# PORT OF NEWPORT
# OREGON

**FINANCIAL STATEMENTS**
**AND**
**INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2015**

Prepared By
**SIGNE GRIMSTAD**
Certified Public Accountant
530 NW 3rd, Suite E
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Newport, Oregon 97365

## PORT OF NEWPORT, OREGON

## BOARD OF COMMISSIONERS

| | |
|---|---|
| Walter Chuck, President<br>Newport, Oregon<br>Position No. 1 | Serving since November 22, 2011<br>Term Expires June 30, 2015 |
| Dean Fleck, Vice-President<br>South Beach, Oregon<br>Position No. 5 | Serving since May 17, 2007<br>Term Expires June 30, 2015 |
| Ken Brown, Secretary/Treasurer<br>Newport, Oregon<br>Position No. 4 | Serving since January 13, 2014<br>Term Expires June 30, 2015 |
| JoAnn Barton<br>Newport, Oregon<br>Position No. 3 | Serving since July 1, 2007<br>Term Expires June 30, 2015 |
| David Jincks<br>Newport, Oregon<br>Position No. 2 | Serving since May 19, 2009<br>Term Expires June 30, 2017 |

## REGISTERED AGENT

Kevin Greenwood, General Manager
Serving since February 1, 2014
600 SE Bay Boulevard
Newport, OR 97365

**PORT OF NEWPORT, OREGON**

**TABLE OF CONTENTS**

November 6, 2015

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Newport
Newport, Oregon

### Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Port of Newport (Port) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Port'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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year 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 discussions and analysis and PERS' schedules and notes, listed in the table of contents, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Newport's basic financial statements. The accompanying supplemental information, budget schedules, budget schedules reconciled to GAAP, and schedule of property tax transactions, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated November 6, 2015 on my consideration of Port of Newport's compliance with certain laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.

**SIGNE GRIMSTAD**
Certified Public Accountant

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

As management of the Port of Newport, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Port for the fiscal year ended June 30, 2015. The readers are encouraged to read this narrative overview in conjunction with the accompanying financial statements.

### FINANCIAL HIGHLIGHTS (in thousands)

- Total assets of the Port are $93,938 with Capital assets of $85,670 net of accumulated depreciation. Current assets are $7,986 at June 30, 2015.
- The assets of Port exceeded its liabilities at the close of the fiscal year by $48,941 (Net Position). Of this amount $2,801 (unrestricted net position) may be used to meet the Port's ongoing obligations.
- The Port's net position decreased by $989 from June 30, 2014: Adoption of GASB 68 and 71 accounting for pensions impacted the net position by $359. See Note 1.
- Total operating revenue was $5,858 which is an increase of 5% over the prior year.
- Total operating expenses for the year were $6,006. This figure is 10% higher than the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Port of Newport's basic financial statements. The Statement of Net Position presents information on all of the Port'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 a useful indicator of whether the financial position of the Port is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Port's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing when the related cash flows occur. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Port's statements. The notes can be found on pages 12 through 34 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### PORT-WIDE FINANCIAL STATEMENTS

**Statement of Net Position**
(in thousands)

| | 2015 | Restated 2014 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 7,985 | $ 7,746 |
| Other assets | 262 | 520 |
| Capital assets | 85,670 | 88,077 |
| Total assets | 93,917 | 96,343 |
| Deferred outflows | 21 | 25 |
| Total assets and deferred outflows | 93,938 | 96,368 |
| **Liabilities** | | |
| Current liabilities | 2,253 | 2,195 |
| Noncurrent liabilities | 42,378 | 44,243 |
| Total liabilities | 44,631 | 46,438 |
| Deferred inflows | 366 | 0 |
| Total liabilities and deferred inflows | 44,997 | 46,438 |
| **Net Position** | | |
| Net invested in capital assets | 41,798 | 42,840 |
| Restricted | 4,342 | 3,846 |
| Unrestricted | 2,801 | 3,244 |
| Total net position | $ 48,941 | $ 49,930 |

By far the largest portion of the Port's net position (85%) reflects its investment in capital assets (i.e., land, dock infrastructure, marina, recreational vehicle park, construction in progress, etc.) less related outstanding debt used to acquire those assets. The Port uses these capital assets to provide services to facility patrons; consequently, these assets are not available for future spending. Although the Port's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## PORT-WIDE FINANCIAL STATEMENTS - Continued

### Statement of Revenues, Expenses and Changes in Net Position
(in thousands)

| | 2015 | Restated 2014 |
|---|---|---|
| **Revenues** | | |
| Operating revenue from services | $ 5,858 | $ 5,582 |
| Nonoperating revenue: | | |
| Grants and contributions | 207 | 2 |
| Property taxes | 1,060 | 1,071 |
| Interest | 18 | 17 |
| Gain (loss) on sale of equipment | (2) | 20 |
| Total revenues | 7,141 | 6,692 |
| **Expenses** | | |
| Operating expenses | 6,006 | 5,474 |
| Other | 2,132 | 1,220 |
| Total expenses | 8,138 | 6,694 |
| Excess (def) of revenue over expenses before contribution | (997) | (2) |
| Capital contribution | 9 | 0 |
| **Change in net position** | (988) | (2) |
| Net position - restated beginning of year | 49,930 | 49,932 |
| Net position - end of year | $ 48,942 | $ 49,930 |

The Port recognized a loss in net position during the most recent fiscal year of $(998). Operating revenues from moorages, leases, RV Park operations, hoist dock revenue, and other services all increased compared to the prior fiscal year. Property taxes increased to cover debt service on General Obligation Bonds issued in 2007, 2008 and 2011 approved by voters to reconstruct the Newport International Terminal. Operating expenses increased as a result of increased operational services and projects.

## PORT OF NEWPORT, OREGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE PORT'S FUNDS

The Port operates as a special-purpose entity, reporting all of its activities as a single enterprise function. It accounts for various activities in separate funds to ensure and demonstrate compliance with finance-related legal and budget requirements.

The Port rolls all of its individual funds together for a single presentation in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, as well as the Statement of Cash Flows for Port-wide presentation.

### GENERAL FUND BUDGETARY HIGHLIGHTS

A review of the Port's General Operating Fund indicates total revenues exceeded budgeted projections and total expenses were 87.5% of budgeted levels.

A supplemental budget was passed by the Port's Board of Commissioners during the current year ending June 30, 2015.

### CAPITAL ASSETS

The following table lists the Port's capital assets and their values, net of depreciation, as of June 30:

| | 2015 | 2014 |
|---|---|---|
| Land | $ 20,222 | $ 20,222 |
| Construction | 40 | 3,020 |
| Land improvements | 10,794 | 10,486 |
| Buildings and docks | 54,168 | 53,970 |
| Equipment | 446 | 379 |
| Total | $ 85,670 | $ 88,077 |

As shown in the table above, the Port's net capital assets decreased by $2,407 during the current year.

Current year activity includes dredging, improvements to a hoist crane, purchase of industrial water heaters, washers and dryers for South Beach Park and a new launch pay station.

For further information relating to the Port's capital assets, see Note 5 of the Notes to Basic Financial Statements.

## DEBT OUTSTANDING

Figures presented in the following table illustrate balances outstanding at June 30, 2015 and 2014.

| | 2015 | 2014 |
|---|---|---|
| General obligation bonds | $ 13,780 | $ 14,065 |
| Revenue bond | 21,725 | 22,540 |
| Full faith and credit obligations | 3,380 | 3,410 |
| State of Oregon loans | 4,655 | 4,832 |
| Bank loans | 409 | 476 |
| Capital leases | 36 | 46 |
| Total | $ 43,985 | $ 45,369 |

In the fiscal year 2013, full faith and credit obligations of $3,410 were issued to pay off two State of Oregon loans of $2,523 at a lower interest rate and provide $890 additional resources for the International Terminal project. An additional $3,400 State of Oregon loans were taken out for the International Terminal reconstruction. Reductions in debt year to year represent scheduled principal payments. With the adoption of GASB 68, the June 30, 2014 financial statements were restated to reflect the $384 pension liability.

For further information relating to the Port's debt, see Note 7 of the Notes to Basic Financial Statements.

## KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

The Port is limited by State constitutional limits on property taxes. This limits the ability of the Port to increase property tax receipts. In addition, the impact of local economic conditions tends to limit increases in other revenues. During the budget process, these factors were considered in the preparation and adoption the Port's 2014-15 fiscal year budget. The goals of that budget were therefore to maintain the existing level of expenditure to serve customers in the most professional, accountable and efficient manner possible.

The 2015-16 budget includes an appropriated $500,000 transfer from the NOAA Fund to the Construction Fund to provide leverage of funds for the construction of the McLain Point Shipping Facility. The Port received word in October that the project will receive a $2 million U.S. Dept. Of Transportation TIGER grant. Though the Port will be expending cash reserves for soft costs related to the facility construction, significant construction is not anticipated to occur until fiscal year 2016-17.

The NOAA berths will continue to see an increase need in contractually obligated dredging. Future budgets will need to account for the dredging and the continued evaluation of the eel grass mitigation site.

With the International Terminal construction completed, the Commission approved transferring $100,000 from the Construction Fund to the Maintenance Reserve Fund for future costs related to the ongoing maintenance of the terminal.

## KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE - Continued

Other capital projects that are included in next year's budget include a $350,000 replacement of piles and docks on Port Dock 5, and expansion of the Rogue Brewery which will include significant offsite improvements.

The Port's traditional revenue sources from leases, moorage and the RV Park remain the largest percentage of General Fund revenues. Res. No. 2015-6 increases rates for service fees mostly to accommodate an increase in the costs to provide the service (3%). The RV Park and recreational marina continues to see a significant growth in revenues; 30% over the last two years. The Commission has been consistent in reviewing costs and making smaller, annual adjustments to user rates.

All of the Port's management positions have been filled and will show an increase in personnel costs compared to recent years. Part of the operational analysis will be to review the use of personnel to maximize maintenance time spent on the marina docks and other port property.

## REQUESTS FOR INFORMATION

The Port's financial statements are designed to present district taxpayers, customers and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Kevin Greenwood, General Manager, Port of Newport, 600 SE Bay Blvd., Newport, Oregon 97365.

## PORT OF NEWPORT, OREGON

### STATEMENT OF NET POSITION as of June 30, 2015

| | |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Cash and cash equivalents | $ 7,582,482 |
| Investment | 60,118 |
| Accounts receivable, net of allowance for doubtful accounts | 170,053 |
| Property taxes receivable | 97,670 |
| Prepaid expenses | 75,719 |
| Total current assets | 7,986,042 |
| **Capital Assets** | |
| Land | 20,221,521 |
| Buildings and equipment, net of depreciation | 65,448,490 |
| Total capital assets | 85,670,011 |
| **Other Assets** | |
| Bond issue costs, net of amortization | 91,334 |
| Net pension asset | 170,613 |
| Total other assets | 261,947 |
| Total assets | 93,918,000 |
| **Deferred Outflows of Resources** | |
| Pension contributions | 21,005 |
| Total assets and deferred outflows resources | 93,939,005 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Accounts payable | 103,876 |
| Accounts payable from restricted assets | 12,054 |
| Accrued expenses | 28,654 |
| Unearned revenue | 103,630 |
| Accrued interest payable | 11,693 |
| Accrued interest payable from restricted assets | 499,410 |
| Current portion of loans and capital leases payable | 353,377 |
| Current portion of bonds payable | 1,140,000 |
| Total current liabilities | 2,252,694 |
| **Long-term Liabilities** | |
| Loans and capital leases payable | 4,747,033 |
| Bonds payable | 37,631,814 |
| Total long-term liabilities | 42,378,847 |
| Total liabilities | 44,631,541 |
| **Deferred Inflows of Resources** | |
| Pension related inflows | 365,583 |
| Total liabilities and deferred inflows of resources | 44,997,124 |
| **Net Position** | |
| Net invested in capital assets | 41,797,787 |
| Restricted | |
| Debt service | 3,921,827 |
| Maintenance reserve | 249,805 |
| Net pension asset | 170,613 |
| Unrestricted | 2,801,849 |
| Total net position | $ 48,941,881 |

See accompanying notes to financial statements

## PORT OF NEWPORT, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION for the Year Ended June 30, 2015

| | |
|---|---|
| **OPERATING REVENUES** | |
| Moorages and leases | $ 4,325,049 |
| RV Park | 688,922 |
| Terminals | 10,116 |
| Hoist dock | 506,056 |
| Launch ramp | 75,385 |
| Pension income | 163,924 |
| Other | 88,995 |
| Total operating revenues | 5,858,447 |
| **OPERATING EXPENSES** | |
| Salaries and wages | 731,123 |
| Payroll taxes and benefits | 281,791 |
| Administration, promotion and marketing | 101,959 |
| Maintenance | 78,237 |
| Utilities | 407,487 |
| Insurance | 273,533 |
| Professional fees | 97,200 |
| Service fees | 479,500 |
| Supplies | 93,187 |
| Operating fees | 63,003 |
| Other | 72,662 |
| Depreciation | 3,325,972 |
| Total operating expenses | 6,005,654 |
| **Operating Income (Loss)** | (147,207) |
| **NONOPERATING REVENUE (EXPENSES)** | |
| Property taxes | 1,060,147 |
| Grants | 206,982 |
| Interest income | 17,995 |
| Interest expense | (2,114,034) |
| Gain/loss on sale of equipment | (2,457) |
| Amortization | (18,323) |
| Total nonoperating revenue (expense) | (849,690) |
| Income(loss) before contribution | (996,897) |
| **Capital Contribution** | 9,000 |
| **Change in Net Position** | (987,897) |
| NET POSITION - Beginning of year | |
| As originally stated | 50,288,672 |
| Prior period adjustment - pension | (358,894) |
| As restated | 49,929,778 |
| NET POSITION - End of year | $48,941,881 |

See accompanying notes to financial statements

## PORT OF NEWPORT, OREGON

STATEMENT OF CASH FLOWS for the Year Ended June 30, 2015

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash receipts from customers | $ 5,661,430 |
| Cash payments for goods and services | (1,631,638) |
| Cash payments for employees and benefits | (1,036,794) |
| Net cash provided (used) by operating activities | 2,992,998 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Non capital grants | 13,874 |
| Property taxes collected | 1,049,657 |
| Net cash provided (used) by noncapital financing activities | 1,063,531 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Acquisition and construction of capital assets | (918,923) |
| Capital grants | 169,346 |
| Capital contributions | 9,000 |
| Principal paid on debt | (1,383,371) |
| Interest paid on debt | (2,114,710) |
| Net cash provided (used) by capital and related financing activities | (4,238,658) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest income | 17,995 |
| Net cash provided (used) by investing activities | 17,995 |
| Net increase (decrease) in cash and cash equivalents | (164,134) |
| **Cash and cash equivalents - Beginning of year (restricted $4,870,935)** | 7,746,616 |
| **Cash and cash equivalents - End of year (restricted $4,592,764)** | $ 7,582,482 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | |
| Operating income (loss) | $ (147,207) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | |
| Depreciation | 3,325,972 |
| Pension income | (163,924) |
| (Increase) decrease in operating assets | |
| Accounts receivable | (21,169) |
| Prepaid expenses | 56,211 |
| Increase (decrease) in operating liabilities | |
| Accounts payable | (47,509) |
| Accrued expenses | 2,548 |
| Deferred revenue | (11,924) |
| Net cash provided (used) by operating activities | $ 2,992,998 |

See accompanying notes to financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices are disclosed below.

### Reporting Entity

The Port is organized under the general laws of the State of Oregon. The governing body is a five-member elected Board of Commissioners (the Board). The daily management of the Port is under the supervision of the General Manager, who is appointed by the Board. The Port is the level of government financially accountable for all Port operations within its boundaries. As a result, all related activities have been included in the financial statements. There are various governmental agencies and special service districts that provide services within the Port's boundaries; however, the Port is not financially accountable for any of these entities, and accordingly their financial information is not included in these financial statements.

