



Financial Statements
June 30, 2019 and 2018

**City of Tulsa - Rogers County Port
Authority**

City of Tulsa - Rogers County Port Authority

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June 30, 2019 and 2018

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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 City of Tulsa - Rogers County Port Authority (the Port Authority), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2019 and 2018, 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 City of Tulsa - Rogers County Port Authority as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Port Authority's proportionate share of the net pension liability, and schedule of Port Authority's contributions on pages 3 through 7 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2020, on our consideration of the City of Tulsa - Rogers County Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Tulsa - Rogers County Port Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tulsa - Rogers County Port Authority's internal control over financial reporting and compliance.



Tulsa, Oklahoma
January 16, 2020



Management's Discussion and Analysis
June 30, 2019 and 2018

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, 2019 and 2018. This discussion should be read in conjunction with the financial statements and other information to better understand the financial condition and performance of the Port Authority. Prior fiscal year information is presented for comparative purposes.

Financial Highlights

- The assets and deferred outflows of the Port Authority exceeded its liabilities and deferred inflows at the close of the 2019 fiscal year by \$56,674,891 (net position). Of this amount, \$7,808,557 (unrestricted net position), or 13.8%, may be used to meet the Port Authority's ongoing obligations. The assets and deferred outflows of the Port Authority exceeded its liabilities and deferred inflows at the close of the 2018 fiscal year by \$55,755,214.
- The Port Authority's net position increased by \$919,677 for the year ended June 30, 2019. The Port Authority's net position increased by \$1,587,781 for the year ended June 30, 2018.
- Total revenues for year ended June 30, 2019 increased by \$5,105. Operating revenues decreased by \$88,424, and lease and other revenues increased by \$93,529.
- Total revenues for year ended June 30, 2018 increased by \$1,114,308. Railroad revenue increased by \$640,922 and railroad switching by \$303,537 primarily because of increased steel movement.
- For the year ended June 30, 2019, actual financial operations of the Port were favorable compared to the operating budget prepared and approved by the Port Authority. Operating revenues of the Port Authority slightly exceeded the budget expectations. Expenses were significantly less than the budget expectations. The Port budget also included a sale in the Riverview Business Park that did not occur.
- The Port did not receive capital grants revenue for the year ended June 30, 2019, compared to \$300,843 of revenue recognized in fiscal year 2018. Capital grants revenue for the year ended June 30, 2018 increased by \$215,857 compared to the year ended June 30, 2017. In 2018, the Port received \$300,843 in the form of FEMA relief aid for repair of riverbank erosion due to floodwater that commenced in 2017.

Overview of the Financial Statements

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

Financial Statements

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

Condensed Statements of Net Position
June 30, 2019, 2018 and 2017

	2019	2018	2017
Current Assets	\$ 11,870,739	\$ 10,542,703	\$ 8,496,943
Capital Assets, Net	48,747,001	49,488,963	49,935,554
Assets Held for Sale	239,645	239,645	239,645
Total assets	60,857,385	60,271,311	58,672,142
Total Deferred Outflows of Resources	212,924	133,638	265,064
Current Liabilities	1,009,217	1,220,862	932,756
Non-current Liabilities	3,217,753	3,175,849	3,605,755
Total liabilities	4,226,970	4,396,711	4,538,511
Total Deferred Inflows of Resources	168,448	253,024	231,262
Net Position			
Net Investment in Capital Assets	48,626,689	49,349,901	49,777,742
Unrestricted	8,048,202	6,405,313	4,389,691
Total net position	\$ 56,674,891	\$ 55,755,214	\$ 54,167,433

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

City of Tulsa - Rogers County Port Authority
Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018

