



Financial Statements  
June 30, 2013 and 2012

# City of Tulsa - Rogers County Port Authority

City of Tulsa - Rogers County Port Authority

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June 30, 2013 and 2012

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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 Financial Statements

We have audited the accompanying financial statements of the City of Tulsa - Rogers County Port Authority (the Port Authority) as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City of Tulsa - Rogers County Port Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Tulsa - Rogers County Port Authority, as of June 30, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Emphasis of Matter**

As described in Note 1 to the financial statements, the City of Tulsa - Rogers County Port Authority adopted the provisions of GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The opinion is not modified with the implementation of the GASB statement.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 on our consideration of the City of Tulsa - Rogers County Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Tulsa, Oklahoma  
November 14, 2013



Management's Discussion and Analysis  
June 30, 2013 and 2012

# City of Tulsa - Rogers County Port Authority

Our discussion and analysis of the financial performance of the City of Tulsa - Rogers County Port Authority, (the Port Authority), d/b/a Tulsa Port of Catoosa (the Port), provides an overview of the Port Authority's financial activities for the years ended June 30, 2013 and 2012. This discussion should be read in conjunction with the financial statements and other information to better understand the financial condition and performance of the Port Authority. Prior fiscal year information is presented for comparative purposes.

### **Financial Highlights**

- The Port Authority's net position increased by \$2,005,891 for the year ended June 30, 2013. The majority of the increase can be attributed to land lease income, capital grant funds received, and investment return from the Port's treasury notes. Capital grant funds received in the amount of \$40,000 were for the laying of asphalt around the Port campus for construction of a walking trail.

The Port Authority's net position increased by \$2,509,587 for the year ended June 30, 2012. The majority of the increase can be attributed to land lease income, capital grant funds received, and investment return from the Port's treasury notes. Capital grant funds received in the amount of \$400,000 were for the laying of two-lane pavement adjacent to the existing Main Parkway roadway to create a divided four-lane roadway.

- Total revenues for year ended June 30, 2013 increased by \$471,221. Land lease revenue increased by \$158,154 due to new leases and rental rate adjustments on existing leases. Operating revenues increased by \$317,586. Much of the increase was due to more low water wharf movements, barge fleeting, and rail traffic and switching fees.

Total revenues for year ended June 30, 2012 increased by \$168,746. Land lease revenue increased by \$336,028 due to new leases and rental rate adjustments on existing leases. Operating revenues decreased by \$165,851. Much of the decline was due to less rail traffic and switching fees.

- For the year ended June 30, 2013, 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 exceeded the budget expectations. Expenses were below planned levels in the categories of operating, personnel, and general and administrative, which in turn offset actual increases in depreciation expenses. Depreciation expenses were over budget due to construction projects being completed more quickly than anticipated. The Port budget also included a sale in the Riverview Business Park that did not occur.

For the year ended June 30, 2012, 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 exceeded the budget expectations. Expenses were below planned levels in the categories of depreciation, personnel, and general and administrative, which in turn offset actual increases in operating expenses. The Port budget also included a sale in the Riverview Business Park that did not occur.

**Overview of the Financial Statements**

These financial statements consist of two sections: Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

*Financial Statements*

The statements of net position present information on all of the Port Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Port Authority is improving or deteriorating.

Condensed Statements of Net Position  
June 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Assets</b>			
Current Assets	\$ 12,161,495	\$ 11,531,511	\$ 9,446,056
Capital Assets, Net	36,131,900	35,259,751	32,152,623
Assets Held for Sale	<u>239,645</u>	<u>239,645</u>	<u>239,645</u>
Total assets	<u>\$ 48,533,040</u>	<u>\$ 47,030,907</u>	<u>\$ 41,838,324</u>
<b>Liabilities and Net Position</b>			
Current Liabilities	\$ 1,220,919	\$ 1,301,767	\$ 1,236,905
Non-current Liabilities	<u>3,715,051</u>	<u>4,137,961</u>	<u>1,519,827</u>
Total liabilities	<u>4,935,970</u>	<u>5,439,728</u>	<u>2,756,732</u>
<b>Net Position</b>			
Net Investment in Capital Assets	35,275,400	34,144,501	30,778,623
Unrestricted	<u>8,321,670</u>	<u>7,446,678</u>	<u>8,302,969</u>
Total net position	<u>43,597,070</u>	<u>41,591,179</u>	<u>39,081,592</u>
Total liabilities and net position	<u>\$ 48,533,040</u>	<u>\$ 47,030,907</u>	<u>\$ 41,838,324</u>

