Financial Statements
June 30, 2013 and 2012

Tulsa's Port of Catoosa Facilities Authority

Independent Auditor's Report

To the Board of Trustees
Tulsa's Port of Catoosa Facilities Authority
Catoosa, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of the Tulsa's Port of Catoosa Facilities Authority (the Facilities 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 Tulsa's Port of Catoosa Facilities 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 audit 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 Tulsa's Port of Catoosa Facilities Authority, as of June 30, 2013 and 2012, and the respective changes in financial position thereof 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 and budgetary comparison information on pages 3 through 6 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

Effect of Adopting New Accounting Standard
As described in Note 1 to the financial statements, Tulsa's Port of Catoosa Facilities 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 Tulsa's Port of Catoosa Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Facilities Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Tulsa, Oklahoma
November 14, 2013

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

Tulsa's Port of Catoosa Facilities Authority

Our discussion and analysis of Tulsa's Port of Catoosa Facilities Authority's (the Facilities Authority) financial performance provides an overview of the Facilities Authority's financial activities for the years ended June 30, 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 Facilities Authority. Prior fiscal year information is presented for comparative purposes.

Financial Highlights

Following are the financial highlights of the Facilities Authority for the years ended June 30, 2013 and 2012:

- The Facilities Authority's net position increased by $57,777 for the year ended June 30, 2013. The majority of this increase can be attributed to increased lease rentals. Lease rental income increased due to CPI rental rate adjustments on current leases.

  The Facilities Authority’s net position increased by $31,813 for the year ended June 30, 2012. The majority of this increase can be attributed to increased rental space in the Port Plaza Retail Center. New leases during fiscal year 2012 included a medical clinic and office space for an insurance company.

- Total operating revenues for the year ended June 30, 2013 increased by $12,383, or 3.6%, from 2012, primarily due to increased land lease rentals and administrative fees.

  Total operating revenues for the year ended June 30, 2012 increased by $38,563, or 12.4%, from 2011, primarily due to increased Port Plaza Retail Center lease rentals.

- Total operating expenses for the year ended June 30, 2013 were lower than fiscal year 2012 by $12,625, or 4.1%, as a result of less administrative expenses.

  Total operating expenses for the year ended June 30, 2012 were lower than fiscal year 2011 by $2,826, or 0.92%, as a result of less maintenance and no major repairs required at the Port Plaza Retail Center.

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 statement of financial position presents information on all of the Facilities 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 Facilities Authority is improving or deteriorating.

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

	2013	2012	2011
Assets			
Current Assets	$ 583,067	$ 465,619	$ 376,629
Capital Assets	1,578,270	1,652,752	1,730,616
Total assets	$ 2,161,337	$ 2,118,371	$ 2,107,245
Liabilities and Net Position			
Current Liabilities	$ 25,078	$ 22,937	$ 25,838
Non-current Liabilities	238,609	255,561	273,347
Total liabilities	263,687	278,498	299,185
Net Position			
Net investment in capital assets	1,321,734	1,380,008	1,442,414
Unrestricted	575,916	459,865	365,646
Total net position	1,897,650	1,839,873	1,808,060
Total liabilities and net position	$ 2,161,337	$ 2,118,371	$ 2,107,245

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

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

	2013	2012	2011
Revenues			
Lease rentals	$ 346,545	$ 332,660	$ 292,675
Administrative fees	14,589	16,091	17,513
Interest income	1,391	1,183	1,776
Total revenues	362,525	349,934	311,964
Expenses			
Land lease expense	143,403	143,403	143,403
Other administrative	74,629	83,870	86,696
Depreciation	74,481	77,865	77,865
Interest expense	12,235	12,983	16,357
Total expenses	304,748	318,121	324,321
Change in Net Position	57,777	31,813	(12,357)
Net Position - Beginning of Year	1,839,873	1,808,060	1,820,417
Net Position - End of Year	$ 1,897,650	$ 1,839,873	$ 1,808,060

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report.

Financial Analysis

Assets of the Facilities Authority exceeded liabilities by $1,897,650 and $1,839,873 at the close of the 2013 and 2012 fiscal years, respectively. The largest portion of the Facilities Authority's net position reflects its investment in capital assets (e.g. buildings and infrastructure), net of related outstanding debt used to acquire those assets. Property included in capital assets generates lease income.