Changes in Net Position
Years Ended June 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues			
Operating Revenues			
Agricultural	\$ 255,138	\$ 223,615	\$ 261,639
Liquid bulk	195,417	309,237	321,976
Dry bulk	154,763	201,767	189,154
General cargo	10,627	11,762	10,219
Low water wharf	-	8,315	38,924
Stevedoring	377,171	298,976	230,138
Barge and towboat	472,613	481,698	451,683
Railroad	1,850,014	1,857,925	1,217,003
Railroad switching	942,600	953,472	649,935
Total operating revenues	<u>4,258,343</u>	<u>4,346,767</u>	<u>3,370,671</u>
Other Revenues			
Lease	4,097,348	3,905,490	3,808,050
Other revenues	31,065	129,394	88,622
Total other revenues	<u>4,128,413</u>	<u>4,034,884</u>	<u>3,896,672</u>
Total revenues	<u>8,386,756</u>	<u>8,381,651</u>	<u>7,267,343</u>
Expenses			
Operating Expenses			
Personnel	1,031,353	874,559	1,086,252
General and administrative	519,465	461,722	472,462
Operations	2,406,499	2,118,784	1,597,291
Depreciation	3,804,648	3,634,793	3,322,557
Total operating expenses	<u>7,761,965</u>	<u>7,089,858</u>	<u>6,478,562</u>
Non-operating Revenue (Expense)			
Interest income	163,715	99,918	137,212
Net change in the fair value of investments	139,269	(97,701)	(132,680)
Capital grants	-	300,843	84,986
Loss on disposal of assets	(8,098)	(7,072)	(12,367)
Net non-operating revenue	<u>294,886</u>	<u>295,988</u>	<u>77,151</u>
Change in Net Position	919,677	1,587,781	865,932
Net Position, Beginning of Year	<u>55,755,214</u>	<u>54,167,433</u>	<u>53,301,501</u>
Net Position, End of Year	<u>\$ 56,674,891</u>	<u>\$ 55,755,214</u>	<u>\$ 54,167,433</u>

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

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

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

Changes in net position over time may serve as a useful indicator of the Port Authority's financial position. The Port Authority's assets and deferred outflows exceeded liabilities and deferred inflows by \$56,674,891 at June 30, 2019 and \$55,755,214 at June 30, 2018.

By far, the largest portion of the Port Authority's net position reflect its investment in capital assets comprised of land, streets, utilities, docks, and waterway channel improvements, net of related outstanding debt used to acquire those assets. The Port Authority uses these capital assets to operate the Port, enabling it to provide transportation and other services and to develop land for lease to industries for the creation of jobs and area economic development activities. Various Port Authority property included in the capital assets generates both operating income and non-operating income.

Funds designated by the Board of Directors for construction of capital improvements represent investments held in U.S. Treasury Notes fully guaranteed by the U.S. government. At June 30, 2019 and 2018, designated funds were approximately \$10,100,000 and \$6,953,000, respectively.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found starting on page 12 of this report.

Capital Asset and Debt Administration

Capital Assets

The largest portion of the Port Authority's total assets reflects its investment in capital assets of \$48,747,001, or 80%, of total assets and \$49,488,963, or 82%, of total assets at June 30, 2019 and 2018, respectively. This investment in capital assets includes land, buildings, infrastructure of streets, utilities, railroad, docks and waterway channel improvements, and machinery and equipment. In fiscal year 2019, construction in progress for building upgrades, road reconstruction, a low water wharf renovation, landscaping and port-wide drainage improvements was completed and transferred to port improvements. In fiscal year 2018, costs related to the channel dredge, a T-wharf renovation, road reconstructions, and storm drain repair/upgrade were transferred from construction in progress. See Note 4 to the financial statements.

Long-term Debt

At June 30, 2019 and 2018, the Port Authority had total debt outstanding of \$120,312 and \$139,062, respectively, representing Community Development Block Grant loans for the wharf cut, completed in approximately November 2006, and construction of offsite infrastructure improvements leased to a port tenant. See Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The Port Authority is the landlord developer of a 2,000-acre water port and industrial park. The Port Authority has entered into long-term lease agreements with approximately 75 tenant industries and operators. Payments for current land leases and operating agreements for leasing Port improvements are scheduled to generate annual revenues of \$4,318,427, \$3,404,511, \$2,707,922 for the fiscal years 2020, 2021 and 2022, 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, 2020, projects total revenues of \$6,688,107, total expenses of \$6,671,523, including depreciation of \$3,870,152, and net income of \$16,584. Income for land leases is projected to be \$4,188,951 and income from operations to be \$1,884,056.