City of Tulsa - Rogers County Port Authority  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012

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

Statements of Changes in Net Position  
Years Ended June 30, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues			
Operating Revenues			
Agricultural	\$ 226,063	\$ 225,413	\$ 283,758
Liquid bulk	312,354	339,266	186,982
Dry bulk	163,662	159,067	160,048
General cargo	10,220	10,219	10,219
Low water wharf	142,894	53,431	56,767
Stevedoring	401,446	533,891	374,871
Barge and towboat	455,678	407,586	477,592
Railroad	1,561,492	1,330,872	1,156,982
Railroad switching	761,079	657,557	1,175,934
Total operating revenues	<u>4,034,888</u>	<u>3,717,302</u>	<u>3,883,153</u>
Other Revenues			
Lease	3,593,779	3,435,625	3,099,597
Other revenues	16,071	20,590	22,021
Total other revenues	<u>3,609,850</u>	<u>3,456,215</u>	<u>3,121,618</u>
Total revenues	<u>7,644,738</u>	<u>7,173,517</u>	<u>7,004,771</u>
Expenses			
Operating Expenses			
Personnel	1,024,651	955,720	923,856
General and administrative	408,184	333,970	482,865
Operations	1,714,525	1,773,698	1,771,008
Depreciation	2,479,944	2,258,881	1,930,019
Total operating expenses	<u>5,627,304</u>	<u>5,322,269</u>	<u>5,107,748</u>



City of Tulsa - Rogers County Port Authority  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012

	2013	2012	2011
Non-operating Revenue (Expense)			
Investment income	136,356	167,499	242,483
Investment return	(127,899)	164,007	(49,361)
Interest expense	(60,000)	(73,167)	(85,168)
Total non-operating revenue (expense)	(51,543)	258,339	107,954
Change in Net Position Before Capital Grants	1,965,891	2,109,587	2,004,977
Capital Grants, Net	40,000	400,000	134,467
Change in Net Position	2,005,891	2,509,587	2,139,444
Net Position, Beginning of Year	41,591,179	39,081,592	36,942,148
Net Position, End of Year	\$ 43,597,070	\$ 41,591,179	\$ 39,081,592

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

*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 11 of this report.

Changes in net position over time may serve as a useful indicator of the Port Authority's financial position. The Port Authority's assets exceeded liabilities by \$43,597,070 at June 30, 2013 and by \$41,591,179 at June 30, 2012.

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. Various Port Authority property included in capital assets generates both operating income and non-operating income.

Funds reserved by the Board of Directors for construction of capital improvements represent investments held in U.S. Treasury Notes fully guaranteed by the U.S. government. At June 30, 2013 and 2012, restricted funds were approximately \$6,815,000 and \$4,444,000, respectively.

**Capital Asset and Debt Administration**

*Capital Assets*

The largest portion of the Port Authority's total assets reflects its investment in capital assets of \$36,131,900, or 74%, of total assets and \$35,259,751, or 75%, of total assets at June 30, 2013 and 2012, respectively. This investment in capital assets includes land, buildings, infrastructure of streets, utilities, railroad, docks and waterway channel improvements, and machinery and equipment.

### *Long-term Debt*

At June 30, 2013 and 2012, the Port Authority had total debt outstanding of \$1,096,145 and \$1,354,895, respectively, representing Community Development Block Grant loans for the wharf cut, completed in approximately November 2006, construction of offsite infrastructure improvements leased to a port tenant, and a note payable to a bank for the purchase of 525 acres adjacent to the south boundary of the Port. In January 2011, the Port Authority paid off a Community Development Block Grant Loan for a sewer line extension to provide sanitary sewer service along Port property that fronts on State Highway 167.

### **Other Developments**

The Port Authority has been awarded a \$6,425,000 TIGER Grant for its main dock renovation and enhancement of main dock facilities. The grant agreement for this project is with the United States Department of Transportation (DOT) and will be administered by the Maritime Administration (MARAD). The major project components are demolition of the Port's 43,000 square foot Transit Shed Warehouse, replacing it with a 300' x 165' warehouse building, renovation of the Port's overhead gantry crane, adding a mobile harbor crane and reconstruction of West Channel Road. Total cost of the project is estimated at \$12,850,000 but there was no significant activity on the grant as of June 30, 2013.

