

**PORT OF UMPQUA
Reedsport, Oregon**

AUDIT REPORT

JUNE 30, 2018

Prepared By
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
Newport, Oregon 97365

**PORT OF UMPQUA
Reedsport, Oregon**

BOARD OF COMMISSIONERS

President	Steve Reese PO Box 164 Reedsport, OR 97467
Vice-President	Keith Tymchuk 1405 Ranch Road Reedsport, OR 97467
Secretary	Barry Nelson PO Box 1641 Winchester Bay, OR 97467
Treasurer	Lee Bridge 2700 Ridgeway Drive Reedsport, OR 97467
Assistant Secretary	Carey Jones 5159 Smith River Road Reedsport, OR 97467

ADMINISTRATION

Port Manager	Charmaine Vitek
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ADDRESS

1877 Winchester Ave.
Reedsport, Oregon 97467

**PORT OF UMPQUA
Reedsport, Oregon**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Umpqua
Reedsport, Oregon

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Port of Umpqua (Port), as of and for the year ended June 30, 2018, 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 of Umpqua as of June 30, 2018, 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.

Members:
AICPA OSCPA & OAI A

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussions and analysis, 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's basic financial statements. The budget and actual schedules and reconciliation to net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental budget schedules and reconciliation to net position are the responsibility of management and were 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, the budget to actual schedules and reconciliation to net position are 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 December 14, 2018, on my consideration of Port of Umpqua'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
Newport, Oregon
December 14, 2018

PORT OF UMPQUA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Port of Umpqua (Port), we offer readers of the Port's financial statements this narrative overview and analysis of the financial business-type activities of the Port for the fiscal year ended June 30, 2018. This management discussion and analysis is presented at the front of each year's financial statements. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the Port's financial statements and the notes thereto, which follow this narrative. The Port's audit report for the year ended June 30, 2018 was unmodified with no qualifications or exceptions noted.

The Port's basic financial statements include:

- Statement of Net Position for proprietary/business-type activities that provides an overview of assets owned by the Port, the debts owned by the Port and the net difference available as a resource for future operations and activities.
- Statement of Revenues, Expenses and Changes in Net Position that summarizes the operation expenses of the Port and how operation revenues, taxes, grants and other resources cover those expenditures.
- Statement of Cash Flows that provides an objective summary of the financial condition of the Port as actual cash is received and disbursed.

Overview of Financial Statements

The Statement of Net Position shows information concerning the Port's assets, liabilities and net position. Net position is the difference between assets and liabilities. Increases or decreases may indicate, over time, if the financial position of the Port is improving or deteriorating.

The following condensed financial information summarizes the Port's financial position for the fiscal year ending June 30.

	<u>2018</u>	<u>Restated 2017</u>	<u>Variance</u>
Assets			
Current and other assets	\$ 1,166,218	\$ 1,168,244	\$ (2,026)
Capital assets, net of accum. dep.	<u>1,272,001</u>	<u>1,259,307</u>	<u>12,694</u>
Total assets	<u>\$ 2,438,219</u>	<u>\$ 2,427,551</u>	<u>\$ 10,668</u>
Liabilities			
Current and other liabilities	\$ 9,086	\$ 21,040	\$ (11,954)
Net Position			
Net invested in capital assets	1,272,001	1,267,633	4,368
Unrestricted	<u>1,157,132</u>	<u>1,138,878</u>	<u>18,254</u>
Total net position	<u>2,429,133</u>	<u>2,406,510</u>	<u>22,622</u>
Total liabilities and net position	<u>\$ 2,438,219</u>	<u>\$ 2,427,551</u>	<u>\$ 10,668</u>

Summary of Operations and Changes in Net Position

Below is a summary of operations of the current fiscal year ending June 30, 2018 compared to the prior year.

