Financial Statements and Report Required by Government Auditing Standards
June 30, 2023 and 2022

Tulsa Port of Catoosa Facilities Authority

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Tulsa Port of Catoosa Facilities Authority
Catoosa, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tulsa Port of Catoosa Facilities Authority (the Facilities Authority), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Tulsa Port of Catoosa Facilities 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 Facilities 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 Facilities 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.

Emphasis of Matter

The financial statements present only the Tulsa Port of Catoosa Facilities Authority and do not purport to, and do not present fairly, the financial position of the City of Tulsa – Rogers County Port Authority, as of June 30, 2023 and 2022, and the changes in its financial position or, where applicable, its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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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 Facilities 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 Facilities 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 Facilities 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 on pages 4 through 8 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.

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 Facilities 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 Facilities 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 Facilities Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
March 11, 2024

Our discussion and analysis of Tulsa's Port of Catoosa Facilities Authority's (the Facilities Authority) financial performance provides an overview of the Facilities 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 Facilities Authority. Prior fiscal year information is presented for comparative purposes.

Financial Highlights

Following are the financial highlights of the Facilities Authority for the years ended June 30, 2023 and 2022:

- The Facilities Authority's net position increased by $451,637 and $416,645 for the years ended June 30, 2023 and 2022, respectively. The majority of this increase can be attributed to new lease revenue received offset by a decrease in retail center expenses.

- Total operating revenues for the year ended June 30, 2023 increased by $79,256, or 10.8%, from 2022, primarily due to new lease revenue received.

- Total operating revenues for the year ended June 30, 2022 decreased by $85,233, or 10.4%, from 2021, primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, in fiscal year 2022, which reflects the interest revenue portion of lessor leases as non-operating revenue.

- Total operating expenses for the year ended June 30, 2023, were consistent with fiscal year 2022.

- Total operating expenses for the year ended June 30, 2022, were lower than fiscal year 2021 by $45,570, or 10.1%. Retail center expenses decreased and the implementation of GASB No. 87 in fiscal year 2022 increased amortization expense as well as reflects interest expense related to lessee leases in non-operating expense.

Overview of the Financial Statements

The Facilities 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 two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

These statements were prepared on an accrual basis of accounting using the economic resources measurement focus in accordance with U.S. generally accepted accounting principles ("GAAP") promulgated by the Governmental Accounting Standard Board ("GASB"). Revenues are recognized when earned, as opposed to when cash is received, and expenses are recognized when incurred, not when liabilities are paid.

Financial Statements

The statement of net position presents information on all of the Facilities Authority's assets, 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 Facilities 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	$ 2,825,684	$ 2,937,101	$ 2,432,410
Right to Use Lease Rentals, Net of Current Portion	1,911,487	2,798,566	3,229,183
Capital Assets, Net	2,234,491	1,882,992	1,910,716
Right to Use Lease Asset, Net of Amortization	1,524,761	1,466,461	1,608,276
Total assets	8,496,423	9,085,120	9,180,585
Current Liabilities	263,493	161,080	182,749
Right to Use Lease Liabilities, Net of Current Portion	1,467,135	1,388,352	1,491,196
Total liabilities	1,730,628	1,549,432	1,673,945
Total Deferred Inflows of Resources	2,187,379	3,408,909	3,796,506
Net Position			
Net Investment in Capital Assets	2,181,256	1,858,257	1,910,716
Unrestricted	2,397,160	2,268,522	1,799,418
Total net position	$ 4,578,416	$ 4,126,779	$ 3,710,134

**Adjusted for GASB No. 87 Comparison*

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

Condensed Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2023, 2022, and 2021

	2023	2022	2021**
Operating Revenues			
Lease and rental revenue	$ 811,830	$ 732,574	$ 817,807
Total operating revenues	811,830	732,574	817,807
Operating Expenses			
Land lease	-	-	161,884
Administrative fees to Port Authority	48,000	48,000	48,000
Retail Center	86,982	85,528	119,755
Depreciation and Amortization	268,289	270,996	120,455
Total operating expenses	403,271	404,524	450,094
Non-operating Revenue (Expense)			
Right to use lease rental interest	142,029	157,078	-
Interest income - other	33,910	711	550
Interest expense	(77,233)	(69,194)	-
Loss on termination of lease agreement	(55,628)	-	-
Net non-operating revenue	43,078	88,595	550
Change in Net Position	451,637	416,645	368,263
Net Position, Beginning of Year	4,126,779	3,710,134	3,341,871
Net Position, End of Year	$ 4,578,416	$ 4,126,779	$ 3,710,134

***Not Adjusted for GASB No. 87 Comparison*

Statement of Cash Flows

The Statement of Cash Flows presents information showing how the Facilities 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 on pages 13 through 21 of this report.