The Port Authority has also been awarded a federal funding grant under the "Fiscal Year 2012 Port Security Grant Program". The grant funds are to be used for construction of approximately 19,000 linear feet of 7' high, chain link fence with 3-strand barb wire to secure the 2000-acre Port complex. Up to \$380,000 of the project cost is eligible to be paid with grant funds.

### **Economic Factors and Next Year's Budget**

The Port Authority is the landlord developer of a 2,000-acre water port and industrial park. The Port Authority has entered into long-term lease agreements with approximately 75 tenant industries and operators. Payments for current land leases and operating agreements for leasing Port improvements are scheduled to generate annual revenues of \$3,967,423, \$3,146,139 and \$2,739,299 for the fiscal years 2014, 2015, and 2016, respectively. It is expected that expiring leases will be renewed at higher rates. The Port Authority earns additional revenues from railroad and barge shipping activities and, in certain agreements, revenues earned by operators of Port Authority facilities.

The Port Authority approves its operating budget each year in June. The budget for the fiscal year ending June 30, 2014 projects total revenues of \$6,265,856, total expenses of \$4,770,991, including depreciation of \$2,630,077, and net income of \$1,494,865. Income for land leases is projected to be \$3,928,636 and income from operations to be \$2,051,220.

### **Requests for Information**

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

City of Tulsa - Rogers County Port Authority  
Statement of Net Position  
June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,312,848	\$ 2,957,215
Investments	6,815,098	4,444,079
Accounts receivable, net of allowance for doubtful accounts of \$5,849 in both 2013 and 2012	798,816	3,864,889
Interest receivable	32,496	27,349
Prepaid expenses	62,402	74,015
Lease revenues receivable	139,835	163,964
	12,161,495	11,531,511
Assets Held for Sale	239,645	239,645
Capital Assets, Non-depreciable	6,811,351	8,922,221
Capital Assets, Net	29,320,549	26,337,530
Total assets	\$ 48,533,040	\$ 47,030,907
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 631,602	\$ 676,019
Compensated absences	124,509	118,291
Current portion of long-term debt	258,750	258,750
Current portion of advance rental billings	206,058	248,707
	1,220,919	1,301,767
Long-term Debt, Net of Current Portion	837,395	1,096,145
Long-term Advance Rental Billings, Net of Current Portion	2,877,656	3,041,816
Total liabilities	4,935,970	5,439,728
Net Position		
Net investment in capital assets	35,275,400	34,144,501
Unrestricted	8,321,670	7,446,678
Total net position	43,597,070	41,591,179
Total liabilities and net position	\$ 48,533,040	\$ 47,030,907

City of Tulsa - Rogers County Port Authority  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Operations	\$ 4,034,888	\$ 3,717,302
Lease	3,593,779	3,435,625
Management fees	15,000	15,000
Other	1,071	5,590
Total operating revenues	7,644,738	7,173,517
Operating Expenses		
Personnel	1,024,651	955,720
General and administrative	408,184	333,970
Operations	1,714,525	1,773,698
Depreciation	2,479,944	2,258,881
Total operating expenses	5,627,304	5,322,269
Operating Income	2,017,434	1,851,248
Non-operating Revenue (Expense)		
Investment income	136,356	167,499
Investment return	(127,899)	164,007
Interest expense	(60,000)	(73,167)
Total non-operating revenue (expense)	(51,543)	258,339
Change in Net Position Before Capital Grants	1,965,891	2,109,587
Capital Grants	40,000	400,000
Change in Net Position	2,005,891	2,509,587
Net Position, Beginning of Year	41,591,179	39,081,592
Net Position, End of Year	\$ 43,597,070	\$ 41,591,179

