers County.

The Port Authority reports its activities as an enterprise fund, a type of proprietary fund. Enterprise funds report business-type activities of a governmental unit. Enterprise fund financial reporting focuses on the determination of operating income (loss), changes in net position and cash flows. 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 statement of net position presents information on all of the Port Authority's assets and deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Port Authority is improving or deteriorating. Net position is displayed in two components: net investment in capital assets and unrestricted.

Condensed Statements of Net Position
June 30, 2023, 2022 and 2021

	2023	2022	2021*
Current Assets	$ 16,023,916	$ 10,642,212	$ 9,596,088
Lease Rental Receivables	16,392,007	13,537,048	15,602,039
Capital Assets, Net	71,630,779	61,688,285	62,558,501
Assets Held for Sale	189,645	239,645	239,645
Total assets	104,236,347	86,107,190	87,996,273
Total Deferred Outflows of Resources	363,627	362,622	387,642
Current Liabilities	9,900,813	818,844	783,722
Non-current Liabilities	3,157,615	3,147,540	2,789,330
Total liabilities	13,058,428	3,966,384	3,573,052
Total Deferred Inflows of Resources	18,454,980	15,765,217	18,989,494
Net Position			
Net Investment in Capital Assets	66,041,942	61,624,223	62,475,689
Unrestricted	7,044,624	5,113,988	3,345,680
Total net position	$ 73,086,566	$ 66,738,211	$ 65,821,369

* 2021 column above has been updated for implementation of GASB 87.

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.

Changes in Net Position
Years Ended June 30, 2023 and 2022 and 2021

	2023	2022	2021**
Revenues			
Operating Revenues			
Leases	$ 4,072,253	$ 4,511,094	$ 4,012,928
Operating	4,369,592	3,940,731	3,527,284
Management fees	48,000	48,000	48,000
Other	-	22,638	343,028
Total operating revenues	8,489,845	8,522,463	7,931,240
Expenses			
Operating Expenses			
Personnel	1,663,222	1,389,741	1,146,947
General and administrative	991,910	785,214	657,954
Operations	3,612,223	2,582,997	2,149,420
Depreciation	4,197,377	4,216,840	4,123,354
Total operating expenses	10,464,732	8,974,792	8,077,675
Non-operating Revenue (Expense)			
Lease rental interest income	747,959	731,688	-
Interest income - other	84,303	80,873	104,670
Net change in the fair value of investments	(125,382)	(270,619)	(91,486)
Grant	3,089,025	-	-
State matching	4,127,184	-	-
Other	400,153	827,229	1,367,421
Net non-operating revenue	8,323,242	1,369,171	1,380,605
Change in Net Position	6,348,355	916,842	1,234,170
Net Position, Beginning of Year	66,738,211	65,821,369	64,587,199
Net Position, End of Year	$ 73,086,566	$ 66,738,211	$ 65,821,369

**2021 column above has not been updated for implementation of GASB 87.

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

2023

The Port Authority's net position increased by $6.3 million for the year ended June 30, 2023. The increase can be attributed primarily to contributions received for capital improvements under construction at the Port of Inola, offset by the loss in the fair value of investments plus an increase in operating revenues.

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 $73,086,566 and $66,738,211 at June 30, 2023 and 2022.

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, 2023 and 2022, designated funds were approximately $10,800,000 and $4,300,000, respectively.

2022

Due to the implementation of GASB 87, a portion of previously-reported leases revenue is now shown as non-operating interest income. Lease rental interest revenue increased by $731,688 from $0 due to the implementation. This lease rental interest revenue is determined by the amortization of the present value of future payments expected to be received by the Port Authority as per the guidelines established by GASB 87. The structure of these schedules generally results in reduced interest components as time progresses.

The Port Authority's net position increased by $916,842 for the year ended June 30, 2022. The increase can be attributed primarily to a capital contribution from Rogers County for a wastewater study at the Port of Inola, offset by the loss in the fair value of investments plus an increase in operating revenues.

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 $66,738,211 at June 30, 2022 and $65,821,369 at June 30, 2021.

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, 2022 and 2021, designated funds were approximately $4,300,000 and $3,300,000, respectively.

Statement of Cash Flows

The Statement of Cash Flows presents information showing how the Port Authority's cash and cash equivalents position changed during the years ended June 30, 2023 and 2022. The statement classifies cash receipts and cash payments by Operating Activities, Noncapital Financing Activities, Investing Activities, and Capital and Related Financing Activities.