Financial Analysis

2023

The non-current portion of lease rental receivables, which is determined by amortization schedules as per GASB 87, decreased by approximately $1.3 million. The right to use lease asset increased from $1,466,461 to $1,524,761 primarily due to new and renewing leases.

Deferred inflows of resources related to lease receivables decreased approximately $1.2 million, or 35.8%, to $1,467,135. Deferred inflows are being amortized based on a payment amortization schedule that coincides with the reduction of the principal component of the lease rental receivables.

Assets of the Facilities Authority exceeded liabilities and deferred inflows of resources by $4,578,416 at the close of fiscal year 2023. The largest portion of the Facilities Authority's net position reflects its investment in capital assets (e.g. buildings and infrastructure) and right to use leased assets, net of related outstanding debt used to acquire those assets. Property included in capital assets generates lease rental income.

Operating revenues increased by $79,256 or 10.8% due to new and renewing leases.

Net non-operating revenue decreased to $43,078 due to a loss on the termination of a lease and an increase in interest expense.

2022

The non-current portion of lease rental receivables, which is determined by amortization schedules as per GASB 87, decreased by approximately $431,000. The non-current portion of right to use lease asset decreased primarily due to amortization expense.

Deferred inflows of resources related to lease receivables decreased approximately $388,000, or 10.2%, to $3,408,909. Deferred inflows are being amortized based on a payment amortization schedule that coincides with the reduction of the principal component of the lease rental receivables.

Assets of the Facilities Authority exceeded liabilities and deferred inflows of resources by $4,126,779 at the close of fiscal year 2022. The largest portion of the Facilities Authority's net position reflects its investment in capital assets (e.g. buildings and infrastructure), net of related outstanding debt used to acquire those assets. Property included in capital assets generates lease rental income.

Due to the implementation of GASB 87, a portion of lease revenue is now shown as interest income in non-operating revenue. Lease rental interest revenue increased by $157,078 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 Facilities Authority as per the guidelines established by GASB 87. The structure of these schedules generally results in reduced interest components as time progresses.

Land lease expense reduced from $161,884 to $0 due to GASB 87 implementation, as a significant portion of the expense is recognized as amortization expense and non-operating interest expense.

Total net position of the Facilities Authority increased by $416,645 for the 2022 fiscal year.

Capital Assets and Debt Administration

Capital Assets

The largest portion of the Facilities Authority's total assets reflects its investment in capital assets of $2,234,491 and $1,882,992 as of June 30, 2023 and 2022, respectively. Capital assets consist primarily of the retail business center, the Transcontinental (formerly Coveris) facility and leasehold improvements. Depreciation expense on capital assets was $132,026 and $129,181 for the years ended June 30, 2023 and 2022, respectively.

The retail business center is a 12,400 square-foot building constructed on land leased from the City of Tulsa - Rogers County Port Authority (the Port Authority). The center leases space to tenants for providing commercial services and other uses and currently includes four food-service companies and offices for a medical office, workforce center and insurance company. The land lease with the Port Authority is a 20-year primary-term lease expiring August 31, 2042. See Note 3 to the financial statements.

Debt Administration

As a result of GASB 87, the Facilities Authority recorded lease arrangements for land in the amount of $1,491,196 as of June 30, 2022 and $1,577,996 as of June 30, 2023 which is a primary operation of the Facilities Authority. See additional information in Note 6.

Economic Factors and Next Year's Budget

Despite the COVID-19 pandemic and its correlation to an already depressed energy sector, the Facilities Authority was able to retain consistent operating revenues. We entered into long-term lease contracts that enable resources to remain strong as long as our lessors are operating. Operation revenue is expected to remain solid, and may increase as the Facilities Authority fields inquiries from several potential tenants for the currently unoccupied retail spaces.

