PORT OF TILLAMOOK BAY

PORT OF TILLAMOOK BAY
TILLAMOOK, OREGON

FINANCIAL STATEMENTS

Year Ended June 30, 2022

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

PORT OF TILLAMOOK BAY

TILLAMOOK, OREGON

FOR THE YEAR ENDED JUNE 30, 2022

BOARD OF OFFICIALS

Name	Position	Term Expires
Sierra Lauder, President Tillamook, Oregon	1	June 30, 2025
Jack Mulder, Vice President Tillamook, Oregon	2	June 30, 2023
Kevin Stoecker, Secretary Tillamook, Oregon	3	June 30, 2023
Bill Baertlein, Treasurer Tillamook, Oregon	4	June 30, 2023
Matt Mumford, Commissioner Tillamook, Oregon	5	June 30, 2023

All Officials receive mail at the address below:

Registered Agent and Address:

Michele Bradley, General Manager
4000 Blimp Blvd., Ste. 100
Tillamook, OR 97141

Attorney and Address:

Jordan Ramis, Attorney
PO Box 230669
Portland, OR 97225

PORT OF TILLAMOOK BAY

FINANCIAL STATEMENTS

Year Ended June 30, 2022

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PORT OF TILLAMOOK BAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

This discussion and analysis of the Port of Tillamook Bay (the Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Port's financial statements, which follow this section.

Overview of the Financial Statements

This audit report consists of three parts – management's discussion and analysis (this section), the basic financial statements (including notes), and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB). The basic financial statements are prepared on the accrual basis, similar to a private business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a balance sheet which includes the Port's assets, liabilities, and net position (assets minus liabilities) at year end; statement of revenues, expenses, and changes in net position, which includes all revenues, expenses, and grants received for construction for the year; and statement of cash flows, which represents the sources and uses of cash for the year. The financial statements also includes notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, which further explains and supports the information in the financial statements.

Financial Results

The Port's total net position increased from the prior year from $27.6M to $28.9M. Additions to capital assets of $3.4M includes the airport improvement project, funded by grants from Federal Aviation Administration.

The Port ended the year with an increase in net position of $1.2M, due to an increase of both grant and operating revenues and a decrease in operating expenses.

The analysis in Table 1 below focuses on the net position of the Port; Table 2 focuses on the revenues and expenses of the Port.

Table 1 – Net Position

	2022	2021
Assets and deferred outflows		
Current	$ 2,085,150	$ 2,309,052
Other	335,259	347,078
Capital assets, net	35,851,557	34,839,163
Deferred outflows of resources	362,959	582,241
Total assets and deferred outflows	**$ 38,634,925**	**$ 38,077,534**
Liabilities and deferred inflows		
Current	1,039,219	1,207,216
Long-term	7,887,581	9,069,196
Deferred inflows of resources	837,591	152,419
Total liabilities and deferred inflows	**9,764,391**	**10,428,831**
Net position		
Invested in capital assets, net of related debt	29,462,565	28,157,220
Unrestricted	(592,031)	(508,517)
Total net position	**28,870,534**	**27,648,703**
Total liabilities, deferred inflows of resources, and net position	**$ 38,634,925**	**$ 38,077,534**

Table 2 – Revenues and Expenses

	2022	2021
Operating revenues		
Land and building rent	$ 2,303,124	$ 2,265,938
Charges for services	694,201	655,760
Museum	588,083	406,919
Airport revenues	160,050	93,236
Railroad revenues	241,615	299,276
Total operating revenues	**3,987,073**	**3,721,129**
Operating expenses		
Personnel services	1,738,417	1,812,317
Materials and services	1,658,304	1,801,634
Depreciation and amortization	2,408,393	2,887,759
Total operating expenses	**5,805,114**	**6,501,710**
Total operating income (loss)	**(1,818,041)**	**(2,780,581)**
Non-operating revenues (expenses)		
Grants	3,122,140	343,519
Interest income	23,763	25,809
Other revenue	243,619	662,856
Interest expense	(344,598)	(351,733)
Other expense	(5,052)	(5,052)
Net non-operating revenues (expenses)	**3,039,872**	**675,399**
Change in net position	**1,221,831**	**(2,105,182)**
Net position, beginning of year	27,648,703	29,753,885
Net position, end of year	**$ 28,870,534**	**$ 27,648,703**

Capital Assets

The following table lists the Port's capital assets and their value as of June 30:

	2022	2021
Capital assets		
Land	$ 3,993,510	$ 3,993,508
Construction in progress	3,420,430	229,262
Depreciable costs	82,097,364	81,867,747
Total capital assets	**89,511,304**	**86,090,517**
Accumulated depreciation	(53,659,747)	(51,251,354)
Total net capital assets	**$ 35,851,557**	**$ 34,839,163**

For further information on the Port's capital assets, see Note E of the financial statements.