Total net position of the Facilities Authority increased by $57,777 and $31,813 for the 2013 and 2012 fiscal years, respectively. The increase for 2013 is attributable to lease rental income and a reduction in expenses; while the increase for 2012 was attributable to the Port Plaza Retail Center, both discussed in the financial highlights section. Net position attributable to continuing operations was stable.

Capital Asset and Debt Administration

Capital Assets

The largest portion of the Facilities Authority's total assets reflects its investment in capital assets of $1,578,270 and $1,652,752 for the years ended June 30, 2013 and 2012, respectively. Capital assets consist primarily of the retail business center and leasehold improvements. Depreciation expense was $74,481 and $77,865 for the years ended June 30, 2013 and 2012, respectively.

The retail business center is a 12,400 square-foot building constructed on land leased from the City of Tulsa - Rogers County Port Authority (the Port Authority). The center leases space to tenants for providing commercial services and other uses and currently includes three food-service companies and offices for a construction company. The lease is a 20-year primary-term lease expiring August 21, 2022.

Long-term Debt

At the end of fiscal years 2013 and 2012, the Facilities Authority had total outstanding debt of $256,536 and $272,744, respectively. The debt represents a 20-year loan for construction of the retail business center. The Facilities Authority paid the loan down to $300,000 principal and refinanced the loan with a lower interest rate fixed at 4.5% for 5 years with the remaining loan term interest rate at prime + 1.25% in October 2010. Changes in total outstanding debt represent principal payments on this note.

Economic Factors and Next Year's Budget

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

The Facilities Authority approves its operating budget each year in June. The budget for the fiscal year ending June 30, 2013 projects total revenues of $223,880, total expenses of $163,925, including depreciation of $75,000, and net income of $59,955. The Facilities Authority's capital budget also includes $30,000 to finish out rental space in the Port Plaza Retail Center.

Requests for Information

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

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 581,988	$ 465,415
Accounts receivable, no allowance for doubtful accounts in 2013 and 2012	918	61
Prepaid expenses	161	143
Total current assets	583,067	465,619
Capital Assets, Net	1,578,270	1,652,752
Total assets	$ 2,161,337	$ 2,118,371
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 2,038	$ 641
Accrued liabilities	5,113	5,113
Current portion of long-term debt	17,927	17,183
Total current liabilities	25,078	22,937
Long-term Debt, Net of Current Portion	238,609	255,561
Total liabilities	263,687	278,498
Net Position		
Net Investment in capital assets	1,321,734	1,380,008
Unrestricted	575,916	459,865
Total net position	1,897,650	1,839,873
Total liabilities and net position	$ 2,161,337	$ 2,118,371

	2013	2012
Operating Revenues		
Retail center lease rentals	$ 104,300	$ 93,429
Land lease income	197,270	197,270
Other building rentals	44,975	41,961
Administrative fees	14,589	16,091
Total operating revenues	361,134	348,751
Operating Expenses		
Land lease	143,403	143,403
Administrative fees to Port Authority	15,000	15,000
Retail center	59,629	68,871
Depreciation expense	74,481	77,864
Total operating expenses	292,513	305,138
Operating Income	68,621	43,613
Non-operating Revenue (Expense)		
Interest income	1,391	1,183
Interest expense	(12,235)	(12,983)
Total non-operating revenue (expense)	(10,844)	(11,800)
Changes in Net Assets	57,777	31,813
Net Position, Beginning of Year	1,839,873	1,808,060
Net Position, End of Year	$ 1,897,650	$ 1,839,873

	2013	2012
Operating Activities		
Cash received from customers	$ 360,277	$ 353,949
Cash paid to suppliers	(201,653)	(217,453)
Cash paid to affiliate	(15,000)	(15,000)
Net Cash from Operating Activities	143,624	121,496
Capital and Related Financing Activities		
Principal payments on long-term debt	(16,208)	(15,458)
Interest paid	(12,234)	(12,983)
Net Cash used for Capital and Related Financing Activities	(28,442)	(28,441)
Investing Activities		
Investment income	1,391	1,183
Net Cash from Investing Activities	1,391	1,183
Net Change in Cash and Cash Equivalents	116,573	94,238
Cash and Cash Equivalents, Beginning of Year	465,415	371,177
Cash and Cash Equivalents, End of Year	$ 581,988	$ 465,415
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 68,621	$ 43,613
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	74,481	77,864
Changes in assets and liabilities		
Accounts receivable	(857)	5,199
Prepaid expenses	(18)	49
Accounts payable	1,397	(951)
Accrued liabilities	-	(4,278)
Total adjustments	75,003	77,883
Net Cash from Operating Activities	$ 143,624	$ 121,496