City of Tulsa - Rogers County Port Authority

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Cash received from customers	\$ 10,513,131	\$ 7,325,878
Cash paid to suppliers	(2,186,860)	(2,350,706)
Cash paid to employees	(1,018,433)	(948,982)
Cash received from affiliate	15,000	15,000
Net Cash from Operating Activities	7,322,838	4,041,190
Capital and Related Financing Activities		
Intergovernmental grants	40,000	400,000
Acquisition of capital assets	(3,320,746)	(5,401,648)
Principal payments on long-term debt	(258,750)	(258,750)
Interest expense paid	(60,000)	(73,167)
Net Cash used for Capital and Related Financing Activities	(3,599,496)	(5,333,565)
Investing Activities		
Purchases of investments	(2,789,394)	(3,769,360)
Sales and maturities of investments	290,476	7,287,962
Interest received on investments	131,209	179,796
Net Cash (used for) from Investing Activities	(2,367,709)	3,698,398
Net Change in Cash and Cash Equivalents	1,355,633	2,406,023
Cash and Cash Equivalents, Beginning of Year	2,957,215	551,192
Cash and Cash Equivalents, End of Year	\$ 4,312,848	\$ 2,957,215
Reconciliation of Operating Income to Net		
Cash from Operating Activities		
Operating income	\$ 2,017,434	\$ 1,851,248
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	2,479,944	2,258,881
(Gain) Loss on disposal of capital assets	(31,347)	35,639
Changes in assets and liabilities		
Accounts receivable	3,066,073	(3,081,301)
Prepaid expenses	11,613	10,848
Lease revenues receivable	24,129	24,129
Accounts payable and accrued expenses	(44,417)	(289,525)
Advance rental billings	(206,809)	3,224,533
Compensated absences	6,218	6,738
Total adjustments	5,305,404	2,189,942
Net cash from operating activities	\$ 7,322,838	\$ 4,041,190
Supplemental Disclosure of Cash Flow Information		
Net realized and unrealized gain (loss) on investments	\$ (127,899)	\$ 164,007

**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 30% and 28% of the Port Authority's revenues for the years ended June 30, 2013 and 2012, respectively, came from Burlington Northern Santa Fe and Southern Kansas and Oklahoma Railroad. These two customers accounted for approximately 48% and 45% of accounts receivable at June 30, 2013 and 2012, respectively.

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

These financial statements do not purport to, and do not present fairly, the financial position of the City of Tulsa, Oklahoma.

**Basis of Accounting**

The activities of the Port Authority are accounted for in a proprietary fund. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is on the determination of net income, financial position, and cash flows. As a result, the Port Authority uses the accrual method of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Port Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues consist of lease revenue from tenants and other revenue from usage of the Port. Operating expenses are costs associated with operating the Port Authority.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and on deposit and investments with initial maturities of three months or less.

**Investments**

Investments are stated at fair value, based upon quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments and investment income) is included in the statement of revenues, expenses, and changes in net position as increases or decreases in net position.

**Accounts Receivable**

An allowance for doubtful accounts is established by management based on past experience and analysis of current receivable collectability. Accounts receivable are short-term, non-interest bearing, and uncollateralized and are considered past due after 30 days.

**Capital Assets**

Capital assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 30 years. Maintenance and repairs are charged to expense as incurred, whereas renewals and betterments are generally capitalized. Donated property is capitalized at its fair market value at the date of the gift. The Port Authority follows the practice of capitalizing items over \$2,000 with a useful life of more than one year. The Port Authority records impairments to its capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values, as determined by the Port Authority, based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2013 or 2012.

**Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. As of June 30, 2013 and 2012, 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."

**Vacation Policy**

Vacation for employees accrues at varying rates depending on length of service. Employees may carry forward accrued vacation for up to two years without loss of benefits. The accrued vacation liability is calculated using current rates of pay. Effective August 1, 2013, the Port Authority Board approved changing from vacation and sick leave to Paid Time Off (PTO). PTO for employees accrues at varying rates depending on length of service with no caps on the balance of their PTO account. Employees are eligible to be paid for their PTO not used at retirement using the current rate of pay.

**Income Taxes**

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

**Capital Grants**

Certain expenditures of the Port Authority are funded through various grants from local, state, and federal sources. These grants are considered earned as the related allowable expenses are incurred. Grants for capital asset acquisition and construction are reported in the statements of revenues, expenses, and changes in net position as capital grants.

During the year ended June 30, 2013, capital grants were for expenditures incurred in connection with the construction of a walking trail. During the year ended June 30, 2012, capital grants were for expenditures incurred in connection with the installation and industrial access road.

**Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Note 2 - Cash and Cash Equivalents and Investments**

The deposit balances of the Port Authority, which consist of cash balances, are categorized below to give an indication of the level of custodial credit risk assumed by the Port Authority at June 30, 2013 and 2012.