The Facilities Authority is a tax-exempt public trust of the Port Authority. The Port Authority is the primary beneficiary of the Facilities Authority. The Facilities Authority was created by the Port Authority to finance and promote development of the Port Authority's 2,000-acre water port and industrial park. Past activities include financing of infrastructure improvements and obtaining conduit financing for tenants of the Port Authority. The Facilities Authority is not responsible for the repayment of loans arranged under conduit financing arrangements with tenants of the Port Authority.

The Facilities Authority approves its operating budget each year in June. The budget for the fiscal year ending June 30, 2024 projects total revenues of $5,646,406, including a non-recurring gain on the sale of a building and improvements, total expenses of $257,165, including depreciation of $102,000, and a change in net position of $5,389,241. The Facilities Authority has also budgeted $91,000 in capital improvements for the fiscal year ending June 30, 2024.

Requests for Information

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

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 2,426,533	$ 2,159,335
Receivables		
Accounts	24,261	68,835
Lease rental	360,172	692,266
Interest	14,718	16,665
Total current assets	2,825,684	2,937,101
Lease receivables, net of current portion	1,911,487	2,798,566
Capital Assets, Non-depreciable	466,872	-
Capital Assets, Net of Depreciation	1,767,619	1,882,992
Right to Use Lease Asset, Net of Amortization	1,524,761	1,466,461
Total assets	$ 8,496,423	$ 9,085,120
Liabilities		
Current Liabilities		
Accounts payable	84,974	2,025
Accrued liabilities	22,290	11,845
Unearned revenue	45,368	44,366
Right to use lease liability	110,861	102,844
Total current liabilities	263,493	161,080
Right to Use Lease Liability, Net of Current Portion	1,467,135	1,388,352
Total liabilities	1,730,628	1,549,432
Deferred Inflows of Resources		
Deferred inflows - leases	2,187,379	3,408,909
Total Deferred Inflows of Resources	2,187,379	3,408,909
Net Position		
Net investment in capital assets	2,181,256	1,858,257
Unrestricted	2,397,160	2,268,522
Total net position	$ 4,578,416	$ 4,126,779

See Notes to Financial Statements

	2023	2022
Operating Revenues		
Retail center lease rentals	$ 221,043	$ 127,307
Land lease income	590,787	540,757
Other building rentals	-	64,510
Total operating revenues	811,830	732,574
Operating Expenses		
Administrative fees to Port Authority	48,000	48,000
Retail Center	86,982	85,528
Depreciation and Amortization	268,289	270,996
Total operating expenses	403,271	404,524
Operating Income	408,559	328,050
Non-operating Revenue (Expense)		
Right to use lease rental interest	142,029	157,078
Interest income - other	33,910	711
Interest expense	(77,233)	(69,194)
Loss on termination of lease agreement	(55,628)	-
Net non-operating revenue (expense)	43,078	88,595
Change in Net Position	451,637	416,645
Net Position, Beginning of Year	4,126,779	3,710,134
Net Position, End of Year	$ 4,578,416	$ 4,126,779

See Notes to Financial Statements

	2023	2022
Operating Activities		
Cash received from providing services	$ 857,406	$ 729,383
Cash paid to suppliers	(77,479)	(86,278)
Cash paid to affiliate	(48,000)	(48,000)
Net Cash from Operating Activities	731,927	595,105
Capital and Related Financing Activities		
Lease rental receipts	85,991	58,490
Acquisition of capital assets	(399,634)	(101,457)
Cash paid for lease liabilities	(107,763)	(117,080)
Interest paid	(77,233)	(63,863)
Net Cash used for Capital and Related Financing Activities	(498,639)	(223,910)
Investing Activities		
Interest received	33,910	711
Net Cash from Investing Activities	33,910	711
Net Change in Cash and Cash Equivalents	267,198	371,906
Cash and Cash Equivalents, Beginning of Year	2,159,335	1,787,429
Cash and Cash Equivalents, End of Year	$ 2,426,533	$ 2,159,335
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 408,559	$ 328,050
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	268,289	270,996
Changes in assets and liabilities		
Accounts receivable	44,574	(10,956)
Lease receivables	-	19,779
Prepaid expenses	-	(17,754)
Accounts payable and accrued expenses	9,503	(2,775)
Unearned revenue	1,002	7,765
Total adjustments	323,368	267,055
Net Cash from Operating Activities	$ 731,927	$ 595,105
Supplemental Disclosure of Cash Flow Information		
Increase of right to use lease rentals by increase in deferred inflows of resources	$ 191,782	$ 109,213
Capital asset purchases in accounts payable	$ 83,891	$ -