Note 1 - Significant Accounting Policies

Organization and Reporting Entity

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

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

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

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

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

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

Basis of Accounting

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

The Facilities Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues consist of retail center tenant rent, administrative fees paid by Port of Catoosa tenants for financing arrangements, and land lease income. Operating expenses are costs associated with operating the Facilities Authority.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts and unrestricted short-term investments with original maturities of 90 days or less.

Accounts Receivable

An allowance for doubtful accounts is established by management, based on past experience and analysis of current receivable collectability. Accounts receivable are short-term, non-interest bearing, and uncollateralized and are considered past due after 30 days. The Facilities Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Capital Assets

Capital assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 5 to 30 years. Maintenance and repairs are charged to expense as incurred, whereas renewals and betterments are generally capitalized. Donated property is capitalized at its fair market value at the date of the gift. The Facilities Authority follows the practice of capitalizing items over $2,000 with a useful life of more than one year. The Facilities Authority records impairments to its capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values, as determined by the Facilities Authority, based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2013 and 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 its use, either through the enabling legislation adopted by the Facilities Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Income Taxes

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

Capital Contributions

Certain expenditures of the Facilities Authority may be funded through various grants from local, state, and federal sources, including the Port Authority. 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 contributions.

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

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

	2013	2012
Level of risk		
Insured by the Federal Deposit Insurance Corporation	$ 314,971	$ 250,000
Collateralized with securities held by the pledging financial institution in the Facilities Authority's name	265,876	321,974
Total bank balances	$ 580,847	$ 571,974
Total book balances	$ 581,988	$ 465,415

Note 3 - Capital Assets

Activity in capital assets for the years ending June 30, 2013 and 2012 was as follows:

	June 30, 2012	Increases	Decreases	June 30, 2013
Buildings and improvements				
Retail center	$ 1,277,963	$ -	$ -	$ 1,277,963
Leasehold improvements	930,000	-	-	930,000
Less accumulated depreciation	(555,211)	(74,481)	-	(629,692)
Net capital assets	$ 1,652,752	$ (74,481)	$ -	$ 1,578,271

	June 30, 2011	Increases	Decreases	June 30, 2012
Buildings and improvements				
Retail center	$ 1,277,963	$ -	$ -	$ 1,277,963
Leasehold improvements	930,000	-	-	930,000
Less accumulated depreciation	(477,347)	(77,865)	-	(555,211)
Net capital assets	$ 1,730,616	$ (77,865)	$ -	$ 1,652,752

All of the above items are leased by the Facilities Authority to various tenants under operating leases.

Note 4 - Conduit Debt

The Facilities Authority arranges long-term financing with financial institutions for some of the Tulsa Port of Catoosa's tenants and earns administrative fees for this service. The financing agreements are structured such that the debt is to be repaid solely by the tenant from the revenues derived from the related facilities leased or acquired or from the disposition of the related collateral. The Facilities Authority is not obligated to repay such debt. The aggregate amount of these financings, as of June 30, 2013 and 2012, was approximately $2,240,500 and $2,558,000 respectively, which is not reflected in the accompanying financial statements.

The Facilities Authority acted as an agent for Rogers County in financing transactions between Rogers County and the Port Authority. The purpose of the loans was for carrying out Oklahoma Department of Commerce approved economic development projects for the Port Authority. In management's opinion, the Facilities Authority has no obligation under the loans and, therefore, liabilities have not been recorded in the Facilities Authority's financial statements. The aggregate amount of these financings as of June 30, 2013 and 2012 was $296,145 and $354,895, respectively.

Note 5 - Related Party Transactions

The Facilities Authority pays monthly administrative charges to the Port Authority. The administrative charges were $15,000 for each of the years ended June 30, 2013 and 2012. The Facilities Authority is not a part of the Port Authority; however, if this relationship did not exist, the results of operations could be significantly different.