Requests for Information

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

City of Tulsa - Rogers County Port Authority

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 783,399	\$ 1,873,319
Investments	10,079,278	6,953,317
Accounts receivable, net of allowance for doubtful accounts of \$5,849 in both 2019 and 2018	893,654	1,319,555
Grant receivable	-	300,048
Interest receivable	47,753	26,628
Prepaid expenses	24,054	18,535
Lease revenues receivable	42,601	51,301
Total current assets	11,870,739	10,542,703
Assets Held for Sale	239,645	239,645
Capital Assets, Non-depreciable	8,247,843	8,813,085
Capital Assets, Net of Depreciation	40,499,158	40,675,878
Total assets	60,857,385	60,271,311
Deferred Outflows of Resources		
Deferred outflows - pension	212,924	133,638
Total Deferred Outflows of Resources	212,924	133,638
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	713,397	919,583
Compensated absences	113,339	98,098
Current portion of long-term debt	18,750	18,750
Current portion of advance rental billings	163,731	184,431
Total current liabilities	1,009,217	1,220,862
Long-term Debt, Net of Current Portion	101,562	120,312
Long-term Advance Rental Billings, Net of Current Portion	1,892,694	2,056,854
Long-term Net Pension Liability	1,223,497	998,683
Total liabilities	4,226,970	4,396,711
Deferred Inflows of Resources		
Deferred inflows - pension	168,448	253,024
Total Deferred Inflows of Resources	168,448	253,024
Net Position		
Net investment in capital assets	48,626,689	49,349,901
Unrestricted	8,048,202	6,405,313
Total net position	\$ 56,674,891	\$ 55,755,214

City of Tulsa - Rogers County Port Authority
 Statements of Revenues, Expenses and Changes in Net Position
 June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Operations	\$ 4,258,343	\$ 4,346,767
Lease	4,097,348	3,905,490
Management fees	20,000	15,000
Other	11,065	114,394
Total operating revenues	8,386,756	8,381,651
Operating Expenses		
Personnel	1,031,353	874,559
General and administrative	519,465	461,722
Operations	2,406,499	2,118,784
Depreciation	3,804,648	3,634,793
Total operating expenses	7,761,965	7,089,858
Operating Income	624,791	1,291,793
Non-operating Revenue (Expense)		
Interest income	163,715	99,918
Net increase (decrease) in the fair value of investments	139,269	(97,701)
Capital grants	-	300,843
Loss on disposal of assets	(8,098)	(7,072)
Net non-operating revenue (expense)	294,886	295,988
Change in Net Position	919,677	1,587,781
Net Position, Beginning of Year	55,755,214	54,167,433
Net Position, End of Year	\$ 56,674,891	\$ 55,755,214

City of Tulsa - Rogers County Port Authority

Statements of Cash Flow

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Cash received from customers	\$ 8,616,497	\$ 7,689,509
Cash paid to suppliers	(3,137,669)	(2,317,536)
Cash paid for salaries, employee benefits and taxes	(955,160)	(949,534)
Cash received from affiliate	20,000	15,000
Net Cash from Operating Activities	<u>4,543,668</u>	<u>4,437,439</u>
Capital and Related Financing Activities		
Intergovernmental grants	300,048	795
Acquisition of capital assets	(3,075,961)	(3,195,274)
Proceeds from sale of capital assets	5,177	-
Principal payments on long-term debt	(18,750)	(18,750)
Net Cash used for Capital and Related Financing Activities	<u>(2,789,486)</u>	<u>(3,213,229)</u>
Investing Activities		
Purchases of investments	(4,671,692)	(2,415,233)
Sales and maturities of investments	1,685,000	1,875,249
Interest received on investments	142,590	95,930
Net Cash used for Investing Activities	<u>(2,844,102)</u>	<u>(444,054)</u>
Net Change in Cash and Cash Equivalents	(1,089,920)	780,156
Cash and Cash Equivalents, Beginning of Year	<u>1,873,319</u>	<u>1,093,163</u>
Cash and Cash Equivalents, End of Year	<u>\$ 783,399</u>	<u>\$ 1,873,319</u>

City of Tulsa - Rogers County Port Authority

Statements of Cash Flow

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net		
Cash from Operating Activities		
Operating income	\$ 624,791	\$ 1,291,793
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	3,804,648	3,634,793
Changes in assets, liabilities, deferred inflows and outflows		
Accounts receivable	425,901	(533,611)
Prepaid expenses	(5,519)	8,959
Lease revenues receivable	8,700	5,367
Deferred outflows - pensions	(79,286)	131,426
Accounts payable and accrued expenses	(206,186)	254,011
Advance rental billings	(184,860)	(148,898)
Net pension liability	224,814	(246,995)
Compensated absences	15,241	18,832
Deferred inflows - pensions	(84,576)	21,762
	<u>3,918,877</u>	<u>3,145,646</u>
Total adjustments		
Net cash from operating activities	<u>\$ 4,543,668</u>	<u>\$ 4,437,439</u>
Supplemental Disclosure of Cash Flow Information		
Net realized and unrealized gain (loss) on investments	<u>\$ 139,269</u>	<u>\$ (97,701)</u>