Long-Term Debt

The following table lists the Port's long-term debt as of June 30:

	2022	2021
Long-term debt		
Bonds	$ 5,491,839	$ 5,741,787
Notes Payable	897,153	987,868
Total long-term debt	**$ 6,388,992**	**$ 6,729,655**

Long-Term Obligations

At June 30, 2022, the Port had $897K in notes payable outstanding. In addition, the Port has bonds outstanding of $5.5M. The Port reported a net decrease in debt of $340K for the 2021-22 fiscal year. Additional information on the Port's long-term debt can be found in Note G of the financial statements.

Budgetary Highlights

The Port's budget for the fiscal year 2021-22 was adopted by the Port Commission in June 2021 and certified by the Tillamook County Clerk in July 2021. There were no changes to the appropriations during the year.

Economic Factors and Next Year's Budgets and Rates

As part of the Port's strategic planning and business planning process, regional and national economic trends and forecasts are reviewed and forecasted to help produce the annual budget. In the Port's 2022-23 budget, operating expenditures and revenues are forecast to increase from prior years.

Contacting the Port's Financial Management

This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional information, contact the Port of Tillamook Bay, 4000 Blimp Blvd., Ste. 100, Tillamook, OR 97141.

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Port of Tillamook Bay
Tillamook, Oregon

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the business-type activities of Port of Tillamook Bay, Oregon (the Port), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of the report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to the Qualified Opinion

Management has not adopted a methodology for applying GASB 87 for lease accounting. Under this statement a lessor is required to recognize a lease receivable and deferred inflow of resources for leased assets, which would increase both assets and liabilities. The amount by which this departure would affect the assets, deferred inflows or resources, fund balances, and expense has not been determined.

Responsibilities of Management 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, 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'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

Our 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 our opinions.

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KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Commissioners
Port of Tillamook Bay

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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, 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, we:

- 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 atest 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’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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port’s ability to continue as a going concern for a reasonable period of time.

We are 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 we 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 and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responsesto our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Port of Tillamook Bay’s basic financial statements. The budgetary comparison schedules and the supplemental information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

KERN & THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Commissioners
Port of Tillamook Bay

The supplemental information and the schedule of expenditures of federal awards 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 our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Requirement by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of Port of Tillamook Bay's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Port of Tillamook Bay's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Port of Tillamook Bay's internal control over financial reporting and compliance.

Other Report on State Legal and Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated December 16, 2022 on our consideration of Port of Tillamook Bay, Oregon's compliance with certain provisions of 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 our testing of compliance and the results of that testing and not to provide an opinion on compliance.

KERN & THOMPSON, LLC
Certified Public Accountants

Eric A. Zehntbauer, CPA
Partner

Portland, Oregon
December 16, 2022

PORT OF TILLAMOOK BAY

BALANCE SHEET

June 30, 2022

ASSETS

Current assets	
Cash and investments	$ 1,861,552
Receivables, net of allowances	77,086
Property tax receivable	3,493
Note receivable, current portion	12,079
Grant receivable	43,487
Inventory	87,153
Prepaid expenses	300
Total current assets	**2,085,150**
Noncurrent assets	
Capital assets	
Non-depreciable capital assets	7,413,940
Depreciable capital assets	82,097,364
Accumulated depreciation	(53,659,747)
Capital assets, net	35,851,557
Note receivable, net of current position	335,259
Net other post-employment benefit asset	-
Total noncurrent assets	**36,186,816**
Deferred outflows of resources	**362,959**
Total assets and deferred outflows	**$ 38,634,925**

LIABILITIES AND NET POSITION

Current liabilities	
Accounts payable	$ 265,152
Accrued payroll and related expenses	59,188
Compensated absences	74,782
Other accrued liabilities	111,354
Accrued interest payable	161,999
Notes payable and assessment debt - current	366,744
Total current liabilities	**1,039,219**
Noncurrent liabilities	
Notes payable net of current portion	6,022,248
Landfill post closure liability	890,498
Net other post-employment benefit liability	-
Net pension liability	974,835
Total noncurrent liabilities	**7,887,581**
Deferred inflows of resources	**837,591**
Net position	
Investment in capital assets, net of related debt	29,462,565
Unrestricted	(592,031)
Total net position	**28,870,534**
Total liabilities, deferred inflows and net position	**$ 38,634,925**

See notes to financial statements.

PORT OF TILLAMOOK BAY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2022

Operating revenues	
Charges for services	$ 694,201
Building and land rent	2,303,124
Museum	588,083
Airport revenues	160,050
Railroad revenues	241,615
Total operating revenues	**3,987,073**
Operating expenses	
Personnel services	1,738,417
Materials and services	1,658,304
Depreciation	2,408,393
Total operating expenses	**5,805,114**
Operating income (loss)	**(1,818,041)**
Non-operating revenues (expenses)	
Property and other taxes	69,283
Interest income	23,763
Grant revenue	3,122,140
Miscellaneous income	19,504
Insurance proceeds	8,977
Gain on sale of assets	145,855
Other income	-
Loan fees	(5,052)
Interest expense	(344,598)
Other	-
Total non-operating expenses	**3,039,872**
Change in net position	**1,221,831**
Net position, beginning of year	27,648,703
Net position, end of year	**$ 28,870,534**

See notes to financial statements.