During the year ended June 30, 2007, the Facilities Authority received $325,000 in contributed capital from the Port Authority to assist the Facilities Authority in acquiring an investment in a customer's building located at the Port of Catoosa. The Facilities Authority agreed to acquire the building and lease it back to the customer. The lease was renewed in October 2012 for a 3-year term, with monthly payments of $3,846.

The Facilities Authority leases certain real estate from the Port Authority and subleases it to its tenants. Substantially all lease revenues from the tenants are passed through to the Port Authority. Lease revenue passed through to the Port Authority from the Facilities Authority was $263,466 and $181,382 in 2013 and 2012, respectively.

Note 6 - Leases

Lease payments are received from tenants of the Port Plaza retail center and other facilities and are recognized as revenue when earned. Leases in place at year-end expire at various times through March 2021. The following is a schedule of future minimum lease payments to be received under non-cancellable operating leases at June 30, 2013.

Year ending June 30,	
2014	$ 311,615
2015	211,010
2016	160,933
2017	147,470
2018	147,470
Thereafter	405,544
Total	$ 1,384,042

Note 7 - Long-term Debt

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

	2013	2012
Note payable to a financial institution requiring monthly payments of $2,370, including interest at 4.5% through October 2015. In October 2015, the interest rate will adjust to Wall Street Journal Prime plus 1.25% and will be fixed for 60 months. In October 2020, the interest rate will adjust to Wall Street Journal Prime plus 1.25% and will be fixed for the remaining 54 months. The note matures in March 2025 and is collateralized by real estate and improvements.	$ 256,536	$ 272,744
Less current portion	(17,927)	(17,183)
Long-term debt, net of current portion	$ 238,609	$ 255,561

The above represents borrowings under a loan agreement. The Facilities Authority's borrowing capability under the loan agreement is limited to 80% of the current appraised value of the real estate and may not exceed $925,000. The Facilities Authority’s operating account is used to liquidate the long-term debt.

Debt service requirements of the Facilities Authority at June 30, 2013 were as follows (interest requirements are estimated based on the interest rate in effect as of June 30, 2013):

Year ending June 30,	Principal	Interest
2014	17,927	11,248
2015	18,704	10,458
2016	19,515	9,362
2017	20,361	8,768
2018	21,243	7,864
Thereafter	158,786	26,389
Total	$ 256,536	$ 74,089

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
Long-term debt	$ 272,744	$ -	$ 16,208	$ 256,536	$ 17,927

	June 30, 2011	Additions	Reductions	June 30, 2012	Amount Due Within One Year
Long-term debt	$ 288,202	$ -	$ 15,458	$ 272,744	$ 17,183

Report of 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 Trustees
Tulsa's Port of Catoosa Facilities 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 Tulsa's Port of Catoosa Facilities Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Tulsa's Port of Catoosa Facilities 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 Facilities 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 Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facilities Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 below, that we consider to be a significant deficiency.

<u>Finding 2013-1: Preparation of Financial Statements</u>

Condition:	The Facilities Authority does not have a year-end financial reporting control system in place to prepare the financial statements and 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 Facilities Authority's management. This process includes the preparation of financial statements and footnotes. The auditor should not be part of the Facilities Authority's financial reporting control system. In addition, controls should be in place for the selection and application of accounting principles, in accordance with accounting principles generally accepted in the United States.
Cause:	The Facilities Authority implemented a system but the process was not effective in identifying all the necessary disclosures in accordance with generally accepted accounting principles.
Context:	The Facilities Authority's financial statements were exported out of its accounting software, but disclosures were necessary.
Effect:	The financial statements and related notes were prepared by the auditor.
Recommendation:	The Board of Trustees 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 Facilities Authority has considered and accepts the degree of risk associated with not having a system in place to prepare the Facilities Authority'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 Facilities Authority has elected not to prepare full disclosure financial statements; however, the Facilities Authority does prepare monthly un-audited 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 Tulsa's Port of Catoosa Facilities Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Facilities Authority's Response to Findings

The Facilities Authority's response to the finding identified in our audit is described above. The Facilities 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 Bailly LLP

Tulsa, Oklahoma
November 14, 2013