

PORT OF UMPQUA

Reedsport, Oregon

AUDIT REPORT

JUNE 30, 2023

Prepared By
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Certified Public Accountant
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Newport, Oregon 97365

**PORT OF UMPQUA
Reedsport, Oregon**

BOARD OF COMMISSIONERS

President	Keith Tymchuk 1405 Ranch Road Reedsport, OR 97467
Vice-President	Eric Boe PO Box 1601 Winchester Bay, OR 97467
Secretary	Carey Jones 5159 Smith River Road Reedsport, OR 97467
Treasurer	Joe Mulkey 8240 Lower Smith River RD Reedsport, OR 97467
Assistant Secretary	Deborah Yates 723 Mill Ave. Reedsport, OR 97467

ADMINISTRATION

Port Manager	Scott Kent
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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

Opinion

I have audited the accompanying financial statements of the business-type activities of Port of Umpqua (Port) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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 Port of Umpqua as of June 30, 2023, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Port of Umpqua, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Umpqua's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Port of Umpqua's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Umpqua's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Government 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 management's discussion and analysis 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.

Supplementary 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 supplemental budget schedules and reconciliation to net position presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplemental budget 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 20, 2023 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 compliance testing and not to provide an opinion on compliance.

SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
December 20 2023

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, 2023. 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, 2023 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 owed 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>2023</u>	<u>2022</u>	<u>Variance</u>
Assets			
Current and other assets	\$ 1,429,750	\$ 1,298,586	\$ 131,164
Capital assets, net of accum. dep.	1,180,860	1,246,344	(65,484)
Other assets	<u>829,299</u>	<u>839,695</u>	<u>(10,396)</u>
Total assets	<u>\$ 3,439,909</u>	<u>\$ 3,384,625</u>	<u>\$ 55,284</u>
Liabilities			
Current and other liabilities	\$ 18,178	\$ 1,970	\$ 16,208
Long – term liabilities	<u>11,867</u>	<u>19,101</u>	<u>(7,234)</u>
Total liabilities	<u>30,045</u>	<u>21,071</u>	<u>8,974</u>
Deferred inflows of resources			
Deferred inflows of resources-lease	<u>758,805</u>	<u>759,074</u>	<u>(269)</u>
Net Position			
Net invested in capital assets	1,168,585	1,233,674	(65,089)
Unrestricted	<u>1,482,474</u>	<u>1,370,806</u>	<u>111,668</u>
Total net position	<u>2,651,059</u>	<u>2,604,480</u>	<u>46,579</u>
Total liabilities and net position	<u>\$ 3,439,909</u>	<u>\$ 3,384,625</u>	<u>\$ 55,284</u>

Summary of Operations and Changes in Net Position

Below is a summary of operations of the current fiscal year ending June 30, 2023 compared to the prior year.

Change in Net Position at Fiscal Year End

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Revenues			
Program			
Charges for services	\$ 76,824	\$ 75,441	\$ 1,383
Leases and rentals	57,339	48,426	8,913
General			
Property taxes	248,300	223,983	24,317
Land Sale	0	135,000	(135,000)
Grant	16,530	0	16,530
Interest income	1,819	169	1,650
Asset disposal	(6,880)	0	(6,880)
Miscellaneous income	3,501	12,405	(8,904)
Total revenues	<u>397,433</u>	<u>495,424</u>	<u>(97,991)</u>
Expenses			
Program			
Charges for Services	292,250	293,530	(1,280)
Depreciation and amortization	58,604	57,505	1,099
Total expenses	<u>350,854</u>	<u>351,035</u>	<u>(181)</u>
Change in net position	46,579	144,389	(97,810)
Net position – July 1	<u>2,604,479</u>	<u>2,460,090</u>	<u>144,389</u>
Net position – June 30	<u>\$ 2,651,058</u>	<u>\$ 2,604,479</u>	<u>\$ 46,579</u>

Financial Highlights

Total assets of the Port are \$3,439,909 with Capital Assets of \$1,168,585 net of accumulated depreciation. The majority of capital assets is in real estate. Current Assets are \$1,429,750 at June 30, 2023.

The assets of the Port exceeded its liabilities at the close of the fiscal year by \$2,651,059 (net position). Of this amount \$1,482,474 may be used to meet the Port's ongoing obligations.

Investment in capital assets is \$1,168,585.

Total liabilities are \$30,045.

The Port's net position increased by \$46,579 from June 30, 2022.