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 17 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 $71,630,779, or 70%, of total assets and $61,688,285, or 72%, of total assets at June 30, 2023 and 2022, 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 2023, construction in progress for campus and building upgrades, and road and rail improvements were completed and transferred to port improvements. In fiscal year 2022, construction in progress for campus upgrades, road and rail improvements, and channel repairs were completed and transferred to port improvements. See Note 4 to the financial statements.

Long-term Debt

At June 30, 2023 and 2022, the Port Authority had total debt outstanding of $5,588,837 and $64,062 respectively. The additional debt for FY 2023 represents funds borrowed from a private lender for construction of the approximately $20 million rail project at the Port of Inola. The cost of this rail project is being supplemented by contributed funds from multiple state and local partners, and a matching grant from the US Maritime Administration's INFRA program. The Loan is providing upfront funds to compensate for delayed contributions and to ensure liquidity of port revenues for normal operations. See Note 6 to the financial statements.

Economic Factors and Next Year's Budget

In fiscal year 2022 and 2021, the Port Authority experienced financial impacts due to the COVID-19 pandemic and its correlation to an already depressed energy sector. In 2022, revenues began to rebound from the pandemic related slowdown.

During 2023, lease revenues were reduced due to several large land leases that expired and have remained vacant. However, increased operations revenue neatly offset the lease shortfalls so that the net revenues were essentially the same as 2022.

For 2024, short term lease demand has been strong and several short-term operational revenues have been developed with creative use of vacant properties. Therefore, we anticipate lease revenues to reflect gains as a result of those related short-term activities.

The Port Authority is the landlord developer of a 2,000-acre water port and industrial park (The Tulsa Port of Catoosa), and the new and largely undeveloped 2,000-acre Tulsa 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 cash inflows of $3,102,451, $2,707,259, and $2,292,876 for the fiscal years 2023, 2024 and 2025, 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.

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 Port Authority purchased approximately 88 acres of land adjacent to the Inola property donated by PSO in December 2019. In fiscal year 2023, the Port Authority acquired another 200 acres from PSO revising the total acreage to approximately 2,300 acres. This total property, the Tulsa Port of Inola, will continue to be the focal point of new investment and will be marketed to attract future tenants/jobs to the region as a "megasite". As such, current and future grant opportunities will be tied to additional matching funds as the property is developed, marketed, leased and/or sold.

In fiscal year 2024, the Port Authority concluded construction of an approximate $18 million railroad project at the Port of Inola that was funded, in part, by a grant through the US Department of Transportation's INFRA Grant program. To date, most of the $6.1 million award has been received by the Port Authority, and $6.1 million has been received from the other financial partners, including the State of Oklahoma's Departments of Commerce and Transportation. Currently, a construction loan with Commerce Bank is covering the gap in funding and is expected to be finalized with a balance going forward of approximately $7.3 million.

The Port Authority approves its operating budget each year in June. The budget for the fiscal year ending June 30, 2024, projects total revenues of $9,922,314, total expenses of $12,517,815, including depreciation of $4,872,810 and net loss of $2,616,501, however earnings before depreciation is projected at $2,727,309. Income for land leases is projected to be $4,589,485 and income from operations to be $4,421,056.

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.

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 521,466	$ 3,019,543
Investments	10,803,881	4,326,184
Receivables		
Accounts, net of allowance for doutbful accounts of $5,849 in both 2023 and 2022	731,557	741,623
Grant receivable	1,229,549	-
Lease rental	2,589,293	2,463,254
Interest	132,003	68,813
Prepaid expenses	16,167	22,795
Total current assets	16,023,916	10,642,212
Lease receivables, net of current portion	16,392,007	13,537,048
Assets Held for Sale	189,645	239,645
Capital Assets, Non-depreciable	31,153,664	20,304,219
Capital Assets, Net of Depreciation	40,477,115	41,384,066
Total assets	104,236,347	86,107,190
Deferred Outflows of Resources		
Deferred outflows - pension	363,627	362,622
Total Deferred Outflows of Resources	363,627	362,622

See Notes to Financial Statements

	2023	2022
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	4,173,771	420,060
Compensated absences	130,109	117,281
Current portion of long-term debt	5,562,274	18,750
Current portion of advance rental billings	34,659	262,753
Total current liabilities	9,900,813	818,844
Long-term Debt, Net of Current Portion	26,563	45,312
Long-term Advance Rental Billings, Net of Current Portion	1,236,053	1,400,213
Long-term Net Pension Liability	1,894,999	1,702,015
Total liabilities	13,058,428	3,966,384
Deferred Inflows of Resources		
Deferred inflows - pension	44,050	62,471
Deferred inflows - leases	18,410,930	15,702,746
Total Deferred Inflows of Resources	18,454,980	15,765,217
Net Position		
Net investment in capital assets	66,041,942	61,624,223
Unrestricted	7,044,624	5,113,988
Total net position	$ 73,086,566	$ 66,738,211