PORT OF TILLAMOOK BAY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

Cash flows from operating activities:	
Cash received from tenants and customers	$ 4,016,110
Payments to vendors	(1,868,893)
Payments to employees	(1,638,231)
Net cash provided by (used in) operating activities	**508,986**
Cash flows from investing activities:	
Interest income	**23,763**
Cash flows from noncapital financing activities:	
Property taxes	69,283
Insurance proceeds	8,977
Nonoperating revenues	28,586
Net cash provided by (used in) non capital financing activities	**106,846**
Cash flows from capital and related financing activities:	
Acquisitions of capital assets	(3,420,787)
Proceeds from sale of assets	-
Fees paid on notes and bonds payable	(5,052)
Grant proceeds	3,267,995
Gain on sale of assets	-
Payments on notes and bonds payable	(340,662)
Interest paid	(332,130)
Net cash provided by (used in) capital and related financing activities	**(830,636)**
Change in cash and cash equivalents	**(191,041)**
Cash and cash equivalents	
Beginning of year	2,052,593
End of year	**$ 1,861,552**
Reconciliation of operating income (loss) to cash provided by (used in) operating activities:	
Operating income (loss)	$ (1,818,041)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation and amortization	2,408,393
Net pension obligation	86,339
OPEB expense	-
Accounts receivable	29,037
Note receivable	-
Inventory	4,306
Increase (decrease) in liabilities	
Accounts payable	(214,895)
Accrued payroll liabilities	-
Accrued compensated absences	13,847
Other accrued liabilities	-
Net cash provided by (used in) operating activities	**$ 508,986**
Supplemental disclosure of non-cash financing activities:	
Debt principle forgiveness	**$ 28,417**

See notes to financial statements.

PORT OF TILLAMOOK BAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A – DESCRIPTION OF ORGANIZATION

The Port of Tillamook Bay (the Port) is an Oregon Municipal corporation formed under Oregon Revised Statute (ORS) 777. It was formed by special election in 1911 to incorporate land at the entrance to Tillamook Bay and named the Port of Bay Ocean. In 1948 at a special election, additional land at the entrance to Tillamook Bay was incorporated into the Port for the purpose of constructing a jetty to protect the bay. In 1953, a special election was held to incorporate 1600 acres of land, two blimp hangars, and various other buildings from the federal government. The commissioners on November 4, 1953 declared that with the inclusion of the territory adjacent to the Port of Tillamook, it was advisable to change the name of the Port of Bay Ocean to the Port of Tillamook Bay. The Port is governed by an elected five-member Board of Directors. The Board members set Port policy, appropriates funds, adopts budgets, and performs other duties required by state laws.

In 1990, the Port acquired approximately 90 miles of railroad from Southern Pacific with grant proceeds secured with the help from the State of Oregon. In December 2007, the Port experienced a major storm which caused significant damage to its railroad infrastructure. The line between Tillamook and the Willamette Valley is no longer in use for freight service from the Industrial Park. Twenty-five miles of open lines are still in use between Banks, Oregon and Cochran Pond, Oregon which provides cargo transportation to commercial and industrial customers along the rail. In addition, thirty-five miles of open lines are still in use near Tillamook, Oregon to provide local passenger train services to tourists.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Departure From Accounting Pronouncement

During the fiscal year ended June 30, 2022, *GASB Statement No. 87, Leases (“GASB 87”)* became effective. This standard revised the accounting, presentation, and disclosure requirements for government lessors and lessees. GASB 87 requires lessees to capitalize the present value of all lease obligations as right-of-use assets and record a corresponding long-term liability for the present value of the contractual lease payments. Additionally, GASB 87 requires lessors to recognize a lease receivable and deferred inflows of resources for the effects of its leasing activities and requires enhanced disclosures for both lessees and lessors. Management has not adopted a methodology for applying GASB 87 for lease accounting. Under this statement a lessor is required to recognize a lease receivable and deferred inflow of resources for leased assets, which would increase both assets and liabilities. The amount by which this departure would affect the assets, deferred inflows or resources, fund balances, and expense has not been determined.

Basis of Presentation

These statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The accounts of the Port are organized on the basis of proprietary fund types, specifically enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing goods and services be financed or recovered primarily through user charges. The activities of these funds are accounted for with a separate set of self- balancing accounts that comprise the Port's assets, liabilities, net position, revenues and expenses. The Port uses several individual funds for state legal compliance that are combined and reported as a unitary enterprise similar to a commercial entity organized for profit for financial reporting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of an activity; or (ii) that are required by laws and regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these fund types are included on the Balance Sheet. Net position (i.e., total assets net of total liabilities) is segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds utilize the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with proprietary funds' principal ongoing operations. The principal operating revenues are charges to tenants for rents. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

All of the enterprise activities of the Port are accounted for in a single fund.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policies and Budgetary Control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except for agency funds. A budget is prepared for each fund in accordance with the modified accrual basis of accounting with certain modifications and legal requirements set forth in the Oregon Local Budget Law (ORS 294.305 to 294.565). The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Port established the levels of budgetary control at the object (personnel services, material and services, capital outlay, operating contingencies, debt service, and all other requirements) levels for all funds. Appropriations lapse at the end of each fiscal year.