Change in Net Position at Fiscal Year End

	<u>2018</u>	<u>Restated 2017</u>	<u>Variance</u>
Revenues			
Program			
Charges for services	\$ 109,602	\$ 53,256	\$ 56,346
Leases and rentals	27,583	24,869	2,714
General			
Miscellaneous	13	0	13
Property taxes	205,585	197,643	7,942
Investment income	1,622	1,615	7
Coos Bay Wagon Road	44,037	27,913	16,124
Total revenues	<u>388,442</u>	<u>305,296</u>	<u>83,146</u>
Expenses			
Program			
Services	250,964	226,436	24,528
General			
Coos Bay Wagon Road	44,037	27,913	16,124
Depreciation	70,818	73,881	(3,063)
Total expenses	<u>365,819</u>	<u>328,230</u>	<u>37,589</u>
Change in net position	22,623	(22,934)	45,557
Net position restated – July 1	<u>2,406,510</u>	<u>2,429,445</u>	<u>(22,935)</u>
Net position – June 30	<u>\$ 2,429,133</u>	<u>\$ 2,406,510</u>	<u>\$ 22,622</u>

Restated - See Note 9.

Financial Highlights

Total assets of the Port are \$2,438,219 with Capital Assets of \$1,272,001 net of accumulated depreciation. The majority of capital assets is in real estate. Current Assets are \$1,166,218 at June 30, 2018.

The assets of the Port exceeded its liabilities at the close of the fiscal year by \$2,429,133 (net position). All of this amount may be used to meet the Port's ongoing obligations.

Investment in capital assets is \$1,272,001.

The Port's net position increased by \$22,622 from June 30, 2017.

Total operating revenues for the fiscal year 2017-18 was \$137,185 which is a increase of 43% over the prior year. This is due in part from an increase of rental activity.

Total operating expenses for the fiscal year 2017-18 was \$321,782, representing an increase of 7.15%.

Total liabilities are \$9,086 with no long term liabilities.

The Port of Umpqua is an enterprise fund similar to a commercial entity for reporting purposes. From the summary, it is apparent operational revenues do not meet operational expenses, requiring property taxes and other non-operational sources to support the enterprise.

Debt Administration

In the 2017-2018 fiscal year the Port continues to remain debt free. No long term or short term debt was incurred.

Budgetary Highlights

Revenues and expenses remained within the existing budget requirements.

The Port has long considered obtaining and operating a commercial flake ice making device to support the local fishing fleet. The fishermen have voiced their need for the availability of commercial ice for many years. Investigation into options to provide this amenity by the Port had proven not to be feasible due to the high cost of the equipment, operation and maintenance as well as the seasonal demand for the ice. Due to the discovery of a smaller, less expensive operation, the Port decided to pursue this endeavor and has installed an ice making machine and refrigerated container at Salmon Harbor. This has proven to be challenging for Port staff. The machine makes high quality ice when it is working properly but breaks down often and needs to be constantly maintained. This year revenue from the ice machine was \$17,875 which exceeds expectations however maintenance and repairs continue to be problematic.

Economic Outlook

During the 2017-2018 fiscal year the Port maintained its level of service to the patrons of the Port. Though some reports continue to indicate the state of the economy is slowly improving nationally, locally and on the Oregon South Coast the reported upturn is not as evident. The Port continues to seek possible industrial or commercial interests that might locate or relocate to the area. The local fishing industry continued to see sustained catch levels except in the case of some restrictions on the ocean salmon fishery, and prices stay in an acceptable range for most seafood products.

The Federal Government did not provide funding to the Army Corp of Engineers (ACOE) to dredge the Umpqua River bar entrance in 2018 and we were in jeopardy of not getting annual maintenance dredging for that reason. The State of Oregon was able to provide funding for 5 days of dredging under a Memorandum of Understanding which allows the ACOE to accept funding from the State in time of need when the Federal Government can't or won't provide funding for the Federal project. The Port will continue to advocate for dredging of the Umpqua River bar in the future. Funding for this project has been coming from a 'special pot' of funds allocated to the ACOE for subsistence or 'low use' Ports. This revenue source must be reallocated annually and is highly sought after. Getting funding for annual maintenance dredging is an ongoing, laborious process however keeping the rivers, channels, harbors and marinas open, operating and safe is vital to the Coastal economy and the Port District. The future of funding for dredging continues to be dire. Federal funding for Corps projects continues to be non-existent. Insufficient maintenance dredging could impact the navigability of the river, impacting the Port's operation and safety of the local fleet as well as the US Coast Guard Station Umpqua River. For the 2019 season the Port of Umpqua has been allocated a total of \$1,893,000 through the President's budget and ACOE work plan funding.