See Notes to Financial Statements

Note 1 - Significant Accounting Policies

Organization and Reporting Entity

Tulsa Port of Catoosa Facilities Authority (the Facilities Authority), a related organization of the City of Tulsa - Rogers County Port Authority (the Port Authority), is a tax-exempt public trust, which was created in 1969 to finance and promote development of Tulsa Port of Catoosa industrial facilities. The Port Authority is responsible for appointing the Facilities Authority's board of directors. The Port Authority's accountability for the Facilities Authority does not extend beyond making the appointments.

The Facilities Authority has entered into agreements with the Port Authority and its tenants, whereby the Facilities Authority has leased from the Port Authority certain properties and, in turn, the Facilities Authority has leased these properties to the Port Authority's tenants.

The Facilities Authority also owns and operates a retail center located at the entrance to the Port of Catoosa.

The Port Authority is the primary beneficiary of the Facilities Authority; the City of Tulsa and Rogers County, Oklahoma are the secondary beneficiaries.

The Facilities Authority has no component units, as defined by the Governmental Accounting Standards Board (GASB). In addition, the accompanying financial statements do not include any fiduciary funds.

These financial statements do not purport to, and do not present fairly, the financial position, changes in financial position, or cash flows of the City of Tulsa - Rogers County Port Authority.

Basis of Accounting

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

The Facilities Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues consist of retail center tenant rent, administrative fees paid by Port of Catoosa tenants for financing arrangements, and land lease income. Operating expenses are costs associated with operating the Facilities 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 demand deposit accounts and unrestricted short-term investments with original maturities of 90 days or less.

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, uncollateralized and are considered past due after 30 days. The Facilities Authority considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Lease Receivables and Deferred Inflow of Resources

The Facilities 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 is 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 Statement 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 5 to 30 years. Maintenance and repairs are charged to expense as incurred, whereas renewals and betterments are generally capitalized. The donated property was capitalized at its acquisition value at the date of the gift. Any future donated property will be capitalized at its acquisition value at the date of the gift. The Facilities Authority follows the practice of capitalizing items over $5,000 with a useful life of more than one year.

The Facilities 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 Facilities 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.

Unearned Revenue

Unearned revenue represents payments and/or revenue received but not yet recognized since it has not yet been earned. Unearned revenue primarily consists of rent paid in advance.

Right to Use Lease Asset and Liability

The Facilities Authority, as a lessee, recognizes a lease liability and a lease asset for leased facilities. The lease liability is measured at the present value of payments expected to be made during the lease term, while the lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease liability reductions and interest expense recognition are determined using the effective interest cost method. The lease asset costs are amortized coinciding with the reductions to the principal portions of the lease liability costs. Interest expense is presented in the non-operating expenses section of the Statement of Revenues, Expenses, and Changes in Net Position, while amortization costs are recognized as operating expenses.

Net Position

Net position represents the residual interest in the Facilities Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Facilities Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Facilities Authority's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Income Taxes

The Facilities Authority is a governmental entity, as described in Section 115 of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes pursuant to this section of the IRC.

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 Facilities Authority adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). The implementation of this standard establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. There were no SBITA that required a change in beginning net position or additional disclosures due to implementation of this standard.

Note 2 - Cash and Cash Equivalents and Investments

The deposit balances of the Facilities Authority, which consist of cash balances, are categorized below to give an indication of the level of custodial credit risk assumed by the Facilities Authority at June 30, 2023 and 2022.