Note 1 - Significant Accounting Policies**Organization and Reporting Entity**

The City of Tulsa - Rogers County Port Authority (the Port Authority) was created to develop and operate the Tulsa Port of Catoosa (the Port). The Port Authority is governed by a nine-member board of directors. The City of Tulsa and Rogers County, Oklahoma appoint six and three members to the board, respectively. Activities of the Port Authority include leasing port improvements, land, and structures to various tenants, including Tulsa's Port of Catoosa Facilities Authority (the Facilities Authority), a related organization of the Port Authority. The Port Authority is the beneficiary of the Facilities Authority, a public trust created to finance and develop Port facilities. The Port Authority is responsible for appointing the board of directors for the Facilities Authority. The Port Authority's accountability for this organization does not extend beyond making the appointments. The operating results of the Facilities Authority are not included in the financial statements of the Port Authority.

Approximately 32% and 15% of the Port Authority's revenues for the years ended June 30, 2019 and 2018, respectively, came from Burlington Northern Santa Fe and Southern Kansas and Oklahoma Railroad. These two customers accounted for approximately 60% and 56% of accounts receivable at June 30, 2019 and 2018, respectively.

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

The Port Authority is a component unit of the City of Tulsa, Oklahoma. These financial statements do not purport to, and do not present fairly, the financial position of the City of Tulsa, Oklahoma.

Basis of Accounting

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

The Port Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues consist of lease revenue from tenants and other revenue from usage of the Port. Operating expenses are costs associated with operating the Port Authority. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

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

Investments

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

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

Fair Value Measurements

The Port Authority follows the guidance of GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. The Port Authority categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority's own assumptions as there is little, if any, related market activity.

Hierarchy – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs – If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Accounts Receivable

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

Capital Assets

Capital assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 30 years. Maintenance and repairs are charged to expense as incurred, whereas renewals and betterments are generally capitalized. Donated property is capitalized at its acquisition value at the date of the gift. The Port Authority follows the practice of capitalizing items over \$2,000 with a useful life of more than one year. In fiscal year 2020, the Port Authority increases the capitalization threshold to \$5,000. The Port Authority records impairments to its capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values, as determined by the Port Authority, based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2019 or 2018.

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, 2019 and 2018, there was no restricted net position. Unrestricted net position is net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Paid Time-Off Policy

Paid Time Off (PTO) for employees accrues at varying rates depending on length of service with no caps on the balance of their PTO account. Employees are eligible to be paid for their PTO not used at retirement using the current rate of pay.

Capital Grants

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

During the year ended June 30, 2018, the Port Authority recognized revenue from a capital grant for expenditures incurred in connection with Port-wide surveillance system. Additionally, the Port Authority was a partial recipient of FEMA funds, resulting from flood-water damages that occurred in Rogers County. The surveillance system installation and flood damage reparations were both completed during fiscal year 2018.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement Plan (MERP) and additions to/deductions from MERP's fiduciary net position have been determined on the same basis as they are reported by MERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The Port Authority records deferred outflows of resources and deferred inflows of resources related to its participation in the MERP.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the current year presentation. Net position and change in net position were not changed with these reclassifications.

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, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Level of risk		
Insured by the Federal Deposit Insurance Corporation	\$ 250,000	\$ 250,000
Collateralized with securities held by the pledging financial institution in the Port Authority's name	<u>593,487</u>	<u>1,808,303</u>
Total bank balances	<u>\$ 843,487</u>	<u>\$ 2,058,303</u>
Total book balances	<u>\$ 783,399</u>	<u>\$ 1,873,319</u>

It is the policy of the Port Authority to invest funds in insured or collateralized time-deposit accounts and direct obligations of the United States government. The Port Authority has certain guidelines, but no formal policies regarding credit risk, custodial risk, concentration of credit risk, and interest rate risk.