The Port begins its budgeting process by appointing Budget Committee members each year. Budget recommendations are developed by management through early spring, with the budget committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Board of Commissioners adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

Pooled Cash and Investments

The Port maintains common cash and investment pools for all Port funds. All short-term, highly liquid investments, including investments in the State Treasurer's Local Government Investment Pool (LGIP) where the remaining maturity at the time of purchase is one year or less are stated at amortized cost, which approximates fair value. The LGIP's policies provide minimum weighted average credit ratings for the LGIP's holdings: AA and As2 for Standard and Poor's and Moody's, respectively. On June 30, 2022, the LGIP's weighted average rating was between AA+/Aa1 and AA/Aa2 ratings. Earnings on pooled cash investments are allocated to each fund based on the balance of each participating fund.

All other investments are stated at fair value. Fair value is determined as the quoted market price if available, otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties. Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

Cash and Cash Equivalents

For financial statement purposes, the Port considers cash and cash equivalents to include cash on hand, demand deposits, and deposits in the Oregon State Treasurer's Local Government Investment Pool.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are unsecured and consist primarily of rents due from tenants within the industrial park.

Tenant rent receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tenant rent receivable. The reserve totaled approximately $162,000 as of June 30, 2022.

Grants Receivable

Grants receivable consist of outstanding reimbursements for FAA projects at the airport.

Long-Term Note Receivable

The Port entered into a long term note receivable with the Helping Hands organization in May 2016 for $405,000 for the renovation of the homeless relief center building. The note is 25 years in length with final payment scheduled to be made in 2041. Interest on the loan is 4%. (See Note D)

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, and equipment. In addition, certain capital assets purchased may be capitalized regardless of the thresholds established.

Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method according to the following criteria:

Asset	Years
Land improvements	15-20
Buildings	39-40
Leasehold improvements	10
Machinery & Equipment	5-10
Rail equipment	15
Furniture and fixtures	7
Intangibles	5-15

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The Port's net position is classified as follows:

Net investment in capital assets – This represents the Port's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Debt that has been incurred for capital assets but not yet expended is not included within this component of net position.

Restricted for debt service – This represents resources restricted by bond indentures or from other external sources for use in debt service.

Unrestricted – This represents resources used for the Port's general operations, which are not restricted by third parties.

Long-Term Obligations

Long-term obligations are reported at face value, net of applicable discounts. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues.

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that apply to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that apply to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Pension Retirement Plan

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

NOTE C – CASH AND INVESTMENTS

The Port's cash and investments are held in bank financial institutions and the Oregon State Local Government Investment Pool (LGIP).

The Port uses the LGIP for its temporary investments. The Port's share of the pool assets is always equal to its deposits plus accrued interest. As such, the Port is not subject to risk of valuation fluctuations in the value of the underlying assets within the pool. The fair value of the Port's position in the LGIP is the same as the value of the pool shares. Amounts on deposit with the Local Government Investment Pool are treated as cash, as the account can be accessed as needed.

Cash and investments are comprised of the following at June 30, 2022:

Deposits with financial institutions:	
Demand deposits	$ 309,538
State Treasurer's Investment Pool	1,552,014
Total	$ 1,861,552
Reported in:	
Balance Sheet	
Cash and investments	$ 1,861,552

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 policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates. All investments are held in the LGIP.

Credit Risk

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. Average quality rates are not available for fixed income investments. Oregon statutes authorize the Port to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-l by Standard & Poor's Corporation or P-l by Moody's Commercial Paper Record, and the State Treasurer's investment pool.

Concentration of Credit Risk

The Port does not have a formal policy that places a limit on the amount that may be invested with any one issuer. The Port's investments are 100% invested in the LGIP.

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the Port's deposits may not be returned. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is $309,538. 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.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Port will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2022, all the Port's investments were held in the LGIP.

The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool, which belongs to local government participants, is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, OR 97310-0840.

The Port's position in the LGIP at June 30, 2022 is stated at cost, which approximates fair value.

NOTE D – RECEIVABLES

Summary

Following is a summary of the Port's receivable balances at June 30, 2022:

Accounts	$	77,086
Property taxes		3,493
Grants		43,487
Notes		347,338
	$	471,404

The Port levied property taxes in the amount of $61,362 for fiscal year ending June 30, 2022.