See Notes to Financial Statements

	2023	2022
Operating Revenues		
Leases	$ 4,072,253	$ 4,511,094
Operating	4,369,592	3,940,731
Management fees	48,000	48,000
Other	-	22,638
Total operating revenues	8,489,845	8,522,463
Operating Expenses		
Personnel	1,663,222	1,389,741
General and administrative	991,910	785,214
Operations	3,612,223	2,582,997
Depreciation	4,197,377	4,216,840
Total operating expenses	10,464,732	8,974,792
Operating loss	(1,974,887)	(452,329)
Non-operating Revenue (Expense)		
Lease rental interest	747,959	731,688
Interest income / expense	84,303	80,873
Net change in the fair value of investments	(125,382)	(270,619)
Capital contributions	-	510,000
Grant	3,089,025	-
State matching	4,127,184	-
Other	400,153	317,229
Net non-operating revenue (expense)	8,323,242	1,369,171
Change in Net Position	6,348,355	916,842
Net Position, Beginning of Year	66,738,211	65,821,369
Net Position, End of Year	$ 73,086,566	$ 66,738,211

See Notes to Financial Statements

	2023	2022
Operating Activities		
Cash received from customers	$ 8,160,676	$ 8,368,833
Cash paid to suppliers	(2,103,713)	(3,239,093)
Cash paid for salaries, employee benefits and taxes	(1,656,531)	(1,248,538)
Cash received from affiliate	48,000	48,000
Net Cash from Operating Activities	4,448,432	3,929,202
Capital and Related Financing Activities		
Cash received on lease receivables	684,769	382,478
Intergovernmental grants and state match received	5,986,660	625,000
Acquisition of capital assets	(13,386,218)	(3,170,848)
Proceeds from sale of capital assets	762,281	-
Proceeds from issuance of debt	5,543,525	-
Principal payments on long-term debt	(18,750)	(18,750)
		-
Net Cash used for Capital and Related Financing Activities	(427,733)	(2,182,120)
Investing Activities		
Purchase of investments	(8,529,235)	(4,562,998)
Proceeds from sales and maturities of investments	1,941,424	3,265,000
Interest received on investments	69,035	75,901
Net Cash used for Investing Activities	(6,518,776)	(1,222,097)
Net Change in Cash and Cash Equivalents	(2,498,077)	524,985
Cash and Cash Equivalents, Beginning of Year	3,019,543	2,494,558
Cash and Cash Equivalents, End of Year	$ 521,466	$ 3,019,543

See Notes to Financial Statements

	2023	2022
Reconciliation of Operating Loss to net		
Cash from Operating Activities		
Operating loss	(1,974,887)	(452,329)
Adjustments to reconcile operating loss to		
net cash from operating activities		
Depreciation and amortization	4,197,377	4,216,840
Changes in assets, liabilities, deferred inflows and outflows		
Accounts receivable	10,066	13,931
Prepaid expenses	6,628	(2,544)
Deferred outflows - pensions	(1,005)	25,020
Accounts payable and accrued expenses	2,700,758	131,975
Advance rental billings	(392,254)	(119,561)
Net pension liability	192,984	541,121
Lease receivables	(2,980,998)	-
Deferred inflows	2,689,763	(425,251)
Total adjustments	6,423,319	4,381,531
Net Cash from Operating Activities	$ 4,448,432	$ 3,929,202
Supplemental Disclosure of Cash Flow Information	$ (125,382)	$ (270,619)
Net realized and unrealized loss on investments		
Capital asset additions included in accounts payable	$ 1,065,781	$ 175,776

See Notes to Financial Statements

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 46% and 40% of the Port Authority's revenues for the years ended June 30, 2023 and 2022, came from three customers. Three customers accounted for approximately 67% and 75% of accounts receivable at June 30, 2023 and 2022.

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.