	2013	2012
Level of risk		
Insured by the Federal Deposit Insurance Corporation	\$ 255,293	\$ 3,066,375
Collateralized with securities held by the pledging financial institution in the Port Authority's name	4,237,255	-
Total bank balances	\$ 4,492,548	\$ 3,066,375
Total book balances	\$ 4,312,848	\$ 2,957,215

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, their credit quality ratings (not applicable for U.S. Treasury Notes), and their maturities as of June 30, 2013 were as follows:

	<u>Carrying Amount</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Investment types				
U.S. Treasury Notes	\$ 5,089,715	\$ -	\$ 5,089,715	\$ -
U.S. Treasury Money Market Fund - AAA Rated	<u>1,725,383</u>	<u>1,725,383</u>	<u>-</u>	<u>-</u>
Total bank balances	<u>\$ 6,815,098</u>	<u>\$ 1,725,383</u>	<u>\$ 5,089,715</u>	<u>\$ -</u>

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

The Board of Directors has reserved certain investment assets and appropriated a portion of net position for future construction, expansion, and major maintenance items. Reserved investments totaled \$6,815,098 and \$4,444,079 at June 30, 2013 and 2012, respectively. At June 30, 2013, these investments consisted of \$5,089,715 of U.S. Treasury Notes and \$1,725,383 of cash equivalents invested in a U.S. Treasury Securities money market fund, which is held by a financial institution and collateralized by securities held by the pledging financial institution in the Port Authority's name.

Net realized gains on sales of investments, during the years ended June 30, 2013 and 2012, was \$0 and \$437,913, respectively.

### Note 3 - Leases

Lease payments received from various tenants are accounted for using the operating method. Lease payments are recorded as either operating or lease revenue, depending on the terms of the lease agreement. The following is a schedule of future minimum lease payments receivable under non-cancellable operating leases in effect at June 30, 2013.

	<u>Lease Revenue</u>	<u>Operating Revenue</u>	<u>Total</u>
2014	\$ 3,378,002	\$ 589,421	\$ 3,967,423
2015	2,760,258	385,881	3,146,139
2016	2,452,202	287,097	2,739,299
2017	2,053,620	194,097	2,247,717
Thereafter	<u>11,713,496</u>	<u>663,537</u>	<u>12,377,033</u>
Total	<u>\$ 22,357,578</u>	<u>\$ 2,120,033</u>	<u>\$ 24,477,611</u>

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

Activity in capital assets for the year ended June 30, 2013, was as follows:

	<u>June 30, 2012</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Land (not depreciated)	\$ 4,606,002	\$ -	\$ -	\$ -	\$ 4,606,002
Construction in progress (not depreciated)	<u>4,316,219</u>	<u>2,453,501</u>	<u>(4,563,334)</u>	<u>(1,037)</u>	<u>2,205,349</u>
Total non-depreciable assets	<u>8,922,221</u>	<u>2,453,501</u>	<u>(4,563,334)</u>	<u>(1,037)</u>	<u>6,811,351</u>
Port improvements	46,252,387	-	4,563,334	-	50,815,721
Grain tanks	1,056,728	-	-	-	1,056,728
Machinery and equipment	4,974,393	855,534	-	-	5,829,927
Low water wharf	150,000	-	-	-	150,000
Main office renovation	54,738	-	-	-	54,738
Office furniture and fixtures	<u>320,923</u>	<u>11,711</u>	<u>-</u>	<u>-</u>	<u>332,634</u>
Total depreciable assets	<u>52,809,169</u>	<u>867,245</u>	<u>4,563,334</u>	<u>-</u>	<u>58,239,748</u>
Less accumulated depreciation for					
Port improvements	(20,684,770)	(1,899,662)	-	-	(22,584,432)
Machinery and equipment	(5,471,454)	(554,640)	-	32,384	(5,993,710)
Office furniture and fixtures	<u>(315,415)</u>	<u>(25,642)</u>	<u>-</u>	<u>-</u>	<u>(341,057)</u>
Total accumulated depreciation	<u>(26,471,639)</u>	<u>(2,479,944)</u>	<u>-</u>	<u>32,384</u>	<u>(28,919,199)</u>
Net capital assets, excluding donated assets	<u>35,259,751</u>	<u>840,802</u>	<u>-</u>	<u>31,347</u>	<u>36,131,900</u>
Donated assets					
Port improvements	930,547	-	-	-	930,547
Less accumulated depreciation	<u>(930,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(930,547)</u>
Net donated assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 35,259,751</u>	<u>\$ 840,802</u>	<u>\$ -</u>	<u>\$ 31,347</u>	<u>\$ 36,131,900</u>

City of Tulsa - Rogers County Port Authority  
Notes to Financial Statements  
June 30, 2013 and 2012