NOTE E – CAPITAL ASSETS

Capital asset activity and balances consisted of the following for the year ended June 30, 2022:

	Balances June 30, 2021	Additions	Transfers/ Deletions	Balances June 30, 2022
Capital assets not depreciated:				
Land	$ 3,993,508	$ 2	$ -	$ 3,993,510
Capital assets being depreciated:				
Construction in process	229,262	3,191,168	-	3,420,430
Building and land improvements	63,162,999	196,733	(145)	63,359,587
Equipment	14,795,311	33,029	-	14,828,340
Intangible Assets	3,909,437	-	-	81,608,357
Total capital assets being depreciated	82,097,009	3,420,930	(145)	85,517,794
Less accumulated depreciation	(51,251,354)	(2,408,393)	-	(53,659,747)
Net capital assets being depreciated	30,845,655	1,012,537	(145)	31,858,047
Total capital assets, net	$ 34,839,163	$ 1,012,539	$ (145)	$ 35,851,557

Construction in progress consists of the FAA Apron 2 Rehabilitation project as approved by the Board. Capital projects are financed by federal grants, state matching funds and internal resources. There was no interest capitalized during the years ended June 30, 2022 and 2021.

NOTE F – LIABILITY FOR COMPENSATED ABSENCES

The Port has a sick leave policy, which permits full-time employees to accumulate unused sick leave from the outset of employment. Employees earn 1 hour of sick time for every 30 hours worked and may accrue a maximum of 40 hours of sick time in a year. For purposes of sick time, the plan year is defined as January through December. Exempt employees are presumed to work 40 hours in each workweek for purposes of sick time accrual unless their normal workweek is less than 40 hours, in which case sick time is accrued based upon the employee's normal workweek. Employees are eligible to begin using sick leave on their 91st day of employment. All full time regular employees accrue 8 hours a month. The Port does not compensate the employees for unused accumulations upon termination of employment. Accumulation is limited to 40 hours.

Port employees can earn vacation at rates determined by their length of employment. Vacation leave is limited to a maximum accrual of 240 hours. At June 30, 2022, the liability for vacation leave earned by all Port employees totaled $74,782, including the employer's share of social security taxes and other payroll related costs.

NOTE G – LONG-TERM OBLIGATIONS

Notes payable – The Port has various loans with the Oregon Business Development Department (OBDD). These loans were obtained to make various improvements to buildings leased by tenants, cover payroll for a brief period after the storm, and as match money for railroad rehabilitation grants. Interest rates and maturity dates vary from 3.78% to 5%, and maturity dates of 20 to 25 years, respectively. These loans are secured by Port buildings. If the loan is defaulted, by failure to make required principal or interest payments, OBDD could declare all principal and interest and all other amounts due immediately. The Port entered into a loan to grant program with OBDD so that part of the principal balance of the loan would be converted to a grant due to the emergency financial needs to repair rail lines damaged by natural disasters.

NOTE G – LONG-TERM OBLIGATIONS (CONTUNED)

The Port also has various loans with the Special Public Works Fund (SPWF) of the State of Oregon. These loans were used to finance improvements to the Port's water and sewer treatment facilities, and to assist with costs incurred in repairing the railroad from the flood damage from 1996. These loans carry interest at rates ranging from 3.32% to 6.5%, and maturity dates of 20 to 25 years. Port real property is pledged as security.

Series 2016B Tax Exempt Bond – The Port issued a bond, series 2016B, in the amount of $130,000 for the purpose of refinancing several outstanding bonds and notes. Semiannual interest and annual principal payments vary from 3.0% to 4.5% until the bond will be repaid in 2037.

Series 2016C Taxable Bond – The Port issued a bond, series 2016C, in the amount of $6,190,000, for the purpose of refinancing several outstanding bonds and notes payable. Semiannual interest payments vary from 3.2% to 5.650% until the bonds are repaid in 2037.

Transactions for bonds and notes payable for the year ended June 30, 2022 were as follows:

Bonds	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Series 2016B - Tax exempt	$ 120,000	$ -	$ 5,000	$ 115,000	$ 5,000
Series 2016C - Tax exempt	5,715,000	-	250,000	5,465,000	250,000
Bond fee amortization	(93,213)	-	(5,052)	(88,161)	(5,052)
Total bonds payable	**$ 5,741,787**	**$ -**	**$ 249,948**	**$ 5,491,839**	**$ 249,948**

Notes Payable	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
OBDD L14002, interest at 3.95%, principal	$ 764,473	$ -	$ 27,763	$ 736,710	$ 28,859
OEDD 525179, interest at 3.78%, principal	109,327	-	47,449	61,878	61,878
OBDD C2008004, interest at 4.22%, principal	47,710	-	4,480	43,230	4,670
OEDD SPWF X03002, interest at 3.32%, principal	22,412	-	11,023	11,389	11,389
SPWF L07004, interest at 4.44%, principal	43,946	-	-	43,946	-
Total notes payable	**$ 987,868**	**$ -**	**$ 90,715**	**$ 897,153**	**$ 106,796**

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

Total long-term obligations for the year ended June 30, 2022 were as follows:

Long-Term Obligations	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Total bonds and notes payable	$ 6,729,655	$ -	$ 340,663	$ 6,388,992	$ 366,744
Total long-term obligations	**$ 6,729,655**	**$ -**	**$ 340,663**	**$ 6,388,992**	**$ 366,744**

Future maturities of notes payable as of June 30, 2022 were as follows:

Year Ended June 30,	OBDD L14002 Principal	OBDD L14002 Interest	OEDD 525179 Principal	OEDD 525179 Interest	OBDD C2008004 Principal	OBDD C2008004 Interest
2023	$ 28,859	$ 29,100	$ 61,878	$ 585	$ 4,670	$ 1,825
2024	29,999	27,960	-	-	4,867	1,628
2025	31,184	26,775	-	-	5,068	1,427
2026	32,416	25,543	-	-	5,287	1,208
2027	33,696	24,263	-	-	5,510	985
2028-32	189,529	100,266	-	-	17,828	1,523
2033-37	230,035	59,760	-	-	-	-
2038-42	160,992	12,883	-	-	-	-
	$ 736,710	**$ 306,550**	**$ 61,878**	**$ 585**	**$ 43,230**	**$ 8,596**

Year Ended June 30,	OEDD SPWF X03002 Principal	OEDD SPWF X03002 Interest	SPWF L07004 Principal	SPWF L07004 Interest	Total Principal	Total Interest
2023	$ 11,389	$ 378	$ 5,743	$ 1,707	$ 5,000	$ 4,855
2024	-	-	5,998	1,452	5,000	4,705
2025	-	-	6,264	1,186	5,000	4,515
2026	-	-	6,543	907	5,000	4,325
2027	-	-	19,398	617	5,000	4,135
2028-32	-	-	-	-	40,000	17,027
2033-37	-	-	-	-	50,000	6,750
2038-42	-	-	-	-	-	-
	$ 11,389	**$ 378**	**$ 43,946**	**$ 5,869**	**$ 115,000**	**$ 46,312**

Year Ended June 30,	Series 2016C - Taxable Principal	Series 2016C - Taxable Interest	Bond issuance cost Principal	Bond issuance cost Interest	Total Principal	Total Interest
2023	$ 260,000	$ 281,780	(5,052)	$ -	$ 372,487	$ 320,230
2024	270,000	272,030	(5,052)	-	310,812	307,775
2025	280,000	261,230	(5,052)	-	322,464	295,133
2026	290,000	249,330	(5,052)	-	334,194	281,313
2027	305,000	236,570	(5,052)	-	363,552	266,570
2028-32	1,760,000	940,947	(25,260)	-	1,982,097	1,059,763
2033-37	2,300,000	403,976	(37,641)	-	2,542,394	470,486
2038-42	-	-	-	-	160,992	12,883
	$ 5,465,000	**$ 2,645,863**	**$ (88,161)**	**$ -**	**$ 6,388,992**	**$ 3,014,153**

NOTE H – PENSION RETIREMENT PLAN

<u>Defined Benefit Pension Plan</u>

General Information about the Pension Plan:

Name of the pension plan: The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan.

Plan description. Employees of the Port are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. OPERS issues a publicly available financial report that can be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

***Benefits provided under Chapter 238-Tier One / Tier Two**:*

1. *Pension Benefits.* The ORS 238 Defined Benefit Pension Plan provides benefits to members hired *before* August 29, 2003.

   The OPERS retirement benefit is payable monthly for life to covered members upon reaching the minimum retirement age. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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

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

   - Member was employed by a OPERS employer at the time of death,
   - Member died within 120 days after termination of OPERS-covered employment,
   - Member died as a result of injury sustained while employed in a OPERS-covered job, or
   - Member was on an official leave of absence from a OPERS-covered job at the time of death.

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

3. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

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

   Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB):

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired *on or after* August 29, 2003.

   This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

   General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

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

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

4. *Benefit Changes after Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Contributions:

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, as modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2020. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. The Port has not established any such side accounts.

Employer contributions for the year ended June 30, 2022 were $242,923, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2022 were: (1) Tier1/Tier 2 – 12.12%, and (2) OPSRP general service – 5.59%.

Actuarial Valuations:

The employer contribution rates effective July 1, 2020, through June 30, 2022, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2019
Experience Study Report	2018, published July 24,2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.40%
Investment Rate of Return	6.90%
Projected Salary Increases	3.40%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	
Mortality	**Healthy retirees and beneficiaries:** Pub-2010 Healthy retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. **Active members:** Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. **Disabled retirees:** Pub-2010 Disable retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Discount Rate:

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High	OIC Target
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	14.0	21.0	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	12.5	12.5
Opportunity Portfolio	0.0	3.0	0.0
Total			100.0 %

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2021 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors.