Lease Rentals Receivable and Deferred Inflow of Resources

The Port Authority, as a lessor, recognizes a right to use lease rentals receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease rentals receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources should be measured as the value of the lease rentals receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

The amortization of the lease rentals receivable and the recognition of the related interest revenue of each financing arrangement is determined using the effective interest method. Any payments received are allocated first to the interest receivable and then to the lease receivable. Deferred inflows of resources are recognized as inflows of resources (example, revenue) coinciding with the reduction of the lease receivables determined by the effective interest method. Interest income resulting from these lease financing arrangements is presented in the non-operating revenues section on the Statements of Revenues, Expenses, and Changes in Net Position.

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. The Port Authority follows the practice of capitalizing items over $5,000 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 2023 or 2022.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. 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, 2023, 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/Contributions

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 continues to apply and receive multi-million-dollar grants for these projects, many of which have local and state matching requirements.

During the year ended June 30, 2022, capital contributions were for expenditures incurred in connection with a wastewater treatment facility feasibility study at Inola. There were no such contributions during the year ended June 30, 2023.

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 and for certain long-term leases.

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

As of July 1, 2022, the Port Authority adopted GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. The objective of the Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology agreements by governments. The impact to the Port Authority had no significant effect on the financial statements.

Subsequent Events

The Port Authority has evaluated subsequent events through March 11, 2024, the date which the financial statements were available to be issued.

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, 2023 and 2022.

	2023	2022
Level of Risk		
Insured by the Federal Deposit Insurance Corporation	$ 250,000	$ 500,000
Collateralized with securities held by the pleding financial institution in the Port Authority's name	5,733,012	2,586,378
Total bank balances	$ 5,983,012	$ 3,086,378
Total book balances	$ 521,466	$ 3,019,543

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, 2023 and 2022 were as follows:

2023:	Carrying Amount	Maturities in years Less than 1	1 - 5	Fair Value Measurement
Investment types				
U.S. Treasury Notes	$ 10,803,881	$ 2,957,733	$ 7,846,148	Level 2

2022:	Carrying Amount	Maturities in years Less than 1	1 - 5	Fair Value Measurement
Investment types				
U.S. Treasury Notes	$ 4,326,184	$ 489,273	$ 3,836,911	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 year ended June 30, 2023 was $15,268. Net realized gain on sales of investments during the year ended June 30, 2022 was $21,088.

Note 3 - Leases

Lessor

The Port Authority functions as a landlord whose primary operations consist of leasing the Tulsa Port of Catoosa. Based on the standards established by GASB Statement No. 87, Leases, the Port Authority is the lessor of seventy-one lease agreements with private entities meeting the classification requirements of long-term leases. For each of these leases, the Port Authority recognizes a lease rental receivable and a deferred inflow of resources.

The discount rates used for the present value calculations for the leases for leases originating prior to July 1, 2023 is as follows:

1-5 years	4.00%
6-10 years	4.25%
11-15 years	4.50%
16-20 years	4.75%
21+ years	5.00%

The discount rates used for the present value calculations for the leases for leases originating after July 1, 2023 is as follows:

1-5 years	6.00%
6-10 years	6.25%
11-15 years	6.50%
16-20 years	6.75%
21+ years	7.00%

In general, the Port Authority's leasing arrangements typically include one or more of the following sources of income: base rental revenue, security reimbursement, minimum annual guarantees and common area maintenance. To determine the schedule of future payments necessary to calculate the present value of each lease receivable, only base rental revenues, security revenue, minimum annual guarantees and guaranteed portions of common area maintenance are included. If a particular lease includes predetermined "step" increases for base rent throughout the lease term this information is included in the present value calculation. If base rent increases are based upon an index (such as the Consumer Price Index), future increases are not included in the present value calculation.

These future increases will be recognized as inflows of resources (revenue) in the periods to which they relate. The lease terms used in the calculations begin the first year of the presentation of these financial statements. The end dates used in the calculations for each lease are either the end of the lease, the end of the lease including options to extend assuming these options meet the definition of noncancelable periods and are reasonably certain to be exercised, the end of the initial term if extensions are considered to be cancelable periods, or the useful life of the underlying assets.