### Measurement Focus, Basis of Presentation and Accounting

The Port is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are maintained on the flow of economic resources measurement focus using the accrual basis of accounting and accounting principles applicable to commercial enterprises. This measurement focus provides that all assets and liabilities associated with operations are included on the Statement of Net Position. The Port's net position is segregated into net position invested in capital assets, restricted net position and unrestricted net position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in net position.

The financial statements of the Port have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

### Operating Revenues, Non-Operating Revenues and Operating Expenses

The Port has defined operating revenues to include lease fees, RV park fees, launch dock, hoist and moorage fees. Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and administration expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenue and expenses. This includes property taxes, investment interest, gain (loss) on sale of capital assets, and non-operating grant revenue and amortization costs.

### Deposits and Investments

The Port's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The Port's investment policies are governed by Oregon statutes. The statutes authorize the Port to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 3.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Receivables

Terminal, marina and lease receivables are shown net of an allowance for doubtful accounts. The allowance is judgmentally determined by management based on a collectability analysis.

Property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

### Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Interest costs are capitalized as part of the costs of capital assets during the period of construction based on borrowing costs incurred. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The Port recognizes assets with an initial cost or donated value of more than $5,000 and an estimated life of over more than one year.

Capital assets constructed with tax-exempt borrowing may include capitalized interest as part of the costs of capital assets. All interest costs of the borrowing less any interest earned on investments acquired with the proceeds of the borrowing are capitalized from the date of the borrowing until the assets are ready for their intended use.

Assets subject to depreciation are depreciated over their estimated useful lives on the straight-line basis. Estimated useful lives for land improvements (marina and RV park) are 10 to 20 years, buildings - 25 to 40 years, docks - 20 to 40 years, and equipment from 5 to 10 years.

### Compensated Absences

Employees are permitted to accumulate earned but unused vacation and related employee benefits. Vacation and holiday pay are recognized as expense when earned. Compensated absences are reported with accrued expenses in the Statement of Net Position.

### Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items.

### Long-Term Liabilities

General obligation bonds are payable from property taxes. All other long-term obligations are payable from operations.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### 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 Oregon Public Employees' Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the Port are detailed below.

### Adoption of New GASB Pronouncements

Net Pension Liability: Previous standards defined the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

Deferred Inflows of resources and deferred outflows of resources: Statement No. 68 includes recognition of deferred inflows and outflows of resources arising from the difference between projected and actual earnings on pension plan investments.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. This statement requires that contributions made by participating employers to pension plans after the Measurement Date for the Net Pension Liability but before the end of the financial statement period for the employer be reported as deferred outflows of resources.

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014; Statement No. 71 is to be applied concurrently with Statement No. 68. The effects of the accounting changes are to be applied retroactively by restating the financial statements. See Note 8.

### Deferred Outflows/Inflows of Resources

In March 2012, GASB issued Statement 65, Items Previously Reported as Assets and Liabilities, clarifying the reporting of deferred outflows and inflows of resources. The statement is effective for periods beginning after December 15, 2012.

Deferred inflows of resources represents an acquisition of net position applying to a future(s) and so will not be recognized as revenue (inflow of resources) until that time. As required by GASB 68, the Port reports deferred inflows of resources of $329,214 for its proportionate share of the difference between projected and actual earnings, and $36,369 for the difference between its contributions to PERS and its proportionate share of the required contributions.

Deferred outflows of resources represents a consumption of net position applying to a future period(s) and so will not be recognized as expense/expenditures until then. As required by GASB 68, the Port reports deferred outflows of $21,005, which represents contributions to PERS since the measurement date.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Net Position

Net Position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Port's financial statements.

Net position is divided into three components:

*Net investment in capital assets* - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

*Restricted net position* - consists of assets that are restricted by the Port's creditors, by enabling legislation, by grantors, and other contributors.

*Unrestricted* - all other net position is reported in this category.

### Restricted Assets and Related Liabilities

Assets whose use is restricted for construction related to the marine terminal redevelopment project, the National Oceanic and Atmospheric Administration (NOAA) Marine Operations Center - Pacific (MOC-P) project, the facilities maintenance reserve and the payment of bonded debt service, as well as all related liabilities are segregated on the Statement of Net Position.

Where both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budget Law and Practice

The Port legally adopts an annual budget for each proprietary fund prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law. The resolution authorizes fund appropriations at the following control levels: personal services, materials and services, capital outlay, debt service, interfund transactions, operating contingency, and all other requirement levels. Expenditures cannot legally exceed appropriations at these control levels.

Budgets are prepared using the modified accrual basis of accounting. A reconciliation schedule brings the budget basis to full accrual for compliance with generally accepted accounting principles.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

### Budget Law and Practice

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the Board. Only the Board may modify original and supplemental budgets by the use of appropriation transfers between the levels of control. In addition, Oregon Local Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require Board's approval by adoption of a resolution.

Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the Board. Appropriations are limited to a single fiscal year; therefore, all spending authority of the Port lapse at year end.

*Over Expenditures*

One fund over expended as follows:

| | Balance |
|---|---|
| General Operating Fund - Debt Service | $ 944 |

## NOTE 3 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents and investments as of June 30 consist of the following:

| | Balance | Unrestricted | Restricted |
|---|---|---|---|
| Cash on hand | $ 1,275 | $ 1,275 | $ 0 |
| Deposits with financial institutions | 7,581,207 | 2,988,443 | 4,592,764 |
| Total cash and cash equivalents | 7,582,482 | 2,989,718 | 4,592,764 |
| Investments - time certificate of deposit | 60,118 | 0 | 60,118 |
| Total cash, cash equivalents and investments | $7,642,600 | $ 2,989,718 | $4,652,882 |

### Deposits

At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of $7,693,002, of which $1,000,000 was covered by FDIC. See *Custodial Credit Risk.*

*Custodial Credit Risk*

As required by Oregon Revised Statues, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result the Port has no exposure to custodial credit risk for deposits with financial institutions.

*Interest rate risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

*Credit risk*

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool. The Port has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk*

The Port places no limit on the amount the Port may invest in any one investment or issuer. For the current year, the Port held 71% of funds in Oregon Coast Bank.

## NOTE 4 - RECEIVABLES

Receivables at year end consist of the following:

| | Balance | |
|---|---|---|
| Property taxes | $ 97,670 | Restricted |
| Accounts receivable | 170,053 | Unrestricted |
| Total receivables | $ 267,723 | |

Terminal, marina, and lease receivables are shown net of an allowance for doubtful accounts of $14,000. The allowance is judgmentally determined by management based on a collectability analysis.

### Property Taxes

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30 was as follows:

| | 7/01 Balance | Increases | Decreases | 6/30 Balance |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 20,221,521 | $ 0 | $ 0 | $ 20,221,521 |
| Construction in progress | 21,189 | 34,084 | (15,189) | 40,084 |
| Capitalized interest | 2,999,248 | 0 | (2,999,248) | 0 |
| Total assets not being depreciated | 23,241,958 | 34,084 | (3,014,437) | 20,261,605 |
| Capital assets being depreciated | | | | |
| Land improvements | 18,436,626 | 736,750 | 0 | 19,173,376 |
| Buildings and docks | 67,631,216 | 3,012,348 | 0 | 70,643,564 |
| Equipment | 881,402 | 150,178 | 0 | 1,031,580 |
| Total depreciable at historical cost | 86,949,244 | 3,899,276 | 0 | 90,848,520 |

**NOTE 5 - CAPITAL ASSETS** - Continued

| | 7/01 Balance | Increases | Decreases | 6/30 Balance |
|---|---|---|---|---|
| Accumulated depreciation | | | | |
| Land improvements | (7,951,537) | (427,452) | 0 | (8,378,989) |
| Buildings and docks | (13,660,527) | (2,814,561) | 0 | (16,475,088) |
| Equipment | (502,078) | (83,959) | 0 | (586,037) |
| Total accumulated depreciation | (22,114,142) | (3,325,973) | 0 | (25,440,114) |
| Total depreciable capital assets | 64,835,102 | 573,304 | 0 | 65,408,406 |
| Total capital assets, net | $ 88,077,060 | $ 607,388 | $ (3,014,437) | $ 85,670,011 |

Depreciation expense for the year was $3,325,972.