Investment balances as of June 30, 2019 and 2018 were as follows:

2019:	<u>Carrying Amount</u>	<u>Maturities in years</u>		<u>Fair Value Measurement</u>
		<u>Less than 1</u>	<u>1 - 5</u>	
Investment types				
U.S. Treasury Notes	<u>\$ 10,079,278</u>	<u>\$ 2,426,365</u>	<u>\$ 7,652,913</u>	Level 2
2018:	<u>Carrying Amount</u>	<u>Maturities in years</u>		<u>Fair Value Measurement</u>
		<u>Less than 1</u>	<u>1 - 5</u>	
Investment types				
U.S. Treasury Notes	<u>\$ 6,953,317</u>	<u>\$ 2,014,671</u>	<u>\$ 4,938,646</u>	Level 2

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

Net realized loss on sales of investments, during the years ended June 30, 2019 and 2018, was \$12,451 and \$70,587, 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, 2019.

For the fiscal year ending June 30,	Lease Revenue	Operating Revenue	Total
	<u> </u>	<u> </u>	<u> </u>
2020	\$ 3,880,521	\$ 539,606	\$ 4,420,127
2021	3,184,995	219,516	3,404,511
2022	2,598,852	109,070	2,707,922
2023	2,292,010	75,158	2,367,168
2024	1,667,061	73,920	1,740,981
Thereafter	<u>8,892,088</u>	<u>300,770</u>	<u>9,192,858</u>
Total	<u>\$ 22,515,527</u>	<u>\$ 1,318,040</u>	<u>\$ 23,833,567</u>

Note 4 - Capital Assets, Including Donated Assets

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

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

City of Tulsa - Rogers County Port Authority

Notes to Financial Statements

June 30, 2019 and 2018

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

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

Construction in progress consists of expenditures incurred in connection with projects undertaken and incomplete at June 30, 2019. Future commitments under these projects are \$3,641,840.

City of Tulsa - Rogers County Port Authority

Notes to Financial Statements

June 30, 2019 and 2018

Certain assets from the above items are leased by the Port Authority to various tenants under operating leases. At June 30, 2019, these included:

Port improvements	\$ 9,349,841
Grain tanks	1,056,728
Machinery and equipment	<u>2,158,446</u>
	12,565,015
Less accumulated depreciation	<u>(7,954,979)</u>
Net leased items	<u>\$ 4,610,036</u>

At June 30, 2019 and 2018, the Port Authority had approximately \$240,000 of land held for sale.

Note 5 - Pledged Revenues

The Port Authority had pledged future revenues to repay approximately \$2.4 million in notes payable issued in 2005 and 2007. Proceeds from the notes were used for construction of infrastructure improvement projects to benefit Port Authority tenants, a sewer line extension to provide sanitary sewer service along Port Authority property that fronts State Highway 67, and the purchase of 525 acres adjacent on the south edge of the Port. The \$2 million land purchase note was paid in full March 2017. The remaining interest free note is payable through 2025, solely from the revenues. The Port Authority paid principal in 2019 and 2018 of \$18,750. At June 30, 2019, pledged future revenues totaled \$120,312, which is the amount of the remaining principal on the note.

Note 6 - Long-term Liabilities

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

At June 30, 2019 and 2018, long-term debt consisted of the following:

	<u>2019</u>	<u>2018</u>
0% note payable to Oklahoma Department of Commerce (ODOC), through Rogers County as agent for ODOC, through the Facilities Authority as agent for Rogers County. The note is due in monthly installments of \$1,563. The note matures in November 2025 and is collateralized by a pledge of the Port Authority's revenues.	\$ 120,312	\$ 139,062
Less current portion	<u>(18,750)</u>	<u>(18,750)</u>
Long-term debt, less current portion	<u>\$ 101,562</u>	<u>\$ 120,312</u>

At June 30, 2019, debt service requirements of the Port Authority were as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 18,750	\$ -
2021	18,750	-
2022	18,750	-
2023	18,750	-
2024	18,750	-
2024-2026	<u>26,562</u>	-
Total	<u>\$ 120,312</u>	<u>\$ -</u>

City of Tulsa - Rogers County Port Authority
Notes to Financial Statements
June 30, 2019 and 2018

The long-term liability balances and activity for the years ended June 30, 2019 and 2018, were as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Amount Due Within One Year
Compensated absences	\$ 98,098	\$ 15,241	\$ -	\$ 113,339	\$ 113,339
Advance rental billings	2,241,285	55,654	240,514	2,056,425	163,731
Notes payable	139,062	-	18,750	120,312	18,750
Total long-term liabilities	\$ 2,478,445	\$ 70,895	\$ 259,264	\$ 2,290,076	\$ 295,820

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

Note 7 - Risk Management

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

Note 8 - Contingencies

In the normal course of operations, the Port Authority receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to be material.