Total operating revenues for the fiscal year 2022-23 was \$134,163 which is an increase of \$10,296 over the prior year.

Total operating expenses for the fiscal year 2022-23 was \$350,854, representing a decrease of \$181.

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 2022-23 fiscal year the Port continues to remain debt free other than the reporting of leases under GASB 87. No long term or short term debt was incurred in the current year.

Budgetary Highlights

Revenues and expenses remained within the existing budget requirements.

Economic Outlook

Parcel 3 of the industrial park in downtown Reedsport was sold to Northwest Landscape Management in November of 2021 for \$135,000, \$95,000 of which is a loan from the Port of Umpqua. The Port carries the loan for a term of ten years at an interest rate of 1.5 percent. Monthly payments of \$900, which include principal, interest, and extra to principal are being made to the Port. These payments are deposited in the capital reserve fund.

The Port purchased a parcel of land from Dougals County, known as the "Umpqua Spit" for \$65,000, in April of 2021, which was previously leased from Douglas County for approximately \$580 per month (nearly \$7,000 annually). This parcel, approximately 1.3 acres, including the commercial dock, is leased to Pacific Dream Seafoods, who also purchased Umpqua Bait. Pacific Dream started management of the spit in September 2021. Monthly lease payments are \$2,078 and are deposited into the general fund. Pacific Dream Seafoods is in the planning stage for construction of a new 7,200 square foot building on the site for the purposes of seafood processing, retail area, and general storage. The Port receives 0.03 \$/lb for fish and crab, 0.01 \$/lb for squid, and 0.015 \$/lb for shrimp that are unloaded across the dock, which is deposited into the general fund. Ice machine maintenance is coordinated by Pacific Dream Seafoods. The Port no longer receives income from the ice machine.

Revenue derived from moorage fees at the Umpqua River Commercial dock is deposited directly into the Dock reserve. This provides the interest earned in each fund to compound in that fund. It should be noted that revenue from the Umpqua River dock has been substantially less than in the past due to Fred Wahl moving operations to the Bolon Island site. Vessel moorage is \$50 per day; \$125 per week, and \$500 per month for vessels less than 65 feet; for vessels greater than 65 feet, the moorage is \$100 per day, \$250 per week, and \$1000 per month. Fred Wahl Marine Construction manages the moorage and for their work, they retain 10 percent of the fees. Moorage fees can vary between zero to \$3000 per month, depending on the required use.

Tenants at the Port of Umpqua Business Center and Parcel 2 (downtown Reedsport) include: Reedsport Massage (leases two offices for a total of \$320 per month) , Hideaway Project (leases one office for a total of \$170 per month), STEP and DayPubs (leases two offices for a total of \$275 per month), BlueJet (leases a suite for a total of \$550 per month), GrayGuns (leases a suite for a total of \$661 per month), and Tyree Oil (leases Parcel 2 for a total of \$636 per month. The total annual lease revenue is in excess of \$30,000 per year.

An updated Strategic Business Plan, drafted by Lane Council of Governments, has been completed and adopted by the board on November 15, 2023. A grant from Business Oregon in the amount of \$28,875 was received to help cover the total cost of the business plan, \$38,500.

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

**PORT OF UMPQUA
Reedsport, Oregon**

STATEMENT OF NET POSITION as of June 30, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,373,363
Receivables- Accounts	34,690
- Leases	700
Prepaid expenses	11,903
Note receivable, current portion	<u>9,094</u>
Total current assets	<u>1,429,750</u>

Capital Assets

Land	204,477
Buildings and equipment, net of accumulated depreciation	964,108
Right of use, net of amortization	<u>12,275</u>
Total capital assets	<u>1,180,860</u>

Other Assets

Operating lease, net of annual portion	758,105
Note receivable, net of annual portion	<u>71,194</u>
Total other assets	<u>829,299</u>
Total assets	<u><u>\$ 3,439,909</u></u>

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 11,350
Compensated absences	6,420
Operating lease	<u>408</u>
Total current liabilities	<u>18,178</u>

LONG TERM LIABILITIES

Operating lease, net of annual portion	<u>11,867</u>
Total long term liabilities	<u>11,867</u>
Total liabilities	<u>30,045</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - lease	<u>758,805</u>
Total deferred inflows of resources	<u>758,805</u>

Net Position

Net invested in capital assets	1,168,585
Unrestricted	<u>1,482,474</u>
Total net position	<u>2,651,059</u>
Total liabilities and net position	<u><u>\$ 3,439,909</u></u>