**NOTE 6 - LEASE**

**Leases - Port as Lessor**

The Port, as a lessor, leases certain properties with a total approximate net capitalized cost of $24,450,000 and annual depreciation expense of approximately $1,290,000 under long-term operating leases. On August 7, 2009, the Port entered into a 20-year lease for a MOC-P with the United States of America, through the NOAA, expiring June 30, 2031, commonly referred to as the NOAA lease. NOAA lease revenue is pledged first to pay bond principal and interest, second to credit the reserve account to eliminate any deficiency in the required reserve and third for any other lawful Port purpose. The annual rent under this lease is approximately $2,500,000 which is included in the schedule below.

The minimum future payments to be received under non-cancelable leases are as follows:

| Year Ending June 30, | Balance |
|---|---|
| 2016 | $ 3,050,000 |
| 2017 | 2,840,000 |
| 2018 | 2,610,000 |
| 2019 | 2,590,000 |
| 2020 | 2,570,000 |
| Thereafter | 27,700,000 |
| Total | $ 41,360,000 |

Total minimum future lease payments do not include amounts for lease payments based on the lessee's gross sales. These payments amounted to approximately $60,000 for the fiscal year. Amounts for future lease extensions are not included as they are cancelable.

## PORT OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

### NOTE 7 - LONG TERM DEBT

### Bonds, Loans and Capital Leases Payable

Bonds, loans and capital leases payable are as follows:

| | 7/01 Balance | Decreases | 6/30 Balance | Due in One Year Principal | Due in One Year Interest | Due in One Year Total |
|---|---|---|---|---|---|---|
| **BONDED DEBT FUND** | | | | | | |
| **General Obligation Bonds** | | | | | | |
| Series 2007 | $ 4,330,000 | $ 115,000 | $ 4,215,000 | $ 120,000 | $ 175,678 | $ 295,678 |
| Series 2008 | 4,415,000 | 110,000 | 4,305,000 | 115,000 | 177,940 | 292,940 |
| Series 2011 | 5,320,000 | 60,000 | 5,260,000 | 65,000 | 273,555 | 338,555 |
| Total Bonded Debt Fund | 14,065,000 | 285,000 | 13,780,000 | 300,000 | 627,173 | 927,173 |
| **GENERAL FUND** | | | | | | |
| **Full Faith and Credit OB** | | | | | | |
| Series 2013 | 3,410,000 | 30,000 | 3,380,000 | 120,000 | 103,308 | 223,308 |
| **State of Oregon Loans** | | | | | | |
| Special Public Works Fund Loans | | | | | | |
| - L00012 | 59,263 | 3,964 | 55,299 | 4,202 | 3,318 | 7,520 |
| - Q10010 | 1,295,405 | 56,005 | 1,239,400 | 57,041 | 36,559 | 93,600 |
| - L12005 | 3,000,000 | 102,112 | 2,897,888 | 106,063 | 112,148 | 218,211 |
| - Promissory | 400,000 | 0 | 400,000 | 0 | 0 | 0 |
| Oregon Port Revolving Loans | 76,622 | 13,555 | 63,067 | 14,388 | 3,464 | 17,852 |
| **Oregon Coast Bank Loans** | | | | | | |
| Loan payable | 68,390 | 48,024 | 20,366 | 20,366 | 356 | 20,722 |
| Loan payable | 407,758 | 19,081 | 388,677 | 20,142 | 23,153 | 43,295 |
| **Toyota Financial Services** | | | | | | |
| Capital lease | 17,928 | 4,781 | 13,147 | 5,076 | 499 | 5,575 |
| Capital lease | 28,414 | 5,848 | 22,566 | 6,105 | 851 | 6,956 |
| Total General Fund | 8,763,780 | 283,370 | 8,480,410 | 353,383 | 283,656 | 637,039 |
| **NOAA FUND** | | | | | | |
| **Revenue Bond** | | | | | | |
| Series 2010 | 22,540,000 | 815,000 | 21,725,000 | 840,000 | 1,159,432 | 1,999,432 |
| Totals | $45,368,780 | $ 1,383,370 | $43,985,410 | $1,493,383 | $2,070,261 | $3,563,644 |

**NOTE 7 - LONG TERM DEBT** - Continued

**Bonds, Loans and Capital Leases Payable**

The general obligation bonds, full faith and credit obligation bond, and State of Oregon loans are direct obligations and pledge the full faith and credit of the Port. The revenue bonds are secured by the NOAA lease revenue and the required reserve was fully funded with bond proceeds. The funds provided by the obligations and the Oregon Coast Bank loans, were and continue to be used for the acquisition, repair and construction of capital assets.

In the fiscal year ending June 30, 2013, the Port obtained financing for construction of the International Terminal. The Port negotiated a $3,000,000 loan with a $500,000 grant from the Oregon Infrastructure Finance Authority (IFA), fully drawn down by June 30, 2013. Also additional financing was obtained under a forgivable loan from the State of Oregon Business Development in the amount of $400,000. The no interest loan is secured by a promissory note and will be forgiven by the State upon meeting the creation of a number of jobs positions by September 2017. If that date is not met, Business Oregon indicated they are flexible on the terms.

In the fiscal year ending June 30, 2013, the Port refinanced two Special Public Works Fund Community Facility loans outstanding of $2,624,942 and received new funding of $890,000 deposited into the Construction Fund for improvements to the Port's International Terminal.

The Port has various capital leases for certain equipment. The balance outstanding on these leases at June 30, 2015 was $35,713. The cost of leased equipment at year end was $56,124, with accumulated depreciation of $13,796 and net book value of $42,321.

Below is a summary of the Port's obligations:

| | Original Issue | Amount | Rates | Payoff Date |
|---|---|---|---|---|
| **GO BONDS** | | | | |
| Series 2007 | 2007 | $ 5,000,000 | 4 to 4.25% | 7/1/2029 |
| Series 2008 | 2008 | 5,000,000 | 3.5 to 4.25% | 7/1/2038 |
| Series 2011 | 2011 | 5,452,000 | 2 to 5.5% | 7/1/2041 |
| **FULL FAITH AND CREDIT OB** | | | | |
| Series 2013 | 2013 | 3,410,000 | 2.45% | 6/1/2034 |
| **STATE OF OREGON** | | | | |
| **Special Public Works** | | | | |
| Loan Q10001 | 2013 | 1,300,000 | 3% | 6/1/2032 |
| Loan L00012 | 2004 | 86,683 | 6% | 12/1/2024 |
| Loan L0005 | 2013 | 3,000,000 | 3.87% | 7/1/2034 |
| Promissory Note | 2012 | 400,000 | | 9/1/2017 |
| Oregon Port Revolving | 1999 | 366,065 | 6% | 6/15/2019 |
| **OREGON COAST BANK** | | | | |
| Loan Payable | 2014 | 79,879 | 7% | 11/15/2015 |
| Loan Payable | 2014 | 412,352 | 6% | 7/15/2025 |
| **TOYOTA FINANCIAL SERVICES** | | | | |
| Capital Lease | 2012 | 24,767 | 4.75% | 12/2/2017 |
| Capital Lease | 2013 | 31,357 | 4.30% | 1/1/2019 |
| **REVENUE BOND** | | | | |
| Series 2010 | 2010 | 24,095,000 | 3 to 6.125% | 7/1/2032 |

* Note that amounts do not represent variable interest debt, but rather stated rates related to various maturities for the respective issuances.