Activity in capital assets for the year ended June 30, 2012 was as follows:

	June 30, 2011	Increases	Transfers	Decreases	June 30, 2012
Land (not depreciated)	\$ 4,539,170	\$ 66,832	\$ -	\$ -	\$ 4,606,002
Construction in progress (not depreciated)	5,524,848	4,813,661	(5,995,949)	(26,341)	4,316,219
Total non-depreciable assets	10,064,018	4,880,493	(5,995,949)	(26,341)	8,922,221
Port improvements	40,256,438	-	5,995,949	-	46,252,387
Grain tanks	1,056,728	-	-	-	1,056,728
Machinery and equipment	4,468,313	515,378	-	(9,298)	4,974,393
Low water wharf	150,000	-	-	-	150,000
Main office renovation	54,738	-	-	-	54,738
Office furniture and fixtures	315,146	5,777	-	-	320,923
Total depreciable assets	46,301,363	521,155	5,995,949	(9,298)	52,809,169
Less accumulated depreciation for					
Port improvements	(18,739,487)	(1,945,283)	-	-	(20,684,770)
Machinery and equipment	(5,186,175)	(285,279)	-	-	(5,471,454)
Office furniture and fixtures	(287,096)	(28,319)	-	-	(315,415)
Total accumulated depreciation	(24,212,758)	(2,258,881)	-	-	(26,471,639)
Net capital assets, excluding donated assets	32,152,623	3,142,767	-	(35,639)	35,259,751
Donated assets					
Port improvements	930,547	-	-	-	930,547
Less accumulated depreciation	(930,547)	-	-	-	(930,547)
Net donated assets	-	-	-	-	-
Total capital assets, net	\$ 32,152,623	\$ 3,142,767	\$ -	\$ (35,639)	\$ 35,259,751

Construction in progress consists of expenditures incurred in connection with projects undertaken and incomplete at June 30, 2013. Future commitments under these projects are \$625,296.

Certain assets from the above items are leased by the Port Authority to various tenants under operating leases. At June 30, 2013, these included:

Port improvements	\$	7,404,075
Grain tanks		1,056,728
Machinery and equipment		<u>2,346,135</u>
		10,806,938
Less accumulated depreciation		<u>(5,318,612)</u>
Net leased items	\$	<u><u>5,488,326</u></u>

At June 30, 2013 and 2012, the Port Authority had approximately \$240,000 of land held for sale.

**Note 5 - Pledged Revenues**

The Port Authority has pledged future revenues to repay approximately \$3.0 million in notes payable issued in 2001, 2005, and 2007. Proceeds from the notes were used for the wharf cut, construction of offsite infrastructure improvements leased to a Port Authority tenant, a sewer line extension to provide sanitary sewer service along Port Authority property that fronts on State Highway 67, and the purchase of 525 acres adjacent to the south edge of the Port. Principal and interest on the notes are payable through 2025, solely from the revenues. Annual principal and interest on the notes are expected to require approximately 5% of such net revenues. Principal and interest paid in 2013 was \$318,750. Pledged revenues totaled approximately \$6.5 million for the year ended June 30, 2013. At June 30, 2013, pledged future revenues totaled \$1,224,545, which was the amount of the remaining principal and interest on the notes.

**Note 6 - Long-term Liabilities**

At June 30, 2013 and 2012, long-term debt consisted of the following:

	2013	2012
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 \$3,333. The note matures in January 2015 and is collateralized by a pledge of the Port Authority's revenues.	\$ 63,333	\$ 103,333
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.	232,812	251,562
6% note payable to a bank, due in annual installments of \$200,000, plus interest, and maturing in March 2017. The note is collateralized by a pledge of the Port Authority's revenues.	800,000	1,000,000
	1,096,145	1,354,895
Less current portion	(258,750)	(258,750)
Long-term debt, less current portion	\$ 837,395	\$ 1,096,145

At June 30, 2013, debt service requirements of the Port Authority were as follows:

Year ended June 30,	Principal	Interest
2014	258,750	54,800
2015	242,083	42,800
2016	218,750	30,800
2017	218,750	-
2018	18,750	-
2019-2022	56,250	-
2023-2027	82,812	-
Total	\$ 1,096,145	\$ 128,400

City of Tulsa - Rogers County Port Authority  
Notes to Financial Statements  
June 30, 2013 and 2012