Financial Contact

The Port's financial statements are designed to present citizens, taxpayers, investors and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability. If you have questions about this report or need additional financial information, please contact the Port Manager at 1877 Winchester Avenue, Reedsport, Oregon, 97467.

**PORT OF UMPQUA
Reedsport, Oregon**

STATEMENT OF NET POSITION as of June 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,079,736
Receivables	77,347
Prepaid expenses	<u>9,135</u>
Total current assets	<u>1,166,218</u>

Capital Assets

Land	166,682
Buildings and equipment, net of accumulated depreciation	<u>1,105,319</u>
Total capital assets	<u>1,272,001</u>

Total assets	<u><u>\$ 2,438,219</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 2,085
Compensated absences	<u>7,001</u>
Total current liabilities	<u>9,086</u>

Net Position

Net invested in capital assets	1,272,001
Unrestricted	<u>1,157,132</u>

Total net position	<u>2,429,133</u>
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Total liabilities and net position	<u><u>\$ 2,438,219</u></u>
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The notes to the financial statements are an integral part of this statement.

**PORT OF UMPQUA
Reedsport, Oregon**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION for the Year Ended June 30, 2018**

OPERATING REVENUES

Charges for services	\$ 109,602
Leases and rentals	<u>27,583</u>
Total operating revenues	<u>137,185</u>

OPERATING EXPENSES

Personnel services	142,788
Materials and services	108,176
Depreciation	<u>70,818</u>
Total operating expenses	<u>321,782</u>

Operating Income (Loss)	<u>(184,597)</u>
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NON-OPERATING REVENUE (EXPENSES)

Coos Bay Wagon Road fees	44,037
Property taxes	205,585
Interest income	1,622
Miscellaneous expense	13
Coos Bay Wagon Road expense	<u>(44,037)</u>

Total non-operating revenue (expenses)	<u>207,220</u>
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Change in net position	<u>22,623</u>
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NET POSITION - Beginning of year - as originally stated	2,414,836
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Prior period adjustment	<u>(8,326)</u>
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NET POSITION - Beginning of year - restated	<u>2,406,510</u>
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NET POSITION - End of year	<u><u>\$ 2,429,133</u></u>
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The notes to the financial statements are an integral part of this statement.

**PORT OF UMPQUA
Reedsport, Oregon**

STATEMENT OF CASH FLOWS for the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 83,992
Cash payments for goods and services	(119,852)
Cash payments for employees and benefits	<u>(142,788)</u>
Net cash provided (used) by operating activities	<u>(178,648)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes collected	205,597
Coos Bay Wagon Road fees	44,037
Coos Bay Wagon Road expense	<u>(44,037)</u>
Net cash provided (used) by noncapital financing activities	<u>205,597</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital acquisitions	<u>(83,512)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>1,622</u>
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Net increase (decrease) in cash and cash equivalents	(54,941)
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Cash and cash equivalents - Beginning of year (unrestricted)	<u>1,134,677</u>
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Cash and cash equivalents - End of year (unrestricted)	<u><u>\$ 1,079,736</u></u>
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**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
(USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (184,597)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	70,818
(Increase)decrease in operating assets	
Accounts receivable	(52,915)
Accounts payable	<u>(11,954)</u>
Net cash provided (used) by operating activities	<u><u>\$ (178,648)</u></u>

The notes to the financial statements are an integral part of this statement.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Port of Umpqua (Port) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting standards.

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

Reporting Entity

The Port of Umpqua, organized under the general laws of the State of Oregon, was formed to create economic development and quality jobs by maintaining and adding waterborne and land transportation infrastructure. The Board of Commissioners, composed of five members, oversee management in its operations.

There are various other governmental agencies and special service districts which 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, Presentation and Basis of Accounting

Port of Umpqua 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 utilizing accounting principles applicable to commercial enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

The Port maintains five funds used to account for operations that are financed and operated in a manner similar to private business enterprises.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expense result from providing, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Enterprise funds charge to customers for sales and services. Operating expense for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

When 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.