## NOTE 7 - LONG TERM DEBT - Continued

### Bonds, Loans and Capital Leases Payable

Future maturities are as follows:

| Year Ending June 30 | General Obligation Bonds | Full Faith& Credit Obl. Bond | State of Oregon Loans | Oregon Coast Bank Loans | Capital Leases | Revenue Bond | Total | Total Interest |
|---|---|---|---|---|---|---|---|---|
| 2016 | $ 300,000 | $ 120,000 | $ 181,693 | $ 40,503 | $ 11,181 | $ 840,000 | $ 1,493,377 | $ 2,070,262 |
| 2017 | 310,000 | 185,000 | 195,336 | 21,466 | 11,693 | 870,000 | 1,593,495 | 2,014,596 |
| 2018 | 320,000 | 190,000 | 235,924 | 22,809 | 9,353 | 910,000 | 1,688,086 | 1,953,450 |
| 2019 | 335,000 | 200,000 | 243,471 | 24,236 | 3,486 | 945,000 | 1,751,193 | 1,886,064 |
| 2020 | 350,000 | 205,000 | 233,069 | 25,704 | 0 | 995,000 | 1,808,773 | 1,810,630 |
| 2021-25 | 1,975,000 | 1,120,000 | 1,276,459 | 154,990 | 0 | 5,820,000 | 10,346,449 | 7,745,909 |
| 2026-30 | 2,435,000 | 1,125,000 | 1,319,919 | 119,335 | 0 | 7,615,000 | 12,614,254 | 4,998,908 |
| 2031-35 | 3,035,000 | 235,000 | 969,783 | 0 | 0 | 3,730,000 | 7,969,783 | 1,961,208 |
| 2036-40 | 3,825,000 | 0 | 0 | 0 | 0 | 0 | 3,825,000 | 866,127 |
| 2041-45 | 895,000 | 0 | 0 | 0 | 0 | 0 | 895,000 | 49,225 |
| Total | $13,780,000 | $3,380,000 | $4,655,654 | $ 409,043 | $ 35,713 | $21,725,000 | 43,985,410 | $25,356,379 |
| | | | Adjustment - current portion | | | | (1,493,377) | |
| | | | - premium/discounts | | | | (113,186) | |
| | | | Total long-term debt, net | | | | $42,378,847 | |

## NOTE 8 - PRIOR PERIOD ADJUSTMENT

As described in Note 1, the Port adopted GASB Statements 68 and 71 in the current year. Accordingly, the Port has restated the amounts of effected balances for the year ended June 30, 2014:

| | As originally Reported | As restated | Effect of Change |
|---|---|---|---|
| **Statement of net position** | | | |
| Deferred outflow of resources: | | | |
| Payments made to PERS since Measurement date | $ 0 | $ 25,214 | $ 25,214 |
| Non-current liabilities: | | | |
| Net pension liability | 0 | (384,108) | (384,108) |
| Net position | $ 50,288,672 | $49,929,778 | $ (358,894) |

## NOTE 9 - RETIREMENT BENEFITS

### Oregon Public Employees Retirement System (PERS)

#### *Plan Description*

The Port is a participating employer in the Oregon Public Employee Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan established by the Oregon legislature pursuant to Oregon Revised Statutes (ORS) 238 and 238A. Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Oregon Public Employees Retirement System, PO Box 23700, Tigard 97281-3700 or on the PERS web site at http://www.oregon.gov/PERS/Pages/section/financial_reports/financials.aspx.

**NOTE 9 - RETIREMENT BENEFITS**- Continued

**Oregon Public Employees Retirement System (PERS)**

***Plan Description***

There are currently two programs with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are PERS Program members. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: (1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and (2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

**1. PERS Tier One/Tier Two Pension (Chapter 238)**

Public employees who became members of PERS prior to January 1, 1996 received a guarantee that their accounts would be credited with at least the amount that would have been received had the plan assets earned the rate of return assumed in the most recent actuarial valuation for the period, even if the actual rate of return on the plan assets for the period was less than the assumed rate. The 1995 Legislature created a second tier of benefits for those who became members after 1995. The second tier does not have the Tier One assumed earnings rate guarantee.

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

*a. Pension Benefits*

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options, including survivorship benefits and lump sum refunds. The basic benefit is based on years of service and the final average salary. A percentage (2.0% for fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier one general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

*b. Death Benefits*

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided that one or more of the following conditions is met:

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

*b. Death Benefits*

1. The member was employed by a PERS employer at the time of death,
2. The member died within 120 days of after termination of PERS-covered employment,
3. The member died as a result of injury sustained while employed in a PERS-covered job,or
4. The member was on an official leave of absence from a PERS-covered job at the time of death.

*c. Disability Benefits*

A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job related injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty-related disability, service time is computed to age 58 when determining the monthly benefit.

*d. Benefit Changes After Retirement*

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360, monthly benefits are adjusted annually through cost of living adjustments (COLAs). The cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first $60,000 of annual benefit and 0.15% on annual benefits over $60,000.

**2. OPSRP Pension Program (OPSRP Defined Benefit)**

*a. Pension Benefits*

The ORS Chapter 238A Defined Benefit Pension Program provided benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age. For general service employees, 1.5% is multiplied by the number of years of service and the final average salary.

Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes at least 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

**2. OPSRP Pension Program (OPSRP Defined Benefit)**

*b. Death Benefits*

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50% of the pension that would otherwise have been paid to the deceased member.

*c. Disability Benefits*

A member who has accrued 10 or more years of retirement credit before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred.

*d. Benefit Changes After Retirement*

Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first $60,000 of annual benefit and .15% on annual benefits over $60,000.

***Contributions*:**

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS defined benefit plan and the other Post-Employment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates, expressed as a percentage of payroll, first became effective July 1, 2013. The Port's contribution rate for the year ended June 30, 2015 was 11.60% of covered Tier One/Tier Two payroll and 11.63% of covered OPSRP payroll; and the Port's contributions were $70,247, before adjustment for amounts due to amortization of transition liability/surplus from joining the rate pools.

The Port participates in the State and Local Government Rate Pool (SLGRP). The SLGRP was created by legislative act of the State of Oregon and provided local governments the option to pool their PERS Tier One/Tier Two-related assets and liabilities with others that elected to participate in the pool, whereby contribution rates are determined based on the overall experience of the pool versus the potentially more volatile experience of individual employers. OPSRP-related assets and liabilities are mandatorily pooled.

PERS sets the rate for the SLGRP, based on the independent actuarial study that is performed every two years. The amortization method used is a 22 year closed group, fixed term. PERS is reducing the amortization on new liabilities each year until it gets to the 20 year amortization standard it has set in policy.

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate.

The contribution rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period and expressing the result as a percentage of combined Tier One/Tier Two and OPSRP payroll. For employers that joined the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the employer joined the SLGRP. For the year ended June 30, 2015, the adjustment to the Port's contribution rate was (8.1%) on covered payroll, which reduced the Port's required contributions by $49,242.

***Net Pension Liability(Asset)***

At June 30, 2015, the Port reported a net pension liability (asset) of $(170,613). The Net Pension Liability (Asset) was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2012, and rolled forward to June 30, 2014. The Port's proportionate share of the total net pension liability (asset) was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. At June 30, 2015, the Port's proportion was 0.00752689%, which was unchanged from its proportion at June 30, 2014.

For the year ended June 30, 2015, the Port recognized pension expense (income) of $(163,924). At June 30, 2015, the Port 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 |
|---|---|---|
| Net difference between projected and actual earnings on pension plan investments | $ 0 | $ 329,214 |
| Contributions subsequent to Measurement Data | 21,005 | 0 |
| Changes in proportions and differences between Port contributions and proportionate share of contributions | 0 | 36,369 |
| Total | $ 21,005 | $ 365,583 |

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

Deferred outflows of resources of $21,005 related to pensions resulting from Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

| Year ended June 30: | Deferred Outflow/(Inflow) of resources (prior to post-measurement date contributions) |
|---|---|
| 2016 | $ (90,210) |
| 2017 | (90,210) |
| 2018 | (90,210) |
| 2019 | (90,210) |
| 2020 | (4,743) |
| Thereafter | 0 |
| Total | $ (365,583) |

***Actuarial Valuations***

The employer contribution rates effective July 1, 2013 though June 30, 2015 were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16 years.

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

***Actuarial Valuations***

| | |
|---|---|
| Valuation Date | December 31, 2012, rolled forward to June 30, 2014 |
| Experience Study Report | 2012, published September 18, 2013 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years |
| Asset Valuation Method | Market value of assets |
| Actuarial Assumptions: | |
| Inflation Rate | 2.75% |
| Investment Rate of Return | 7.75% |
| Projected Salary Increases | 3.75% overall payroll growth; salaries for individuals are assumed to grow at 3.75% plus assumed rates of merit/longevity increases based on service |
| Mortality | Healthy retirees and beneficiaries:<br>RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.<br><br>Active members:<br>Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.<br><br>Disabled retirees:<br>Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table. |

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

***Actuarial Valuations***

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2012 experience study, which reviewed experience for the four year period ending on December 31, 2012.