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, 2023**

OPERATING REVENUES

Charges for services	\$ 76,824
Leases and rentals	<u>57,339</u>
Total operating revenues	<u>134,163</u>

OPERATING EXPENSES

Personnel services	165,862
Materials and services	126,388
Depreciation and amortization	<u>58,604</u>
Total operating expenses	<u>350,854</u>
Operating Income (Loss)	<u>(216,691)</u>

NON-OPERATING REVENUE (EXPENSES)

Property taxes	248,300
Interest income	1,819
Miscellaneous income	3,501
Grant	16,530
Asset disposal	<u>(6,880)</u>
Total non-operating revenue (expenses)	<u>263,270</u>

Change in net position	46,579
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NET POSITION - Beginning of year	<u>2,604,480</u>
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NET POSITION - End of year	<u><u>\$ 2,651,059</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 128,892
Cash payments for goods and services	(118,470)
Cash payments for employees and benefits	<u>(157,653)</u>
Net cash provided (used) by operating activities	<u>(147,231)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes collected	244,935
Received from State forest sales	699
Grant proceeds	<u>7,083</u>
Net cash provided (used) by noncapital financing activities	<u>252,717</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	1,819
Proceeds from note receivable	<u>9,560</u>
Total cash flows from investing activities	<u>11,379</u>

Net increase (decrease) in cash and cash equivalents 116,865

Cash and cash equivalents - Beginning of year (unrestricted) 1,256,498

Cash and cash equivalents - End of year (unrestricted) \$ 1,373,363

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ (216,691)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation and amortization	58,604
(Increase)decrease in operating assets	
Accounts receivable	(2,571)
Prepaid expense	(2,768)
Increase (decrease) in operating liabilities	
Accounts payable	11,275
Compensated absences	<u>4,920</u>
Net cash provided (used) by operating activities	<u><u>\$ (147,231)</u></u>

Noncash

Acquisition of leased asset with addition to lease liability	\$ 12,275
Asset disposal	6,880

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, 2023**

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 four 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, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments - Continued

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.

Accounts Receivable

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.

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. 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.

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.

Prepaid Items

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

Deferred Inflows of Resources and Unearned Revenue

The Port recognizes revenues when earned. Amounts received in advance of the period in which services are rendered are recorded as a liability, unearned revenue. The Port recognizes inflows of resources that relate to future periods as deferred inflows of resources. Deferred inflows represents future lease revenue.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 leases, poundage, and 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, and granted monies.

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: 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.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Budget Law and Practice - Continued

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	1,372,027
Douglas County	<u>1,261</u>
Total cash and cash equivalents	<u>\$ 1,373,363</u>

Deposits

At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of \$1,382,252 of which \$500,000 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.

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.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023**

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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 100% of funds in a demand deposit account at the local bank.

NOTE 4 - RECEIVABLES

Receivables at year end consist of the following:

	<u>Balance</u>
Property taxes	\$ 24,305
Accounts receivable	3,302
Grant receivable	<u>7,083</u>
Total receivables	<u>\$ 34,690</u>

NOTE 5 - NOTE RECEIVABLE

On November 15, 2021, the Port closed on a sale of land located in the Industrial Park for \$135,000. In closing, \$38,852 was received with a \$95,000 note, payable monthly over 10 years with interest at 1.5%. The balance as of June 30, 2023 is \$80,288.

NOTE 6 - CAPITAL ASSETS

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

	<u>7/01 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30 Balance</u>
Capital assets not being depreciated				
Land	\$ 166,682	\$ 37,795	\$ 0	\$ 204,477
Work in progress	151,815	0	(151,815)	0
Total not being dep	<u>318,497</u>	<u>37,795</u>	<u>(151,815)</u>	<u>204,477</u>
Capital assets being depreciated				
Buildings and improvements	3,000,097	114,020	0	3,114,117
Furniture and equipment	250,378	0	(12,900)	237,478
Intangible assets – Right of use	15,319	0	0	15,319
Total depreciable at historical cost	<u>3,265,794</u>	<u>114,020</u>	<u>(12,900)</u>	<u>3,366,914</u>
Accumulated depreciation				
Buildings and improvements	2,259,187	50,179	0	2,309,366
Furniture and equipment	76,111	8,030	(6,020)	78,121
Intangible assets – Right of use	2,649	395	0	3,044
Total accumulated depreciation	<u>2,337,947</u>	<u>58,604</u>	<u>(6,020)</u>	<u>2,390,531</u>
Total depreciable, net	<u>927,847</u>	<u>55,416</u>	<u>(6,880)</u>	<u>976,383</u>
Capital assets, net	<u>\$1,246,344</u>	<u>\$ 93,211</u>	<u>\$ (158,695)</u>	<u>\$1,180,860</u>

Current year depreciation is \$58,209 and amortization \$395.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023**

NOTE 7 – LEASED ASSETS AND LEASED LIABILITIES

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.