	2023	2022
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 Facilities Authority's name	2,138,547	1,909,335
Total bank balances	$ 2,388,547	$ 2,159,335
Total book balances	$ 2,426,533	$ 2,159,335

Note 3 - Capital Assets and Right to Use Lease Assets

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

	June 30, 2022	Increases	Decreases	June 30, 2023
Construction in progress	$ -	$ 466,872	$ -	$ 466,872
Total non-depreciable capital assets	-	466,872	-	466,872
Buildings and improvements				
Retail center	1,439,802	16,653	-	1,456,455
Leasehold improvements	930,000	-	-	930,000
Transcontinental facility	1,023,734	-	-	1,023,734
Total depreciable assets	3,393,536	16,653	-	3,410,189
Less accumulated depreciation for				
Retail center	(805,267)	(65,475)	-	(870,742)
Leasehold improvements	(556,085)	(34,000)	-	(590,085)
Transcontinental facility	(149,192)	(32,551)	-	(181,743)
Total accumulated depreciation	(1,510,544)	(132,026)	-	(1,642,570)
Total capital assets, net	$ 1,882,992	$ 351,499	$ -	$ 2,234,491

The retail center and leasehold improvements are leased by the Facilities Authority to various tenants.

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

	June 30, 2021	Increases	Decreases	June 30, 2022
Buildings and improvements				
Retail center	$ 1,353,787	$ 101,457	$ (15,442)	$ 1,439,802
Leasehold improvements	930,000	-	-	930,000
Transcontinental facility	1,023,734	-	-	1,023,734
Total depreciable assets	3,307,521	101,457	(15,442)	3,393,536
Less accumulated depreciation for				
Retail center	(758,079)	(62,630)	15,442	(805,267)
Leasehold improvements	(522,085)	(34,000)	-	(556,085)
Transcontinental facility	(116,641)	(32,551)	-	(149,192)
Total accumulated depreciation	(1,396,805)	(129,181)	15,442	(1,510,544)
Total capital assets, net	$ 1,910,716	$ (27,724)	$ -	$ 1,882,992

Activity in right to use lease asset for the years ended June 30, 2023 and 2022, was as follows:

	June 30, 2022	Increases	Decreases	June 30, 2023
Right to Use Lease Asset - Land	$ 1,608,276	194,563	-	1,802,839
Less accumulated amortization	(141,815)	(136,263)	-	(278,078)
Net right to use lease asset	$ 1,466,461	$ 58,300	$ -	$ 1,524,761

	June 30, 2021	Increases	Decreases	June 30, 2022
Right to Use Lease Asset - Land	$ 1,608,276	-	-	1,608,276
Less accumulated amortization	-	(141,815)	-	(141,815)
Net right to use lease asset	$ 1,608,276	$ (141,815)	$ -	$ 1,466,461

See additional information at Note 6.

Note 4 - Conduit Debt

The Facilities Authority acted as an agent for Rogers County in financing transactions between Rogers County and the Port Authority. The purpose of the loans was for carrying out Oklahoma Department of Commerce approved economic development projects for the Port Authority.

In management's opinion, the Facilities Authority has no obligation under the loans and, therefore, liabilities have not been recorded in the Facilities Authority's financial statements. The aggregate amount of these financings as of June 30, 2023 and 2022, was $45,312 and $64,062, respectively.

Note 5 - Related Party Transactions

The Facilities Authority pays monthly administrative charges to the Port Authority. The administrative charges were $48,000 for the year ended June 30, 2023 and 2022. The Facilities Authority is not a part of the Port Authority; however, if this relationship did not exist, the results of operations could be significantly different. At June 30, 2023 and 2022, there was no amount owed to the Port Authority.

During the year ended June 30, 2007, the Facilities Authority received $325,000 in contributed capital from the Port Authority to assist the Facilities Authority in acquiring an investment in a customer's building located at the Port of Catoosa. The Facilities Authority agreed to acquire the building and lease it back to the customer. The lease was renewed in November 2018 for five years, with two 5-year options to renew. Monthly payments are $5,125 per month, with $900 going to the Port Authority and $4,225 retained by the Facilities Authority.