***Assumed Asset Allocation***

| Asset Class/Strategy | Low Range | High Range | Oregon Investment Council Target |
|---|---|---|---|
| Cash | 0.0% | 3.0% | 0.0% |
| Debt Securities | 15.0 | 25.0 | 20.0 |
| Public Equity | 32.5 | 42.5 | 37.5 |
| Private Equity | 16.0 | 24.0 | 20.0 |
| Real Estate | 9.5 | 15.5 | 12.5 |
| Alternative Equity | 0.0 | 10.0 | 10.0 |
| Opportunity Portfolio | 0.0 | 3.0 | 0.0 |
| Total | | | 100.0% |

**Long-Term Expected Rate of Return**

In order to develop an analytical basis for the selection of the long-term expected rate of return assumption, in July of 2013 the PERS Board reviewed long-term assumptions developed by both the capital market assumptions team of the actuary firm (Milliman) engaged to perform the system-wide actuarial valuation of PERS and the investment advisors of the Oregon Investment Council (OIC) which, pursuant to ORS 293.706, has responsibility for oversight and management of investment of all State of Oregon investments, including those of the Public Employees Retirement System. Millimans assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term asset allocation was combined with the OIC's long-term asset allocation targets. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the assumed rate of inflation. The assumptions are based on a forward-looking capital market economic model, rather than on historical returns. The target allocation and estimated geometric real rates of return for each asset class are summarized in the following table:

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

***Target Allocation***

| Asset Class | Target | Compound Annual Return (Geometric) |
|---|---|---|
| Core Fixed Income | 7.20% | 4.50% |
| Short-Term Bonds | 8.00 | 3.70 |
| Intermediate-Term Bonds | 3.00 | 4.10 |
| High Yield Bonds | 1.80 | 6.66 |
| Large Cap US Equities | 11.65 | 7.20 |
| Mid Cap US Equities | 3.88 | 7.30 |
| Small Cap US Equities | 2.27 | 7.45 |
| Developed Foreign Equities | 14.21 | 6.90 |
| Emerging Foreign Equities | 5.49 | 7.40 |
| Private Equity | 20.00 | 8.26 |
| Opportunity Funds/Absolute Return | 5.00 | 6.01 |
| Real Estate (Property) | 13.75 | 6.51 |
| Real Estate (REITS) | 2.50 | 6.76 |
| Commodities | 1.25 | 6.07 |
| Assumed Inflation - Mean | | 2.75% |

***Discount Rate***

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For future years, PERS has reduced the discount rate from 7.75% to 7.5%, effective January 1, 2016.

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

***Sensitivity to Discount Rate***

The following presents the Port's net pension liability calculated using the discount rate of 7.75%, as well as what the Port's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) and one percentage point higher (8.75%) than the current rate:

| | Year ended June 30, 2015 | | |
|---|---|---|---|
| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
| Net Pension Liability(Asset) | $ 361,297 | $ (170,613) | $ (620,484) |

***Changes in Plan Provisions***

Senate Bill 822, signed into law in May 2013, eliminated the SB 656/HB 3349 tax remedy payments for benefit recipients who are not subject to Oregon income tax, because they do not reside in Oregon, and limited the 2013 post-retirement COLA to 1.5% of annual benefit.

Senate Bill 861, signed into law in October 2013, limited post-retirement COLA for years beyond 2013 to 1.25% on the first $60,000 of annual benefit and 0.15% on annual benefits above $60,000. The decrease in the Total Pension Liability resulting from Senate Bill 861, measured as of June 30, 2014, created a ($2,423.6) million reduction in Plan pension liabilities.

Senate Bill 862, signed into law in October 2013, made targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect System liabilities and were not reflected in the valuation.

***Changes in Assumptions***

The Actuarial Cost Method was changed from the Projected Unit Credit cost method to the Entry Age Normal Cost method. This change will allow PERS to use the same cost method contribution rate calculations as required for financial reporting under GASB Statements 67 and 68.

In combination with the change in cost method, the PERS Board chose to re-amortize the outstanding Tier One/ Tier Two UAL as of December 31, 2013. Reamortization is now over a closed period of 20 years as a level percentage of projected payroll gains and losses between subsequent rate-setting valuations to be amortized over a closed 20 year period from the valuation in which they were first recognized.

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

***Changes in Assumptions***

Also in combination with the change in cost method, the "grade-in range" over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges were from 80% to 70% and from 120% to 130%.

For purposes of allocating Tier One/Tier Two members' actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match and Full Formula methodologies used by PERS when the member retires, with weights determined by the prevalence of each formula among the current tier One/Tier Two population. The Money Match weights were adjusted from 40% for General Service members and 10% for Fire members in the 2010 and 2011 valuations to 30% for General Service members and 5% for Police and Fire members in the 2012 and 2013 valuations, based on projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the interest crediting to variable account balances was 8.25%.

Assumed administrative expenses for the OPSRP System were reduced from $6.6 million per year to $5.5 million per year.

Mortality assumptions for healthy members, based on RP-2000 generational mortality tables with group-specific class and setback adjustments, were updated to more closely match the results of the 2012 experience study. Mortality assumptions for disabled members were changed from the RP-2000 healthy tables to the RP-2000 disabled tables, with gender-specific adjustments updated to more closely match the results of the 2012 experience study. Rates for disability, retirement, and termination were also adjusted, and termination rates were changed from being indexed upon age to being indexed upon duration from hire.

Salary increase assumptions were also adjusted. Assumed merit increases for school district members were lowered, and unused sick leave and vacation pay rates were adjusted.

***Changes in Plan Provisions Subsequent to Measurement Date***

On April 30, 2015, the Oregon Supreme Court ruled in *Moro vs. State of Oregon* that the provisions of Senate Bill 861, signed into law in October of 2013, limiting the post-retirement COLA on benefits accrued prior to the signing of the law, was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS members who accrued benefits both before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. The System will be required to make payments to those members who received benefits between the date of enactment of the legislation and the Oregon Supreme Court decision to restore the amounts that should have been paid. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and is not included in the proportionate shares of the Net Pension Liability (Asset) provided to employers at June 30, 2015.

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

The actuary for the Oregon Public Employee Retirement System has estimated the effect of the *Moro* decision on the Net Pension Liability (Asset) as of the valuation date of June 30, 2014. For purposes of this estimate, it was assumed that the blended COLA for affected PERS members would be determined based on creditable service before and after the effective date. The actuary estimated that the Net Pension Liability (Asset) would change from an asset of $(2,266,714,685) to a liability of approximately $2,650,000,000. Based on its proportionate share of the Net Pension Liability of 0.00752689%, the Port's proportionate share of the Net Pension Liability (Asset) would change from an asset of $(170,613) to a liability of approximately $199,463.

***3. OPSRP IAP (Individual Account Program) Description***

The OPSRP IAP program is a defined contribution plan established by the Oregon legislature pursuant to ORS 238A. Employees who participate in the Plan contribute 6% of their wages to IAP. PERS employers may make optional contributions for members.

Beginning January 1, 2004, all employees who are active members of PERS became members of the OPSRP IAP Program. PERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts, but any future member contributions will be deposited in the member's IAP, not into the member's PERS account.

**Pension Benefits**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, or 20 year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

***Death Benefits***

Upon the death of a non-retired member, the beneficiary receives in a lump-sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining payments on choose a lump-sum payment.

**NOTE 9 - RETIREMENT BENEFITS** - Continued

**Oregon Public Employees Retirement System (PERS)**

***Record Keeping***

PERS contracts with VOYA Financial to maintain IAP participant records.

**Retirement Health Insurance Account (RHIA)**

*Plan Description*

As a member of Oregon Public Employees Retirement System (OPERS), the Port contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer defined benefit other postemployment benefit plan (OPEB) administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

*Funding Policy*

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS requires that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3)enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently .56% for PERS members and .48% for OPSRP of annual covered payroll, respectively. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Port's contributions to RHIA for the years ended June 30, 2015, 2014, and 2013 were paid with contributions for pension, and equaled the required contributions for each year. The contributions for 2015 was $3,165.