The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target		Compound Annual	
Core Fixed Income	9.60	%	4.07	%
Short-Term Bonds	9.60		3.68	
Bank Leveraged Loans	3.60		5.19	
High Yield Bonds	1.20		5.74	
Large / Mid Cap US Equities	16.17		6.30	
Small / Micro Cap US Equities	2.70		13.47	
Developed Foreign Equities	13.48		6.91	
Emerging Market Equities	4.24		7.69	
Non-US Small Cap Equities	1.93		7.25	
Private Equity	17.50		8.33	
Real Estate (Property)	10.00		5.55	
Real Estate (REITS)	2.50		6.69	
Hedge Funds	1.88		9.65	
Timber & Farmland	2.26		11.73	
Infrastructure	2.25		6.67	
Commodities	1.13		3.79	
Assumed Inflation – Mean	1.88		2.40	
Commodities	101.92		3.84	
Assumed Inflation – Mean			2.40	

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Sensitivity of the Port's proportionate share of the net pension liability to changes in the discount rate:

The following presents the Port's proportionate share of the net pension (liability) asset calculated using the current discount rate as well as the Port's net pension liability as if it were calculated using a discount rate 1 percentage point lower or higher than the current rate:

	1% Decrease (5.90%)	Current Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension (liability)/asset	$ 1,914,343	$ 974,835	$ 188,808

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

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

At June 30, 2022, the Port reported a liability of $974,835 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 and rolled forward to June 30, 2022. The Port's proportion of the net pension asset was based on the Port's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

Analyzing both rate components, the projected long-term contribution effort is simply the sum of the PVFNC and UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2021, the Port's proportion was .00814638 percent, which changed from its proportion measured as of June 30, 2019 of .00801426 percent.

For the year ended June 30, 2022, the Port recognized pension expense of $248,388. At June 30, 2022, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 91,251	$ -
Changes of assumptions	244,031	2,566
Net difference between projected and actual earnings on investments	-	721,663
Changes in proportionate share	27,677	41,496
Differences between employer contributions and proportionate share of contributions	-	71,866
Total (prior to post-measurement date contributions)	362,959	837,591
Contributions made subsequent to measurement date	TBD	N/A
Net Deferred Outflow/(Inflow) of Resources	$ -	$ (474,632)

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Deferred outflows of resources related to pensions resulting from Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year subsequent to June 30, 2022.

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

Employer subsequent fiscal years		Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
2022	$	(99,438)
2023		(104,633)
2024		(116,678)
2025		(176,442)
2026		22,559
Thereafter		-
Total	$	(474,632)

Changes in Plan Provisions Subsequent to Measurement Date:

There were no changes in Plan provisions subsequent to the June 30, 2021 measurement date.

Changes in Assumptions:

There were no key changes implemented since the December 31, 2019 valuation. Additional detail and a comprehensive list of methods and assumptions can be found in the 2018 Experience Study for the System, which was published July, 2019.

Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

Participants in OPERS defined benefit pension plans also participate in the OPSRP Individual Account Program (IAP), a defined contribution pension plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

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

Death Benefits

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

NOTE I - DEFINED BENEFIT PENSION PLAN - RAILROAD

Railroad employees participate in the Railroad Retirement Program and are immediately eligible to participate. The Railroad Retirement plan is a multi-employer defined benefit pension plan consisting of two parts. Tier I Railroad Retirement is similar to social security with both employee and employer contributing 6.2% of employee compensation. Tier II Railroad Retirement requires an employee contribution of 6.35% and an employer contribution of 13.10% of employee compensation. The Port's required contributions for the year ended June 30, 2022, was not significant.

NOTE J – RISK MANAGEMENT

The Port is exposed to various risks of loss related to: theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Port purchases commercial insurance to minimize its exposure to these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any part of the past three fiscal years.

NOTE K - COMMITMENTS AND CONTINGENCIES

Sick Leave – Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2022, employees of the Port had accumulated approximately 400 days of sick leave. It is the Port's policy to not pay unused sick leave upon departure.

Grant revenue – The Port receives a significant amount of revenue from various governmental grants. These grants are subject to audit/review by the grantor agencies. As closure of FEMA funded projects is continuing, there is some uncertainty of ineligible reimbursements. At this time, any finding from these audits is not anticipated to have a material impact on the financial statements.

NOTE L – CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the Port to place a final cover on its Tillamook Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for ten years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Port reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each Statement of net position date. Total post-closure costs are currently estimated to be $1,409,706. To date, the landfill has received waste filling 84.84% of its capacity. As a result, the Port has expensed $1,195,995 of post-closure care costs in prior years as the waste was being received. To date, the Port has incurred $300,000 of costs applied to its post-closure activities, resulting in an accrual of $890,498. The Port will recognize the remaining estimated cost of closure and post-closure care of $213,711 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. At the current and expected low rate of material to be accepted into the landfill annually, management cannot estimate the year of closure.

Each year the Port demonstrates financial assurance about the closure and post-closure care activities for the two landfills, #1107 and #1132, by using the local government financial assurance test described in Title 40 of the Code of Federal Regulations, paragraph 258.74. Continuing the review from 2013, the most recent analysis, the Port did meet the stringent percentage requirements with the local government financial assurance test as required by Oregon Administrative Rule 340-94-0140. As of March 2014, Department of Environmental Quality (DEQ) determined that financial assurance for #1107 is no longer a liability. The Port has continued working with DEQ on the financial assurance requirements and received a letter from DEQ in November of 2016 stating that site #1132 is now considered low risk, and is exempt from financial assurance requirements, as the site is now in the interim closure status.