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.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments

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.

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 does not have a written capitalization policy; however, it recognizes assets with an initial cost or donated value of \$5,000 and life 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. The useful lives are 15 to 40 years for docks, ramps, heavy equipment, and buildings, 10 years for intangibles, and 5 to 15 years for small and medium equipment.

Compensated Absences

The Port's policy is to recognize accumulated earned but unused vacation and sick pay benefits up to 30 days per year, beginning after 90 days of employment. Vacation and sick pay are computed using the employee pay rates in effect at the time they are earned.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers and as a general rule are eliminated from the enterprise financial statements. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Items

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

Net Position

Investment in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt (revenue bonds and other debt obligations) that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposing legal mandates. Unrestricted consists of all other net assets not included in the above categories.

Restricted Assets

Assets that may be refunded or are committed to be used for the payment of bonded debt are classed as restricted assets on the balance sheet. Restricted resources are expended first to fund appropriations for which those restrictions are to be utilized.

Operating Revenues, Non-Operating Revenues and Operating Expenses

The Port has defined operating revenues to include lease, hoist, moorage, poundage, and ice machine fees. Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and amortization. Non-operating revenues are revenues of the Port not directly attributable to the services provided. This includes property taxes, investment interest, Coos Bay Wagon Road fees, and granted monies.

Tax Abatement

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments that enter into tax abatement agreements to disclose information about those agreements. The Port has not entered into any tax abatement agreements as of the end of the fiscal year. Therefore, there are no amounts to disclose.

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.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2018**

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: personnel 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 cash basis of accounting. A reconciliation schedule brings the budget cash basis to full accrual for compliance with generally accepted accounting principles.

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 of Commissioners. 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 of Commissioners. Appropriations are limited to a single fiscal year; therefore, all spending authority of the Port lapse at year end.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Balance</u>
Cash on hand	\$ 75
Deposits with financial institutions	1,078,400
Douglas County	<u>1,261</u>
Total cash and cash equivalents	<u><u>\$1,079,736</u></u>

Deposits

At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of \$1,105,817, of which \$250,000 was covered by FDIC. See *Custodial Credit Risk*.

Custodial Credit Risk

As required by Oregon Revised Statutes, 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.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2018**

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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.

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 88% of funds in a money market at the local bank.

NOTE 4 - RECEIVABLES

Receivables at year end consist of the following:

	<u>Balance</u>
Property taxes	\$ 21,629
Accounts receivable	<u>55,718</u>
Total receivables	<u>\$ 77,347</u>

Uncollected receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible has been established.

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:

	<u>7/01 Revised Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30 Balance</u>
Capital assets not being depreciated				
Land	\$ 166,682	\$ 0	\$ 0	\$ 166,682

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2018**

NOTE 5 - CAPITAL ASSETS - Continued

	Restated 7/01 Balance	Increases	Decreases	6/30 Balance
Capital assets being depreciated				
Buildings and improvements	2,901,531	62,191	0	2,963,722
Furniture and equipment	236,784	21,321	0	258,105
Total depreciable at historical cost	<u>3,138,315</u>	<u>83,512</u>	<u>0</u>	<u>3,221,827</u>
Accumulated depreciation				
Buildings and improvements	2,010,925	60,892	0	2,071,817
Furniture and equipment	34,765	9,926	0	44,691
Total accumulated depreciation	<u>2,045,690</u>	<u>70,818</u>	<u>0</u>	<u>2,116,508</u>
Total depreciable, net	<u>1,092,625</u>	<u>12,694</u>	<u>0</u>	<u>1,105,319</u>
Capital assets, net	<u>\$ 1,259,307</u>	<u>\$ 12,694</u>	<u>\$ 0</u>	<u>\$ 1,272,001</u>

Current year depreciation is \$70,818.

NOTE 6 - INTERFUND TRANSFERS

Below is a summary of transfers for the year:

	Source	Use
General Fund	\$ 0	\$ 15,000
Maintenance Reserve Fund	15,000	0
Total	<u>\$ 15,000</u>	<u>\$ 15,000</u>

The purpose of inter-fund transfers is to build Maintenance Reserve.