For the years ended June 30, 2023 and 2022, lease related revenues (not including short-term leases nor insurance revenue) are recognized as follows:

	2023	2022
Base rental revenue	$ 2,868,344	$ 3,201,897
Other lease components	1,203,909	1,309,197
Interest	747,959	731,688
Total	$ 4,820,212	$ 5,242,782

The schedule of future payments that are included in the measurement of the lease receivable, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter are as follows:

Year ending June 30,	Principal	Interest	Total Payment
2024	$ 2,589,293	$ 810,492	$ 3,399,785
2025	2,277,456	687,324	2,964,780
2026	2,073,692	591,372	2,665,064
2027	1,835,397	505,665	2,341,062
2028	1,473,947	432,448	1,906,395
2029-2033	5,579,182	1,295,021	6,874,203
2034-2038	2,014,793	487,722	2,502,515
2039-2043	1,137,540	106,970	1,244,510
Total	$ 18,981,300	$ 4,917,014	$ 23,898,314

GASB No. 87 Excluded Leases Short-Term

In accordance with GASB No. 87, the Port Authority does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Note 4 - Capital Assets

Activity in capital assets for the year ended June 30, 2023, was as follows:

	June 30, 2022	Increases	Transfers	Decreases	June 30, 2023
Land (not depreciated)	$ 5,482,971	106,800	-	-	$ 5,589,771
Construction in progress	-				
(not depreciated)	7,321,248	13,949,843	(3,207,198)	-	18,063,893
Total non-depreciable assets	12,804,219	14,056,643	(3,207,198)	-	23,653,664
Port improvements	80,089,604	19,489	3,207,198	-	83,316,291
Inola improvements	18,430	-	-	-	18,430
Grain tanks	1,056,728	-	-	-	1,056,728
Low water wharf	150,000	-	-	-	150,000
Machinery and equipment	14,305,204	363,111	-	(939,502)	13,728,813
Office furniture and fixtures	381,545	12,756	-	(85,384)	308,917
Total depreciable assets	96,001,511	395,356	3,207,198	(1,024,886)	98,579,179
Less accumulated depreciation for					
Port improvements	(48,118,492)	(3,267,253)	-	-	(51,385,745)
Inola improvements	(2,304)	(1,843)	-	-	(4,147)
Machinery and equipment	(6,353,950)	(880,817)	-	636,062	(6,598,705)
Office furniture and fixtures	(142,699)	(47,464)	-	76,696	(113,467)
Total accumulated depreciation	(54,617,445)	(4,197,377)	-	712,758	(58,102,064)
Net capital assets, excluding donated assets	54,188,285	10,254,622	-	(312,128)	64,130,779
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	$ 61,688,285	$ 10,254,622	$ -	$ (312,128)	$ 71,630,779

Activity in capital assets for the year ended June 30, 2022, was as follows:

	June 30, 2021	Increases	Transfers	Decreases	June 30, 2022
Land (not depreciated)	$ 5,480,011	$ 2,960	$ -	$ -	$ 5,482,971
Construction in progress (not depreciated)	9,732,394	2,886,469	(5,297,615)	-	7,321,248
Total non-depreciable assets	15,212,405	2,889,429	(5,297,615)	-	12,804,219
Port improvements	79,559,004	-	531,650	(1,050)	80,089,604
Inola improvements	18,430	-	-	-	18,430
Grain tanks	1,056,728	-	-	-	1,056,728
Low water wharf	150,000	-	-	-	150,000
Machinery and equipment	9,874,271	448,398	4,601,635	(619,100)	14,305,204
Main office renovation	54,738	-	-	(54,738)	-
Office furniture and fixtures	232,847	8,797	164,330	(24,429)	381,545
Total depreciable assets	90,946,018	457,195	5,297,615	(699,317)	96,001,511
Less accumulated depreciation for					
Port improvements	(44,826,300)	(3,293,242)	-	1,050	(48,118,492)
Inola improvements	(461)	(1,843)	-	-	(2,304)
Machinery and equipment	(6,090,114)	(882,936)	-	619,100	(6,353,950)
Office furniture and fixtures	(183,047)	(38,819)	-	79,167	(142,699)
Total accumulated depreciation	(51,099,922)	(4,216,840)	-	699,317	(54,617,445)
Net capital assets, excluding donated assets	55,058,501	(870,216)	-	-	54,188,285
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	$ 62,558,501	$ (870,216)	$ -	$ -	$ 61,688,285

Construction in progress consists of expenditures incurred in connection with projects undertaken and incomplete at June 30, 2023. Future commitments under these projects are approximately $10 million.

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 Port Authority purchased approximately 88 acres of land adjacent to the Inola property donated by PSO in December 2019. In fiscal year 2023, the Port Authority acquired another 200 acres from PSO revising the total acreage to approximately 2,300 acres.