The Facilities Authority leases certain real estate from the Port Authority and subleases it to its tenants. Substantially all lease revenues from the tenants are passed through to the Port Authority. Lease revenue passed through to the Port Authority from the Facilities Authority was $235,162 and $201,537 in 2023 and 2022, respectively.

Note 6 - Leases

<u>Lessor</u>

The Facilities Authority functions as a landlord whose primary operations consist of leasing the Port Plaza retail center and other facilities. Based on the standards established by GASB Statement No. 87, *Leases*, the Facilities Authority is the lessor of ten lease agreements with private entities meeting the classification requirements of long-term leases. For each of these leases, the Facilities Authority recognizes a right to use 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	4.0%
6-10 years	4.25%
11-15 years	4.5%
16-20 years	4.75%
21+ years	5.0%

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	6.0%
6-10 years	6.25%
11-15 years	6.5%
16-20 years	6.75%
21+ years	7.0%

In general, the Facilities Authority's leasing arrangements typically include one or more of the following sources of income: base rental revenue, security reimbursement revenue 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 and guaranteed portions of common area maintenance revenues are included. Security revenue is not 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 in the year immediately preceding 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
Leases	$ 789,893	$ 711,529
Interest	142,029	157,078
Total	$ 931,922	$ 868,607

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	$ 360,172	$ 91,945	$ 452,117
2025	261,078	78,787	339,865
2026	226,420	70,121	296,541
2027	191,753	60,414	252,168
2028	200,307	51,861	252,168
2029 - 2033	874,806	138,934	1,013,739
2034 - 2038	126,767	11,991	138,759
2039 - 2043	20,581	5,771	26,352
2044 - 2048	9,774	758	10,533
Total	$ 2,271,659	$ 510,582	$ 2,782,241

Lessee

The Facilities Authority has three lease arrangements subject to GASB 87 reporting. The leases are for land and use a discount rate of 4.5% and 4.75% and have various termination dates ranging from 2022 to 2042.

For the years ended June 30, 2023 and 2022, interest expense was $77,233 and $69,194, respectively. The schedule of lease assets, net of accumulated amortization, for fiscal year 2023 and 2022 is as follows:

	2023	2022
Leased Asset	$ 1,802,839	$ 1,608,276
Accumulated Amortization	(278,078)	(141,815)
Net Leased Asset	$ 1,524,761	$ 1,466,461

The schedule of future payments that are included in the measurement of the lease liability, 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	$ 110,861	$ 69,409	$ 180,270
2025	116,166	64,104	180,270
2026	121,519	58,751	180,270
2027	127,115	53,155	180,270
2028	132,846	47,424	180,270
2029 - 2033	762,566	138,784	901,350
2034 - 2038	149,963	21,886	171,849
2039 - 2043	56,960	5,944	62,904
Total	$ 1,577,996	$ 459,457	$ 2,037,453

Note 7 - Long-term Liabilities

The long-term liability balance and activity for the years ended June 30, 2023 and 2022, was as follows:

	June 30, 2022	Additions	Reductions	June 30, 2023	Amount Due Within One Year
Right-to-Use-Lease Liability	$ 1,491,196	$ 189,682	$ 102,882	$ 1,577,996	$ 110,861

	July 1, 2021	Additions	Reductions	June 30, 2022	Amount Due Within One Year
Right-to-Use-Lease Liability	$ 1,608,276	$ -	$ 117,080	$ 1,491,196	$ 102,844

See additional information at Note 6.

Note 8 - Subsequent Events

Subsequent to year-end, the Facilities Authority entered into an agreement with a lessee to purchase property in the amount of $6 million. As a result, the related lease agreement was terminated and reflected as such in the financial statements for the year ended June 30, 2023.

Other Report
June 30, 2023

Tulsa Port of Catoosa Facilities 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
Tulsa Port of Catoosa Facilities 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 Tulsa Port of Catoosa Facilities Authority (the Facilities 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. Our report includes an emphasis of matter paragraph describing the acknowledgement that the Facilities Authority's financial statements reflect only the assets, liabilities, and revenues and expenses of the Facilities Authority and not the City of Tulsa – Rogers County Port Authority.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Facilities 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 Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facilities 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 Facilities 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facilities 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 Facilities 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 Facilities Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Oklahoma City, Oklahoma
March 11, 2024