NOTE 7 - LEASE

The Port has a lease agreement with the State of Oregon for submerged and submersible land. The terms of the lease are November 1, 2014 through October 31, 2029 with payments of \$807 per year or an amount set by redetermination at any time after the first anniversary date of the lease. In the current year the payment was \$882 and future rental payments are as follows:

Year End	Balance
2019	\$ 908
2020	935
2021	963
2022	992
2023	1,052
2024-29	7,011
Total	<u>\$ 11,861</u>

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2018**

NOTE 8 - DEFERRED COMPENSATION PLAN

The Port offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Port employees, permits a portion of salary to be deferred into future years when there is retirement, termination, death, or an unforeseeable emergency. It is administered by independent plan administrators through administrative service agreements. The Port's administrative involvement is limited to transmitting amounts withheld from payroll and contributions by the Port to the plan administrator who performs investing function.

The Port does not have any liability for losses under the plan, but does have the duty to administer the plan in a prudent manner. In accordance with GASB No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the plan's assets are not included in the accompanying balance sheet.

NOTE 9 - PRIOR PERIOD

It was determined in the current year that capital assets were overstated by \$8,326 causing the expenditures to be understated by this amount for the year ended June 30, 2017. This amount represents a portion of the cost of painting the building.

NOTE 10 - POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* became effective. This statement provides guidance for accounting for liabilities related to retiree healthcare and other non-pension portemployment benefits (OPEB). At June 30, 2018, the Port's net OPEB liability/(asset) and deferred inflows and outflows were determined by Management not to be material to the financial statements taken as a whole. Accordingly, no assets or liabilities relating to OPEB have been reported on the government-wide statements.

NOTE 11 - 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

The Port has evaluated subsequent events through December 14, 2018, the date which the financial statements were available to be issued.

**PORT OF UMPQUA
Reedsport, Oregon**

SUPPLEMENTAL SECTION

**PORT OF UMPQUA
Reedsport, 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 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.

Dock Reserve Fund

The fund is used to account for expenditures for major construction and improvement. Principal sources of revenue are moorage fees.

Maintenance Reserve Fund

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

Capital Reserve Fund

The fund is used for capital improvements and acquisitions.

Operation Reserve Fund

The fund is used for operation and maintenance as authorized by the General Fund Budget.

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

GENERAL FUND

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Property taxes - current	\$ 193,170	\$ 196,876	\$ 3,706
Property taxes - prior	11,500	8,987	(2,513)
Interest	500	572	72
Coos Bay Wagon Road fees	50,000	44,037	(5,963)
Grants and loans	50,000	0	(50,000)
Co-op community marketing	34,000	0	(34,000)
Leases	13,620	8,418	(5,202)
Poundage	25,000	26,844	1,844
Keycard/hoist receipts	8,000	11,690	3,690
Building rental	11,100	12,025	925
Ice machine revenue	10,000	17,875	7,875
Miscellaneous	1,000	13	(987)
Total revenues	<u>407,890</u>	<u>327,337</u>	<u>(80,553)</u>
EXPENDITURES			
Personnel services	169,500	142,788	26,712
Materials and services	163,200	83,992	79,208
Capital outlay	135,000	26,947	108,053
Special payments	135,000	75,037	59,963
Contingency	230,073	0	230,073
Total expenditures	<u>832,773</u>	<u>328,764</u>	<u>504,009</u>
Excess (def) of revenues over expenditures	(424,883)	(1,427)	423,456
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(439,883)	(16,427)	423,456
FUND BALANCE - Beg of year (Budget)	<u>439,883</u>	<u>455,412</u>	<u>15,529</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	438,985	<u>\$ 438,985</u>
GAAP ADJUSTMENTS - Reconciled to June 30, 2017, net of prior period adjustment		1,239,239	
Capital asset activity			
Assets acquisition		21,321	
Depreciation		(70,818)	
Asset transfer		62,191	
Change in accrual accounts			
Accounts payable		11,931	
Accounts receivable		53,193	
Property receivables		<u>(278)</u>	
FUND BALANCE - End of year (GAAP)		<u>\$ 1,755,764</u>	