Certain assets from the above items are leased by the Port Authority to various tenants under leases. At June 30, 2023 and 2022, these included:

	2023	2022
Port improvements	$ 9,349,841	$ 9,349,841
Grain tanks	1,056,728	1,056,728
Machinery and equipment	1,707,078	2,418,672
	12,113,647	12,825,241
Less accumulated depreciation	(8,827,054)	(8,947,589)
Net leased items	$ 3,286,593	$ 3,877,652

At June 30, 2023 and 2022, the Port Authority had approximately $189,000 and $240,000, respectively, of land held for sale. The Port Authority sold a portion of the land held for sale during the year ended June 30, 2023. Net realized gain on sales of land held for sale was $180,000.

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 remaining interest free note is payable through 2025, solely from the revenues. The Port Authority paid principal in 2023 and 2022 of $18,750. At June 30, 2023, pledged future revenues totaled $45,312, which is the amount of the remaining principal on the note. At June 30, 2022, pledged future revenues totaled $64,062, which was 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, 2023 and 2022, long-term debt consisted of the following:

	2023	2022
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.	$ 45,312	$ 64,062
7.67% advances on $10 million line of credit payable to Commerce Bank which matures in March 2024 and will be refinanced over 20 years. The debt is collateralized by property owned by the Port Authority as described in the collateral documents.	5,543,525	-
Total long-term debt	5,588,837	64,062
Less current maturities	(5,562,274)	(18,750)
Long-term debt, less current portion	$ 26,563	$ 45,312

At June 30, 2023 and 2022, debt service requirements of the Port Authority were as follows:

Years Ending June 30,	Principal	Interest
2024	$ 5,562,274	$ 426,626
2025	18,750	1,438
2026	7,813	599
Total	$ 5,588,837	$ 428,663

The long-term liability balances and activity for the year ended June 30, 2023, were as follows:

	June 30, 2022	Additions	Reductions	June 30, 2023	Amount Due Within One
Compensated absences	$ 117,281	$ 130,109	$ 117,281	$ 130,109	$ 130,109
Advance rental billings	1,662,966	34,659	1,662,966	34,659	34,659
Notes payable	64,062	5,543,525	18,750	5,588,837	5,562,274
Total long-term liabilities	$ 1,844,309	$ 5,708,293	$ 1,798,997	$ 5,753,605	$ 5,727,042

The long-term liability balances and activity for the year ended June 30, 2022, were as follows:

	June 30, 2021	Additions	Reductions	June 30, 2022	Amount Due Within One
Compensated absences	$ 116,968	$ 117,281	$ 116,968	$ 117,281	$ 117,281
Advance rental billings	1,782,527	127,473	247,034	1,662,966	262,753
Notes payable	82,812	-	18,750	64,062	18,750
Total long-term liabilities	$ 1,982,307	$ 244,754	$ 382,752	$ 1,844,309	$ 398,784

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 that was an estimated value of $7.5 million. The Port has a required investment of $3 million toward construction of railroad and infrastructure within 36 months. That investment commitment has been fulfilled as of June 30, 2023. The Port and PSO will jointly market the land for economic and industrial development for a minimum of ten years.

In fiscal year 2023, the Port Authority commenced construction on an approximate $18 million railroad project at the Port of Inola that will be funded in part by a grant through the US Department of Transportation's INFRA program in the amount of $6.1 million. Additionally, other partners, including the State of Oklahoma's Departments of Commerce and Transportation will contribute $6.6 million. Ultimately, the Port Authority's share in this project will total approximately $5.3 million. The project will be financed through a $14 million line of credit and is scheduled to be completed during fiscal year 2024.

Note 9 - Related Party Transactions

The Port Authority receives a management fee from the Facilities Authority. The fees were $48,000 for the years ended June 30, 2023 and 2022.

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 $235,162 and $201,537 in 2023 and 2022, respectively. At June 30, 2023 and 2022, no amount was due from the Facilities Authority.

Note 10 - Pension and Retirement Benefits

Plan description: Employees of the Port Authority are provided with pensions through the Municipal Employee Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City).

MERP's financial statements and required supplementary information are included in the City of Tulsa's Annual Comprehensive Financial Report (ACFR). 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 ordinance. Employees were required to contribute 7.5% of their pensionable wages from January 1, 2021 to September 24, 2022 and then 8.0 percent thereafter. The Port Authority was required to contribute 16.5% of pensionable wages from January 1, 2021 to September 24, 2022, and 17% thereafter. The participating employers are also responsible for Actuarially Determined Employer Contributions (ADEC) that exceeds the 17 percent of pensionable wages. Actual contributions to the pension plan from the Port Authority were $176,287 and $141,248 for the years ended June 30, 2023 and 2022, respectively.