Note 9 - Related Party Transactions

The Port Authority receives a management fee from the Facilities Authority. The fees were \$15,000 for both of the years ended June 30, 2019 and 2018.

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 \$208,340 and \$201,353 in 2019 and 2018, respectively.

Note 10 - Future Changes in Accounting Pronouncements

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

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2019, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Note 11 - Pension and Retirement Benefits

Plan description: Employees of the Port Authority are provided with pensions through the Municipal Employee Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City). MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City of Tulsa's Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa, Office of the Controller, 175 E. 2nd Street, Suite 1570, Tulsa, Oklahoma 74103.

Benefits provided: MERP provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest 30 months of salary during the last five years of service and a multiplier, based on the years of service. Employees entering the plan prior to July 1, 2018, are eligible for full retirement at age 65, and at least 5 years of service, or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 2.5% per year prior to age 65. Employees entering the plan on or after July 1, 2018, are eligible for full retirement at age 65, and at least 5 years of service, or when the years of service plus the employee's age equals or exceeds 90. Reduced benefits are available after age 60 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 6.0% per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50% of the member's accrued benefit determined based on final average earnings and service as of the date of death.

Contributions: Contributions are set per City of Tulsa ordinance. Employees are required to contribute 6.5 percent of their pensionable wages for the years ended June 30, 2019 and 2018. The Port Authority was required to contribute 15.5 percent of pensionable wages for the years ended June 30, 2019 and 2018. The participating employers are also responsible for Actuarially Determined Employer Contributions (ADEC) that exceeds the 15.5 percent of pensionable wages. Actual contributions to the pension plan from the Port Authority were \$100,297 and \$94,172 for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019, the Port Authority reported a liability of \$1,223,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. The liability for June 30, 2018 was \$998,683. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to roll forward the total pension liability to year-end. The Port Authority's proportion of the net pension liability was based on the Port Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2019 and 2018, the Port Authority's proportion was 0.5210% and 0.5087%, respectively.

City of Tulsa - Rogers County Port Authority

Notes to Financial Statements

June 30, 2019 and 2018

For the years ended June 30, 2019 and 2018, the Port Authority recognized pension expense (gain) of \$60,952 and \$(93,807), respectively. At June 30, 2019 and 2018, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019:		
Differences between expected and actual plan experience	\$ 5,774	\$ 40,857
Changes of assumptions	141,853	-
Net difference between projected and actual earnings on pension plan investments	36,452	-
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	<u>28,845</u>	<u>127,591</u>
Total	<u>\$ 212,924</u>	<u>\$ 168,448</u>
2018:		
Differences between expected and actual plan experience	\$ 10,926	\$ 24,683
Changes of assumptions	101,174	4,286
Net difference between projected and actual earnings on pension plan investments	-	8,538
Changes in proportion and differences between Port Authority's contributions and proportionate share of contributions	<u>21,538</u>	<u>215,517</u>
Total	<u>\$ 133,638</u>	<u>\$ 253,024</u>

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2020	\$ 25,794
2021	(17,910)
2022	20,311
2023	16,281
Total	<u>\$ 44,476</u>

Asset Allocation and Long-term Expected Real Rate of Return -- 2019: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Following is the Plan's asset allocation policy as of June 30, 2019, and the long-term expected geometric real rate of return for each major asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	24%	1.16%
Domestic equity	36%	6.19%
International equity	24%	6.59%
Real estate	8%	4.24%
Commodities	3%	.95%
Timber	4%	4.15%
Cash	1%	.11%
Total	<u>100%</u>	

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

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

Actuarial assumptions -- 2019: The total pension liability was determined by an actuarial valuation using the following assumptions:

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

Except for certain economic and demographic assumptions, the actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015. For the January 1, 2019 valuation the inflation rate assumption was decreased from 3.00% to 2.50% with a corresponding decrease of 0.50% in the investment rate of return and the salary scale. In addition, the payroll growth assumption was decreased from 3.00% to 2.75%. Some adjustments were also made to retirement rates of Plan participants hired on or after July 1, 2018 to reflect differences in eligibility requirements for early and normal retirement as well as the early retirement reductions.