Lessee - Lease Payable

Leased asset and liability activity for the year ended June 30:

	7/1			6/30
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
State of Oregon - Right of use	\$ 15,319			\$ 15,319
Less - accum. Amort.	(2,649)	(395)		(3,044)
Leased asset, net	<u>\$ 12,670</u>	<u>\$ (395)</u>	<u>\$ -</u>	<u>\$ 12,275</u>
 Total liabilities	 <u>\$ 12,670</u>	 <u>\$ (395)</u>	 <u>\$ -</u>	 <u>\$ 12,275</u>

Amortization expense of \$395 and interest expense of \$412 were charged to operations.

Future maturities of the lease commitments are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 408	\$ 399
2025	421	386
2026	435	372
2027	449	358
2028	464	343
2029-33	2,555	1,480
2034-38	2,998	1,037
2039-43	3,518	517
2044-45	1,027	50
Total	<u>\$ 12,275</u>	<u>\$ 4,942</u>

Lessor - Lease Receivable

In the prior year, the Port leased a building, ramp and docking facilities to Pacific Dream Seafood, Inc. The term of the lease is for ten years starting September 8, 2021 and expiring September 8, 2031. Pacific Dreams Seafoods Inc. is expected to exercise its option to renew the lease for a further 3 consecutive periods of 10 years each. The lease requires monthly payments of \$2,078 for the first two-year period, with each year afterwards increasing between 2% and 4% following the Consumer Price Index (CPI). Future rental payments were based on a 2% CPI increase being applicable and all options to renew the lease were exercised.

PORT OF UMPQUA
Reedsport, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 7 – LEASED ASSETS AND LEASED LIABILITIES - Continued

Lessor - Lease Receivable

Leased asset and liability activity for the year ended June 30:

	7/1			6/30
	Balance	Increases	Decreases	Balance
Real Estate lease	\$ 759,861			\$ 759,861
Less - accum. Amort.	(786)	(270)		(1,056)
Leased asset, net	<u>\$ 759,075</u>	<u>\$ (270)</u>	<u>\$ -</u>	<u>\$ 758,805</u>
Deferred inflows of resources	<u>\$ 759,075</u>	<u>\$ (270)</u>	<u>\$ -</u>	<u>\$ 758,805</u>

The value of the leased asset at the beginning of the lease was estimated at \$759,861, with the present value of 40 years of lease payments discounted at 3.25%. The leased asset is being amortized over the lease term.

Future annual lease receivable is as follows:

Fiscal year	Principal	Interest
2024	\$ 700	\$ 24,652
2025	1,237	24,621
2026	1,803	24,573
2027	2,398	24,505
2028	3,023	24,418
2029-33	25,644	120,018
2034-38	46,578	114,244
2039-43	72,910	104,652
2044-48	105,757	90,275
2049-53	146,496	69,951
2054-58	196,700	42,274
2059-62	155,559	8,435
Total	<u>\$ 758,805</u>	<u>\$ 672,619</u>

The lease inflows of resource for the current year is as follows:

	Total
Lease revenue	\$ 270
Lease interest	24,666
Total lease inflows	<u>\$ 24,936</u>

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.

**PORT OF UMPQUA
Reedsport, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023**

NOTE 8 - DEFERRED COMPENSATION PLAN - Continued

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 - POSTEMPLOYMENT BENEFITS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* provides guidance for accounting for liabilities related to retiree healthcare and other non-pension employment benefits (OPEB). At June 30, 2023, the District'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 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.

Commitment

Business Oregon awarded a grant for \$28,875 to assist in the cost of the Strategic Business Plan. The project is scheduled to conclude in November 2023. To date drawdowns with a receivable total \$12,345.

Evaluation of Subsequent Events

The Port has evaluated subsequent events through December 20, 2023, 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 Projects Reserve Fund

The fund is used for capital improvements, acquisitions, investments, and operations.