Asset Allocation and Long-term Expected Real Rate of Return, continued 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, 2023 and 2022, and the long-term expected arithmetic real rate of return for each major asset class:

	June 30, 2023		June 30, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.75%	20%	2.75%
Domestic equity	36%	6.00%	36%	6.00%
International equity	24%	4.50%	24%	4.50%
Real estate	12%	5.25%	12%	5.25%
Commodities/Timber	7%	4.50%	7%	4.50%
Cash	1%	0.50%	1%	0.50%
	100%		100%	

There are no investments in any one organization representing 5% or more of the Plan's net position. There are no investments in, loans to, or leases with related parties.

For the years ended June 30, 2023 and 2022, the annual money-weighted rate of return on the Plan's investments, net of investment expense, was 8.8% and (8.8)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusting for the changing amounts actually invested.

The MERP includes the use of significant estimates where required. Due to the long-term nature of defined-benefit pension plans, certain amounts, including the net pension liability, are based on actuarial mathematical models and estimates that project future expectations. The MERP provides results for a specific point in time, and changes in estimates, investment performance, and future cost expectations can have a material impact on the information presented from one year to the next.

Measurement date and valuation date: For 2023, the Plan had an annual actuarial valuation date of January 1, 2023, which was rolled forward from the valuation date using generally accepted actuarial principals and methods, to the Plan's measurement date of June 30, 2023. For 2022, the Plan had an annual actuarial valuation date of January 1, 2022, which was rolled forward from the valuation date using generally accepted actuarial principals and methods, to the Plan's measurement date of June 30, 2022.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation using the following assumptions 2023 and 2022:

Investment rate of return*	6.75%
Projected salary increases*	3.50-9.5%
* Includes inflation at 2.50%	
Mortality rates	PubG-2010 Mortality Table, projected generationally using Scale MP-2021

The actual assumptions used in the January 1, 2023 and January 1, 2022 valuations were based on the results of an actuarial experience study for the five-year period ending December 31, 2020.

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, 2023, 2022, 2021, 2020, and 2019, the membership's remaining service life was 3.98 years, 4.2 years, 3.88 years, 3.91 years and 4.09 years, respectively.

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

At June 30, 2023 and 2022, the Port Authority reported a liability of $1,894,999 and $1,702,015, respectively, for its proportionate share of the net pension liability. The pension liability was calculated using a discount rate of 6.75%. 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, 2023 and 2022, the Port Authority's proportion was 0.6759% and 0.6332%, respectively.

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the participating employers will be made as specified in the Plan's funding policy. Beginning January 1, 2021 to June 30, 2022, the employer contribution rate was 16.5% of payroll and 17.65% thereafter. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the Port Authority's proportionate share of the net pension liability to changes in the discount rate: A net pension liability sensitivity comparison shows how a 1% change (both higher and lower) in the discount rate will affect the net pension liability. The following table presents the Port Authority's 2023 and 2022 proportionate share of the net pension liability calculated using the discount rate of 6.75%, 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% lower (5.75%) and 1% higher (7.75%).

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% increase (7.75%)
2023	$ 2,594,879	$ 1,894,999	$ 1,310,797

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% increase (7.75%)
2022	$ 2,310,478	$ 1,702,015	$ 1,192,758

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, 2016 to December 31, 2020 and was applied to the January 1, 2023 and January 1, 2022 valuations. Significant assumption changes include use of an updated mortality projection scale and updated contingent survivor table.

For the year ended June 30, 2023 and 2022, the Port Authority recognized pension expense of $173,558 and $140,890, respectively. At June 30, 2023 and 2022, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 161,589	$ 552
Changes of assumptions	55,229	33,422
Net difference between projected and actual earnings on pension plan investments	41,643	-
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	105,166	10,076
Total	$ 363,627	$ 44,050

2022:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 38,270	$ 2,272
Changes of assumptions	114,419	45,543
Net difference between projected and actual earnings on pension plan investments	114,799	-
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	95,134	14,656
Total	$ 362,622	$ 62,471

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,	Deferred Outflow	Deferred Inflow	Net Deferred Outflow (Inflow)
2024	$ 154,226	$ (20,213)	$ 134,013
2025	107,988	(20,151)	87,837
2026	101,413	(2,015)	99,398
2027	-	(1,671)	(1,671)
Total	$ 363,627	$ (44,050)	$ 319,577

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

Required Supplementary Information

City of Tulsa - Rogers County Port Authority

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
2023	0.6759%	$ 1,894,999	$ 1,055,854	179.48%	67.16%
2022	0.6332%	1,702,015	856,046	198.82%	66.62%
2021	0.6419%	1,160,894	838,366	138.47%	76.92%
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. Since the 2021 valuation was prepared for the plan, the mortality projection scale has been updated to reflect the most recently published full scale by the Society of Actuaries. Furthermore, the mortality table for contingent survivors has been updated to reflect the mortality table recommended for such participants in the Society of Actuaries Pub-2010 Public Plans Mortality Tables Report. Significant assumption changes for the 2021 valuation include use of new mortality tables and a decrease in the investment rate of return. There were no assumption changes for the 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. 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%.