Expected Remaining Service Life of Members --2019: Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the Plan's members, including retirees. For the years ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014, the membership's remaining service life was 4.09 years, 4.18 years, 4.25 years, 4.45 years, 4.72 years and 5.06 years, respectively.

Asset Allocation and Long-term Expected Real Rate of Return -- 2018: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Following is the Plan's asset allocation policy as of June 30, 2018, and the long-term expected geometric real rate of return for each major asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	24%	1.16%
Domestic equity	36%	6.19%
International equity	24%	6.59%
Real estate	8%	4.24%
Commodities	3%	.40%
Timber	4%	3.75%
Cash	1%	.11%
Total	<u>100%</u>	

For the year ended June 30, 2018, the annual money-weighted rate of return on the Plan's investments, net of investment expense, was 8.7%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusting for the changing amounts actually invested.

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

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

Investment rate of return*	7.50%
Projected salary increases*	4.00-11.75%
* Includes inflation at 3.00%	
Mortality rates	RP-2014 Mortality Table with Blue Collar Adjustment, which is projected on a fully generational basis with scale MP-2015

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

Discount rate: As of June 30, 2019 and 2018, single discount rates of 7.00% and 7.50%, respectively, were used to measure the total pension liability. The reduction in the single discount rate was due to a decrease in the assumed rate of return from 7.50% to 7.00% in the January 1, 2019 actuarial valuation. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the Plan.

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

Sensitivity of the Port Authority's proportionate share of the net pension liability to changes in the discount rate - 2019: The following presents the Port Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Port Authority's proportionate share of the net pension liability	\$ 1,665,505	\$ 1,223,497	\$ 854,741

Sensitivity of the Port Authority's proportionate share of the net pension liability to changes in the discount rate - 2018: The following presents the Port Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

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

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

Note 12 - Subsequent Event

On December 27, 2019, Public Service Company of Oklahoma transferred ownership of 1,900 acres along the Verdigris River in Inola, Rogers County, with an estimated value of approximately \$8,000,000, to the Port Authority for future economic development.



Required Supplementary Information
June 30, 2019

**City of Tulsa - Rogers County Port
Authority**

City of Tulsa - Rogers County Port Authority
Schedule of Port Authority's Proportionate Share of the Net Pension Liability and
Schedule of Employer Contributions
The Municipal Employees' Retirement Plan of The City of Tulsa, OK
Last six fiscal years

Year	Port Authority's proportion of net pension liability	Port Authority's proportionate share of net pension liability	Port Authority's covered payroll	Port Authority's proportionate share of net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.5210%	\$ 1,223,497	\$ 647,080	189.08%	66.91%
2018	0.5087%	998,683	607,561	164.38%	70.61%
2017	0.6305%	1,245,678	734,555	169.58%	69.39%
2016	0.6078%	1,314,749	713,602	184.24%	65.62%
2015	0.6678%	836,448	692,037	120.87%	77.13%
2014	0.7026%	784,949	778,931	100.77%	79.29%

Changes of assumptions. The Plan's most recent actuarial experience study was for the 5-year period from January 1, 2010 to December 31, 2015 and was applied to the January 1, 2019 valuation. Effective for the January 1, 2019 valuation the Plan made changes to its inflation rate with a corresponding change in the investment rate of return and the salary scale. In addition, payroll growth rate assumption was decreased. In 2016, amounts reported as changes in assumptions resulted primarily from the changes in the mortality table and discount rate from 7.75% to 7.50%.

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

Year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Port Authority's covered payroll	Contributions as a percentage of covered payroll
2019	\$ 99,586	\$ 100,297	\$ (711)	\$ 647,080	15.50%
2018	93,504	94,172	(668)	607,561	15.50%
2017	109,081	85,510	23,571	734,555	11.64%
2016	75,927	85,190	(9,263)	713,602	11.94%
2015	76,055	86,050	(9,995)	692,037	12.43%
2014	85,916	84,333	1,583	778,931	10.83%

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



Other Reports
June 30, 2019

City of Tulsa - Rogers County Port
Authority



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Tulsa - Rogers County Port Authority (the Port Authority), as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Tulsa - Rogers County Port Authority’s basic financial statements and have issued our report thereon dated January 16, 2020.

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 Port Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Port Authority’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Tulsa, Oklahoma
January 16, 2020