The long-term liability balances and activity for the years ended June 30, 2013 and 2012 were as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Amount Due Within One Year
Compensated absences	\$ 118,291	\$ 48,234	\$ 42,016	\$ 124,509	\$ 124,509
Advance rental billings	3,290,523	41,898	248,707	3,083,714	206,058
Notes payable	1,354,895	-	258,750	1,096,145	258,750
<b>Total long-term liabilities</b>	<b>\$ 4,763,709</b>	<b>\$ 90,132</b>	<b>\$ 549,473</b>	<b>\$ 4,304,368</b>	<b>\$ 589,317</b>

  

	June 30, 2011	Additions	Reductions	June 30, 2012	Amount Due Within One Year
Compensated absences	\$ 111,553	\$ 42,519	\$ 35,781	\$ 118,291	\$ 118,291
Advance rental billings	65,990	3,297,055	72,522	3,290,523	248,707
Notes payable	1,613,645	-	258,750	1,354,895	258,750
<b>Total long-term liabilities</b>	<b>\$ 1,791,188</b>	<b>\$ 3,339,574</b>	<b>\$ 367,053</b>	<b>\$ 4,763,709</b>	<b>\$ 625,748</b>

**Note 7 - Risk Management**

The Port Authority is exposed to various risks of loss related theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the Port Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 8 - Related Party Transactions**

The Port Authority receives a management fee from the Facilities Authority. The fees were \$15,000 for both of the years ended June 30, 2013 and 2012.

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 \$263,466 and \$181,382 in 2013 and 2012, respectively.

**Note 9 - Municipal Employees' Retirement Plan**

The Port Authority contributes to the City of Tulsa's (the City) Municipal Employees' Retirement Plan (the Plan), which is a cost sharing multiple employer defined benefit pension plan. The Plan was established by the City in accordance with the city charter and state statutes and is reported as a pension trust fund in the City's comprehensive annual report. The City issues a publicly-available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to City of Tulsa, Office of the Controller, 175 East 2<sup>nd</sup> Street, Suite 885, Tulsa, Oklahoma 74103.

Employees of the Port Authority were required to contribute 4% of base pay to the Plan for the years ended June 30, 2013 and 2012. The contributions are deducted from the employees' wages or salary and are remitted by the Port Authority to the Municipal Employees' Pension Fund on a monthly basis. The Port Authority is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by City ordinance. The total annual contribution required by the Port Authority totaled \$64,877 and \$62,378 in 2013 and 2012, respectively. Contributions made by the Port Authority represent 10% and 9.3% of covered payroll for the years ended June 30, 2013 and 2012, respectively. It is the Port Authority's policy to provide for and fund this expense annually.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Tulsa - Rogers County Port Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Tulsa – Rogers County Port Authority's basic financial statements, and have issued our report thereon dated November 14, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that have not yet been identified. We did identify a certain deficiency in internal control, described as 2013-1 below, that we consider to be a significant deficiency.



### **Finding 2013-1: Preparation of Financial Statements**

Condition:	While a process is in place to prepare the financial statements, the Port Authority does not have a year-end financial reporting control system in place to prepare the financial statements' related footnote disclosures in accordance with Generally Accepted Accounting Principles (GAAP).
Criteria:	The development and implementation of a year-end financial reporting control system is the responsibility of the Port Authority's management. This process includes the preparation of financial statements and footnotes. The auditor should not be part of the Port Authority's financial reporting control system. In addition, controls should be in place for the selection and application of accounting principles, in accordance with GAAP, and preparation of the related footnotes.
Cause:	The Port Authority implemented a system but the process was not effective in identifying all disclosures in accordance with generally accepted accounting principles.
Context:	The Port Authority's financial statements were exported out of its accounting software, but disclosures were necessary.
Effect:	The audit firm prepared the audited financial statements and related notes.
Recommendation:	The Board of Directors 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 all required financial statement disclosures.
Response:	Management of the Port Authority has considered and accepts the degree of risk associated with not having a system in place to prepare the Port's own financial statements with full disclosure accompanying notes to the financial statements. Due to the cost/benefit associated with full disclosures and the size of its small accounting staff, the Port Authority has elected not to prepare full disclosure financial statements; however, the Port Authority does prepare monthly unaudited financial statements, which include a statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Tulsa - Rogers County Port Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Port Authority's Response to Finding**

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

**Purpose of this Report**

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

*Eide Sallee LLP*

Tulsa, Oklahoma  
November 14, 2013