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
2023	$ 181,079	$ 176,287	$ 4,792	$ 1,055,854	16.70%
2022	141,248	141,248	-	856,046	16.50%
2021	143,109	134,139	8,970	838,366	16.00%
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%

Other Reports

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 the 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 City of Tulsa - Rogers County Port Authority (the Port Authority), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2024.

Report on 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 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 Port Authority's consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The Port Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Port Authority's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Port Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Port Authority'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 Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Tulsa, Oklahoma
March 11, 2024

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

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited City of Tulsa - Rogers County Port Authority's (the Port Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Port Authority's major federal program for the year ended June 30, 2023. The Port Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Tulsa - Rogers County Port Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Port Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Port Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Port Authority' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Port Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Port Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Eide Bailly LLP

Tulsa, Oklahoma
March 11, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Project Number	Federal Grant Expenditures
U.S. Department of Transportation			
Maritime Administration			
Direct Program:			
Nationally Significant Freight and Highway Projects			
Infrastructure for Rebuilding America (INFRA)	20.934	693JF72140028	$ 2,643,457
Total U.S. Department of Transportation			2,643,457
U.S. Department of Treasury			
Passed through Oklahoma Water Resources Board			
COVID-19 Coronavirus State and Local			
Fiscal Recovery Funds	21.027	ARP-23-0008-DPG	445,568
Total U.S. Department of Treasury			445,568
Total Expenditures of Federal Awards			$ 3,089,025

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Tulsa - Rogers County Port Authority (the Authority) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Tulsa - Rogers County Port Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Tulsa - Rogers County Port Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Authority does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of independent auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weakness?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weakness?	None Reported
Type of independent auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a)?	No

Name of Federal Program	Federal Financial Assistance Listing
Nationally Significant Freight and Highway Projects Infrastructure for Rebuilding America (INFRA) Program	20.934

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

2023-001 **Material Adjustments**
Material Weakness in Financial Reporting

Criteria: The development and implementation of a year-end financial reporting control system, including proper identification and recognition of revenue amounts, is the responsibility of the Authority's management.

Governmental Accounting Standards Board (GASB) requires that revenue from expenditure-driven (reimbursement) grants, including those used for capital projects, should be recognized as expenditures or capitalized costs are incurred, provided all other eligibility requirements are met. Thus, the revenue recognized should be when the underlying capitalizable expenditures (or normal expenditures) are incurred.

Condition: The Authority's financial reporting control system in place for FY2023 did not identify all required adjustments required in order for the financial statements to be presented in accordance with generally accepted accounting principles (GAAP). This includes an invoice accrual of approximately $1.1 million for construction in progress and the related grant revenue and receivable for $784,000. Further, an adjustment was made during the course of our testing of leases to increase the lease receivable by $1.4 million with an offsetting adjustment to the deferred inflows of resources.

These adjustments were also made to the schedule of expenditures of federal awards (SEFA) where applicable. Additionally, a federal assistance listing number was modified in the SEFA to reflect the correct program.

Cause: There was a lack of proper reconciliation of grant activity to ensure accounts payable, grant revenue, and construction in progress for capital grants, as well as for the schedule of federal expenditures. This is common for entities of your size and nature that have significant grant-related construction projects near year-end.

Effect: Material adjustments by the auditors were necessary to correctly present the financial statements for grant revenue, construction-in-progress, and accounts payable. Additionally, corrections were made to the SEFA.

Recommendation:

We recommend a more thorough year-end accrual process for accounts payable for construction projects. Further we recommend that management design a revenue recognition process to recognize revenue when eligibility requirements are met on a reimbursement basis which includes monitoring expense accruals at year-end for those projects.

Further, the Authority should continue to evaluate and weigh the costs and benefits of developing and implementing a year-end financial reporting system. The year-end financial reporting process should include procedures to identify and record entries in accordance with GAAP.

Views of Responsible
Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None