## NOTE 10 - OTHER INFORMATION

### Risk Management

The Port is exposed to various risks of loss related to theft of; damage to and destruction of assets; torts; errors and omissions; injuries to employees; and natural disasters. The Port purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Evaluation of Subsequent Events

In October 2015, the Port received a $2 million grant from the federal Department of Transportation toward rehabilitating the international shipping terminal. The full upgrading project is $6.5 million for developing a wetlands mitigation site, upgrading the ten acre site and improvements to Southeast Bay Boulevard.

The Port has evaluated subsequent events through November 6, 2015, the date which the financial statements were available to be issued.

# PORT OF NEWPORT
# OREGON

## REQUIRED SUPPLEMENTAL INFORMATION

## PORT OF NEWPORT, OREGON

SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY as of June 30, 2015

### OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

| | 2015 | 2014 |
|---|---|---|
| Port's proportion of the net pension liability (asset) | 0.00753% | 0.00753% |
| Port's proportionate share of the net pension liability (asset) | (170,613) | 384,108 |
| Port's covered employee payroll | 607,922 | 689,517 |
| Port's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | (28.1)% | 55.7% |
| Plan's net fiduciary position as a percentage of the total pension liability | 103.6% | 92.0% |

**PORT OF NEWPORT, OREGON**

SCHEDULE OF THE PORT'S CONTRIBUTIONS
as of June 30, 2015

**OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM**

| | 2015 | 2014 |
|---|---|---|
| Contractually required contribution | $ 21,405 | $ 24,249 |
| Contributions in relation to the contractually required contribution | 21,005 | 25,214 |
| Contribution deficiency (excess) | $ 400 | $ (965) |
| Port's covered-employee payroll | $ 607,922 | $ 689,517 |
| Contributions as a percentage of covered-employee payroll | 3.46% | 3.66% |

NOTES TO THE SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED CONTRIBUTIONS for the Year Ended June 30, 2015

**Changes in Assumptions**

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the interest crediting to variable account balances was 8.25%.

Assumed administrative expenses for the OPSRP System were reduced from $6.6 million per year to $5.5 million per year.

Mortality assumptions for healthy members, based on RP-2000 generational mortality tables with group-specific class and setback adjustments, were updated to more closely match the results of the 2012 experience study. Mortality assumptions for disabled members were changed from the RP-2000 healthy tables to the RP-2000 disabled tables, with gender-specific adjustments updated to more closely match the results of the 2012 experience study. Rates for disability, retirement, and termination were also adjusted, and termination rates were changed from being indexed upon age to being indexed upon duration from hire.

Salary increase assumptions were also adjusted. Assumed merit increases for school district members were lowered, and unused sick leave and vacation pay rates were adjusted.

**Years Covered in Required Schedules of Proportionate Share of Net Pension Liability (Asset) and Contributions:**

GASB Statement No. 68 generally requires that the required supplementary information schedules providing information about the employer's proportionate share of the Net Pension Liability (Asset) and contractually required contribution contain 10 years of data. However, the Statement also provides that, should the information required for the schedules not be available initially or be measured in a manner inconsistent with the provisions of the statement, information should only be presented for those periods for which it is available and is measured in a manner consistent with the provisions of the statement. For this reason, only information for the current and preceding year is presented in the schedules. Prospectively, an additional year of data will be added to the schedules each year until the 10 years required by the standard is reached.

# PORT OF NEWPORT
# OREGON

## SUPPLEMENTAL INFORMATION

## PORT OF NEWPORT, OREGON

## DESCRIPTION OF BUDGETARY FUNDS

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual be displayed for each fund where legally adopted budgets are required:

Budgetary comparison schedules include the following funds:

**General Operating Fund**
The fund is used to account for the financial resources of the Port that are not accounted for in any other fund. Principal sources of revenue are from property taxes, service fees and lease revenue. Primary expenditures are for maintenance and general administration.

**Bonded Debt Fund**
The fund accounts for the redemption of general obligation bonds and interest thereon. The principal source of revenue is property taxes.

**Facilities Maintenance Fund**
The fund is used to account for the accumulation of funds for the maintenance, repairs and capital improvements.

**Construction Fund**
The fund is used for capital improvements and acquisitions.

**NOAA Lease Revenue Fund**
The fund accounts for expenditures relating to capital improvements for the NOAA MOC-P facility. Primary resources were initially proceeds from the Revenue Bond and grant funding. Current resources consist primarily of lease payments. This fund services the bond repayment and covers facilities maintenance costs over the term of the lease.

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2015

## GENERAL OPERATING FUND

| | Original Budget | Final Budget | Actual | Variance |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Moorage | $ 1,135,000 | $ 1,135,000 | $ 1,185,994 | $ 50,994 |
| Leases | 569,438 | 569,438 | 601,745 | 32,307 |
| RV park | 510,000 | 510,000 | 688,922 | 178,922 |
| Terminals | 147,000 | 147,000 | 10,116 | (136,884) |
| Hoist dock | 243,000 | 243,000 | 506,056 | 263,056 |
| Intergovernmental | 17,200 | 17,200 | 13,874 | (3,326) |
| Launch ramp | 58,000 | 58,000 | 75,385 | 17,385 |
| Property taxes | 88,750 | 88,750 | 97,803 | 9,053 |
| Capital contributions | 0 | 0 | 9,000 | 9,000 |
| Loan proceeds | 0 | 150,000 | 0 | (150,000) |
| Interest | 2,500 | 2,500 | 5,282 | 2,782 |
| Miscellaneous | 85,600 | 85,600 | 86,244 | 644 |
| Total revenues | 2,856,488 | 3,006,488 | 3,280,421 | 273,934 |
| **EXPENDITURES** | | | | |
| Personal services | 1,124,806 | 1,124,806 | 930,655 | 194,151 |
| Materials and services | 1,328,297 | 1,328,297 | 1,252,581 | 75,716 |
| Capital outlay | 0 | 150,000 | 23,660 | 126,340 |
| Debt service | 578,205 | 578,205 | 579,149 | (944) |
| Total expenditures | 3,031,308 | 3,181,308 | 2,786,045 | 395,263 |
| Excess (def) of revenues over expenditures | (174,820) | (174,820) | 494,376 | 669,196 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 25,000 | 25,000 | 0 | (25,000) |
| Excess (def) of revenues over expenditures | (149,820) | (149,820) | 494,376 | 644,196 |
| Unappropriated ending fund balance | (700,180) | (700,180) | 0 | 700,180 |
| FUND BALANCE - Beginning of year (Budget) | 850,000 | 850,000 | 1,229,027 | 379,027 |
| Prior period adjustment | 0 | 0 | (308,368) | 308,368 |
| FUND BALANCE - Beginning of year - Restated (Budget) | 850,000 | 850,000 | 920,659 | 70,659 |
| FUND BALANCE - End of year (Budget) | $ 0 | $ 0 | 1,415,035 | $ 1,415,035 |
| **GAAP Adjustments** | | | | |
| Capital assets, net | | | 85,670,011 | |
| Accrued interest payable | | | (11,693) | |
| Long-term debt | | | (8,592,303) | |
| Pension | | | 158,894 | |
| FUND BALANCE - End of year (GAAP) | | | $ 78,639,944 | |

## PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2015

### BONDED DEBT FUND

| | Original and Final Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Property taxes | $ 917,423 | $ 962,344 | $ 44,921 |
| Interest | 150 | 963 | 813 |
| Total revenues | 917,573 | 963,307 | 45,734 |
| **EXPENDITURES** | | | |
| Debt service | 917,573 | 917,573 | 0 |
| Excess (def) of revenues over expenditures | 0 | 45,734 | 45,734 |
| FUND BALANCE - Beginning of year (Budget) | 0 | 120,592 | 120,592 |
| FUND BALANCE - End of year (Budget) | $ 0 | 166,326 | $ 166,326 |
| **GAAP Adjustments** | | | |
| Bond issue costs | | 91,334 | |
| Long-term debt | | (13,725,916) | |
| FUND BALANCE - End of Year (GAAP) | | $ (13,468,256) | |

## PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2015

### FACILITIES MAINTENANCE FUND

| | Original and Final Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Interest | $ 125 | $ 140 | $ 15 |
| Loan | 93,750 | 0 | (93,750) |
| Grants | 510,000 | 0 | (510,000) |
| Total revenues | 603,875 | 140 | (603,735) |
| **EXPENDITURES** | | | |
| Materials and services | 220,000 | 0 | 220,000 |
| Capital outlay | 762,500 | 118,358 | 644,142 |
| Total expenditures | 982,500 | 118,358 | 864,142 |
| Excess (def) of revenues over expenditures | (378,625) | (118,218) | 260,407 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 125,000 | 0 | (125,000) |
| Excess (def) of revenues over expenditures | (253,625) | (118,218) | 135,407 |
| Unappropriated ending fund balance | (26,375) | 0 | 26,375 |
| FUND BALANCE - Beginning of year (Budget) | 280,000 | 166,596 | (113,404) |
| FUND BALANCE - End of year (Budget) | $ 0 | 48,378 | $ 48,378 |
| **GAAP Adjustments** | | | |
| Capital outlay | | 113,358 | |
| Transfer | | (113,358) | |
| FUND BALANCE - End of Year (GAAP) | | $ 48,378 | |

## PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2015

### CONSTRUCTION FUND

| | Original Budget | Final Budget | Actual | Variance |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Interest | $ 500 | $ 500 | $ 1,253 | $ 753 |
| Intergovernmental | 638,993 | 638,993 | 193,108 | (445,885) |
| Loan proceeds | 0 | 693,885 | 0 | (693,885) |
| Total revenues | 639,493 | 1,333,378 | 194,361 | (1,139,017) |
| **EXPENDITURES** | | | | |
| Capital outlay | 1,389,493 | 1,835,378 | 761,898 | 1,073,480 |
| Excess (def) of revenues over expenditures | (750,000) | (502,000) | (567,537) | (65,537) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | 0 | (248,000) | 0 | 248,000 |
| Excess (def) of revenues over expenditures | (750,000) | (750,000) | (567,537) | 182,463 |
| FUND BALANCE - Beginning of year (Budget) | 750,000 | 750,000 | 750,804 | 804 |
| FUND BALANCE - End of year (Budget) | $ 0 | $ 0 | 183,267 | $ 183,267 |
| **GAAP Adjustments** | | | | |
| Capital outlay | | | 755,645 | |
| Transfer | | | (755,645) | |
| FUND BALANCE - End of Year (GAAP) | | | $ 183,267 | |

## PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2015

## NOAA LEASE REVENUE FUND

| | Original Budget | Final Budget | Actual | Variance |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Leases | $ 2,538,000 | $ 2,538,000 | $ 2,537,310 | $ (690) |
| Interest | 10,000 | 10,000 | 10,651 | 651 |
| Total revenues | 2,548,000 | 2,548,000 | 2,547,961 | (38) |
| **EXPENDITURES** | | | | |
| Personal services | 106,975 | 106,975 | 103,264 | 3,711 |
| Materials and services | 382,387 | 630,387 | 429,194 | 201,193 |
| Debt service | 2,001,500 | 2,001,500 | 2,001,359 | 141 |
| Contingency | 100,000 | 100,000 | 0 | 100,000 |
| Total expenditures | 2,590,862 | 2,838,862 | 2,533,817 | 305,045 |
| Excess (def) of revenues over expenditures | (42,862) | (290,862) | 14,144 | 305,006 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 0 | 248,000 | 0 | (248,000) |
| Transfers out | (150,000) | (150,000) | 0 | 150,000 |
| Total other financing sources (uses) | (150,000) | 98,000 | 0 | (98,000) |
| Excess (def) of revenues over expenditures | (192,862) | (192,862) | 14,144 | 207,006 |
| Unappropriated ending fund balance | (5,097,138) | (5,097,138) | 0 | 5,097,138 |
| FUND BALANCE - Beginning of year (Budget) | 5,290,000 | 5,290,000 | 5,602,310 | 312,310 |
| Prior period adjustment | 0 | 0 | (50,526) | (50,526) |
| FUND BALANCE - Beginning of year - Restated (Budget) | 5,290,000 | 5,290,000 | 5,551,784 | 261,784 |
| FUND BALANCE - End of year (Budget) | $ 0 | $ 0 | 5,565,928 | $ 5,565,928 |
| **GAAP Adjustments** | | | | |
| Accrued interest payable | | | (499,410) | |
| Long-term debt | | | (21,554,005) | |
| Pension | | | 26,035 | |
| FUND BALANCE - End of year (GAAP) | | | $ (16,461,452) | |

## PORT OF NEWPORT. OREGON

### RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2015

| | Total Revenues | Total Expenditures | Net |
|---|---|---|---|
| **Budgetary Basis** | | | |
| General Operating Fund | $ 3,280,421 | $ 2,786,045 | $ 494,376 |
| Bonded Debt Fund | 963,307 | 917,573 | 45,734 |
| Facilities Maintenance Fund | 140 | 118,358 | (118,218) |
| Construction Fund | 194,361 | 761,898 | (567,537) |
| NOAA Lease Revenue Fund | 2,547,961 | 2,533,817 | 14,144 |
| Total budgetary basis | $ 6,986,190 | $ 7,117,691 | (131,501) |
| **Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis** | | | |
| Payment of long-term debt | | | 1,383,371 |
| Capital outlay | | | 918,923 |
| Accrued interest | | | 676 |
| Amortization of bond premium/discount | | | (18,323) |
| Depreciation | | | (3,325,972) |
| Pension | | | 184,929 |
| Change in net position | | | (987,897) |
| NET POSITION - Beginning of year | | | |
| As originally stated | | | 50,288,672 |
| Prior period adjustment - pension | | | (358,894) |
| As restated | | | 49,929,778 |
| NET POSITION - End of year | | | $ 48,941,881 |

## PORT OF NEWPORT, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS
for the Year Ended June 30, 2015

| Levy Year | 7/1 Balance | Current Levy | Tax Roll Adjustments | Tax Collection | 6/30 Balance |
|---|---|---|---|---|---|
| 2014-15 | $ 0 | $ 1,085,105 | $ (28,346) | $ 1,010,816 | $ 45,943 |
| 2013-14 | 45,608 | 0 | (329) | 20,059 | 25,220 |
| 2012-13 | 22,031 | 0 | (306) | 6,487 | 15,238 |
| 2011-12 | 9,281 | 0 | (57) | 4,323 | 4,901 |
| 2010-11 | 5,970 | 0 | (96) | 2,824 | 3,050 |
| Prior Years | 4,290 | 0 | (363) | 609 | 3,318 |
| Totals | $ 87,180 | $ 1,085,105 | $ (29,497) | $ 1,045,118 | $ 97,670 |

PROPERTY TAX RECEIVABLE

| | Balance |
|---|---|
| General Operating Fund | $ 10,745 |
| Bonded Debt Fund | 86,925 |
| Total | $ 97,670 |

# PORT OF NEWPORT
# OREGON

## COMPLIANCE SECTION

November 6, 2015

## INDEPENDENT AUDITOR'S REPORT
## REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Port of Newport
Newport, Oregon

I have audited the basic financial statements of the Port of Newport as of and for the year ended June 30, 2015, and have issued my report thereon November 6, 2015. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Port of Newport financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations, 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 my audit, and accordingly, I do not express such an opinion.

I performed procedures to the extent I considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Accounting records and related internal control structure.
- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- Programs funded from outside sources.

In connection with my testing nothing came to my attention that caused me to believe the Port of Newport was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following as noted below:

| | | |
|---|---|---|
| General Operating Fund - Debt Service | $ | 944 |

**Internal Control Over Financial Reporting**

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

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

**Purpose of This Report**

This report is intended solely for the information and use by the Commissioners and management of Port of Newport, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

**SIGNE GRIMSTAD**
Certified Public Accountant