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2023**

GENERAL FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes - current	\$ 218,694	\$ 218,694	\$ 239,757	\$ 21,063
Property taxes - prior	9,000	9,000	7,233	(1,767)
Interest	100	100	512	412
Grants and loans	125,000	125,000	16,530	(108,470)
Leases	7,200	7,200	7,452	252
Umpqua spit revenue	25,000	25,000	24,936	(64)
Poundage	60,000	60,000	74,253	14,253
Building rental	15,400	15,400	22,251	6,851
Miscellaneous	1,000	1,000	3,501	2,501
Total revenues	<u>461,394</u>	<u>461,394</u>	<u>396,425</u>	<u>(64,969)</u>
EXPENDITURES				
Personnel services	193,700	193,700	156,995	36,705
Materials and services	271,200	296,200	97,675	173,525
Capital outlay	140,000	140,000	0	140,000
Special payments	125,000	125,000	38,400	86,600
Contingency	334,004	309,004	0	334,004
Total expenditures	<u>1,063,904</u>	<u>1,063,904</u>	<u>293,070</u>	<u>770,834</u>
Excess (def) of revenues over expenditures	(602,510)	(602,510)	103,355	705,865
FUND BALANCE - Beg of year (Budget)	<u>602,510</u>	<u>602,510</u>	<u>628,178</u>	<u>25,668</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 0</u>	731,533	<u>\$ 731,533</u>
GAAP ADJUSTMENTS - Reconciled to June 30, 2022			1,315,387	
Capital asset activity				
Depreciation			(58,209)	
Asset disposal			(6,880)	
Change in accrual accounts				
Accounts payable			(11,209)	
Accounts receivable			2,571	
Prepaid insurance			2,768	
Property tax receivable			1,309	
Compensated absences			8,867	
Note receivable			(9,560)	
FUND BALANCE - End of year (GAAP)			<u>\$ 1,976,577</u>	

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2023**

DOCK RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 20	\$ 18	\$ (2)
Moorage	<u>1,000</u>	<u>2,700</u>	<u>1,700</u>
Total revenues	1,020	2,718	1,698
EXPENDITURES			
Capital outlay	<u>177,781</u>	<u>0</u>	<u>177,781</u>
Excess (def) of revenues over expenditures	(176,761)	2,718	179,479
FUND BALANCE - Beginning of year (Budget)	<u>176,761</u>	<u>178,129</u>	<u>1,368</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 180,847</u>	<u>\$ 180,847</u>

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2023**

MAINTENANCE RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 6	\$ 6	\$ 0
EXPENDITURES			
Capital outlay	<u>55,872</u>	<u>0</u>	<u>55,872</u>
Excess (def) of revenues over expenditures	(55,866)	6	55,872
FUND BALANCE - Beginning of year (Budget)	<u>55,866</u>	<u>55,872</u>	<u>6</u>
FUND BALANCE - End of year (Budget)	<u><u>\$ 0</u></u>	<u><u>\$ 55,878</u></u>	<u><u>\$ 55,878</u></u>

**PORT OF UMPQUA
Reedsport, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2023**

CAPITAL PROJECTS RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 50	\$ 43	\$ (7)
Miscellaneous	<u>10,800</u>	<u>10,800</u>	<u>0</u>
Total revenues	10,850	10,843	(7)
EXPENDITURES			
Capital outlay	<u>392,571</u>	<u>0</u>	<u>392,571</u>
Excess (def) of revenues over expenditures	(381,721)	10,843	392,564
FUND BALANCE - Beginning of year (Budget)	<u>381,721</u>	<u>426,914</u>	<u>45,193</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 437,757</u>	<u>\$ 437,757</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, 2023**

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 396,425	\$ 293,070	\$ 103,355
Dock Reserve Fund	2,718	0	2,718
Maintenance Reserve Fund	6	0	6
Capital Reserve Fund	<u>10,843</u>	<u>0</u>	<u>10,843</u>
Total budgetary basis	<u>\$ 409,992</u>	<u>\$ 293,070</u>	116,922
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Depreciation			(58,209)
Asset acquisition			(6,880)
Change in accrual accounts			
Accounts payable			(11,209)
Accounts receivable			2,571
Prepaid insurance			2,768
Property taxes receivable			1,309
Compensated absences			8,867
Note receivable			<u>(9,560)</u>
Change in net position			46,579
NET POSITION - Beginning of year			<u>2,604,480</u>
NET POSITION - End of year			<u>\$ 2,651,059</u>

**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, 2023, and the related statement of revenues, expenses, 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 20, 2023.

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 financial statements. 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:

- 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) as a basis for designing 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 20, 2023