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

DOCK RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Interest	\$ 330	\$ 307	\$ (23)
Moorage	<u>15,000</u>	<u>7,140</u>	<u>(7,860)</u>
Total revenues	15,330	7,447	(7,883)
EXPENDITURES			
Capital outlay	<u>227,263</u>	<u>61,680</u>	<u>165,583</u>
Excess (def) of revenues over expenditures	(211,933)	(54,233)	157,700
FUND BALANCE - Beginning of year (Budget)	<u>211,933</u>	<u>225,850</u>	<u>13,917</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	171,617	<u>\$ 171,617</u>
GAAP ADJUSTMENTS			
Assets acquisition		(62,191)	
Asset transfer		<u>62,191</u>	
FUND BALANCE - End of year		<u>\$ 171,617</u>	

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

MAINTENANCE RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Interest	\$ 75	\$ 71	\$ (4)
EXPENDITURES			
Capital outlay	<u>55,668</u>	<u>0</u>	<u>55,668</u>
Excess (def) of revenues over expenditures	(55,593)	71	55,664
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Excess (def) of revenues over expenditures and transfers	(40,593)	15,071	55,664
FUND BALANCE - Beginning of year (Budget)	<u>40,593</u>	<u>40,617</u>	<u>24</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 55,688</u>	<u>\$ 55,688</u>

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

CAPITAL RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Interest	\$ 500	\$ 492	\$ (8)
EXPENDITURES			
Capital outlay	<u>429,563</u>	<u>0</u>	<u>429,563</u>
Excess (def) of revenues over expenditures	(429,063)	492	429,555
FUND BALANCE - Beginning of year (Budget)	<u>429,063</u>	<u>325,934</u>	<u>(103,129)</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 326,426</u>	<u>\$ 326,426</u>

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018**

OPERATION RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Interest	\$ 180	\$ 180	\$ 0
EXPENDITURES			
Capital outlay	<u>119,459</u>	<u>0</u>	<u>119,459</u>
Excess (def) of revenues over expenditures	(119,279)	180	119,459
FUND BALANCE - Beginning of year (Budget)	<u>119,279</u>	<u>119,458</u>	<u>179</u>
FUND BALANCE - End of year (Budget)	<u><u>\$ 0</u></u>	<u><u>\$ 119,638</u></u>	<u><u>\$ 119,638</u></u>

**PORT OF UMPQUA
Reedsport, 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, 2018**

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 327,337	\$ 343,764	\$ (16,427)
Dock Reserve Fund	7,447	61,680	(54,233)
Maintenance Reserve Fund	15,071	0	15,071
Capital Reserve Fund	492	0	492
Operations Reserve Fund	<u>180</u>	<u>0</u>	<u>180</u>
Total budgetary basis	<u>\$ 350,527</u>	<u>\$ 405,444</u>	(54,917)
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Assets acquisition			83,512
Depreciation			(70,818)
Change in accrual accounts			
Accounts payable			11,931
Accounts receivable			53,193
Taxes receivable			<u>(278)</u>
Change in net position			<u>22,623</u>
NET POSITION - Beginning of year			2,414,837
Prior period adjustment			<u>(8,326)</u>
NET POSITION - Beginning of year revised			<u>2,406,510</u>
NET POSITION - End of year			<u>\$ 2,429,133</u>

**PORT OF UMPQUA
Reedsport, Oregon**

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Port of Umpqua
Reedsport, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the basic financial statements of the Port of Umpqua (Port), which comprise the statement of net position as of June 30, 2018, and the related statements of revenue, expense, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued my report thereon dated December 14, 2018.

Compliance

As part of obtaining reasonable assurance about whether the Port of Umpqua financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, 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 Umpqua was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

Internal Control Over Financial Reporting


In planning and performing my audit of the financial statements, I considered Port of Umpqua'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's internal control. Accordingly, I do not express an opinion on the effectiveness of the Port'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. 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 of the Commissioners and management of Port of Umpqua, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than those specified parties.



SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
December 14, 2018