NOTE M – POLLUTION REMEDIATION

The Port implemented GASB 49 on the accounting and reporting of pollution remediation activities in 2009. The Port has identified a few projects that may be undertaken in future years to remediate possible soil contamination and asbestos in several buildings. As of June 30, 2022, the Port had not incurred any obligating events and has not yet conducted studies necessary to determine remediation alternatives or estimated costs. Therefore, no liability has been recognized.

NOTE N – FUTURE NON-CANCELABLE LEASES

The Port leases real property, buildings and equipment to tenants under non-cancelable operating leases. The cost and carrying amount of the leased assets at June 30, 2022 are as follows:

	Cost	Accumulated Depreciation	Carrying Amount
Land	$ 3,993,365	$ -	$ 3,993,365
Building and land improvements	63,359,587	(36,487,694)	26,871,893
Equipment	14,828,340	(13,738,494)	1,089,846
	$ 82,181,292	$ (50,226,188)	$ 31,955,104

Future amounts due under non-cancelable operating leases are as follows:

Year Ending June 30,	
2023	$ 883,134
2024	560,266
2025	568,269
2026	581,164
2027	573,181
thereafter	1,218,049
	$ 4,384,063

NOTE O – OTHER POST EMPLOYMENT BENEFITS

The Port provides other postemployment benefits (“OPEB”) for the benefit of its employees via a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan (RHIA). The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs.

The OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. The Port’s proportionate share of the OPEB liability was based on the Port’s projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. Based on the Port’s small impact on the state-wide pool, the Port’s proportionate share of the OPEB liability as of June 30, 2022 was $10,578, which was insignificant to the Port’s financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF TILLAMOOK BAY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.81463800%	0.00801426%	0.00796780%	0.00873267%	0.00887507%	0.00781601%	0.00715800%	0.10045440%	0.10045440%
Proportionate share of the net pension liability (asset)	$ 974,835	$ 1,748,987	$ 1,378,239	$ 1,322,884	1,196,363	1,173,365	$ 410,974	$ (227,701)	$ 673,613
Covered-employee payroll	883,954	837,779	871,388	847,870	760,868	789,616	737,864	680,586	640,247
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	110.3%	208.8%	158.2%	156.0%	157.2%	148.6%	55.7%	-33.5%	105.2%
Plan fiduciary net position as a percentage of the total pension liability	87.6%	75.8%	80.2%	82.1%	83.1%	80.5%	91.9%	103.6%	92.0%

SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 176,080	$ 184,248	$ 121,173	$ 111,082	$ 89,566	$ 78,975	$ 77,872	$ 61,132	$ 62,203
Contributions in relation to the contractually required contribution	161,192	117,989	$ 121,173	$ 111,082	$ 89,566	$ 78,975	$ 77,872	$ 61,132	$ 62,203
Contribution deficiency (excess)	$ 14,888	$ 66,259	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 883,954	$ 837,779	$ 871,388	$ 847,870	$ 760,868	$ 789,616	$ 737,864	$ 680,586	$ 640,247
Contributions as a percentage of covered-employee payroll	18.2%	14.1%	13.9%	13.1%	11.8%	10.0%	10.60%	9.00%	9.70%

* GASB # 68 requires ten-year trend information. However, until a full ten-year trend is established, only the information for the years available is presented.

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF TILLAMOOK BAY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

Actuarial assumptions and other changes are described in the notes to the accompanying financial statements.

SUPPLEMENTAL INFORMATION

PORT OF TILLAMOOK BAY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET TO ACTUAL - ENTERPRISE FUND

Year Ended June 30, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Charges for services	$ 824,398	$ 824,398	$ 694,201	$ (130,197)
Building and land rent	2,183,700	2,183,700	2,303,124	119,424
Museum	533,300	533,300	588,083	54,783
Airport revenues	78,000	78,000	160,050	82,050
Railroad revenues	276,000	276,000	241,615	(34,385)
Property and other taxes	62,557	62,557	69,283	6,726
Interest income	58,000	58,000	23,763	(34,237)
Grant revenue	4,925,000	4,925,000	3,122,140	(1,802,860)
Miscellaneous income	92,000	92,000	19,504	(72,496)
Insurance proceeds	10,152	10,152	8,977	(1,175)
Gain on sale of assets	-	-	145,855	145,855
Total revenues	**9,043,107**	**9,043,107**	**7,376,595**	**(1,666,512)**
Expenditures				
Personnel services	1,852,127	1,852,127	1,638,231	213,896
Material and services	1,863,590	1,863,590	1,580,411	283,179
Capital outlay	5,630,156	5,630,156	3,493,561	2,136,595
Debt service	689,340	689,340	682,957	6,383
Contingency	975,559	975,559	-	975,559
Total expenditures	**11,010,772**	**11,010,772**	**7,395,160**	**3,615,612**
Excess (deficiency) of revenues over expenditures	**(1,967,665)**	**(1,967,665)**	**(18,565)**	**1,949,100**
Other financing sources (uses)				
Collections of tenant notes receivable and capital reimbursements	-	-	9,082	(9,082)
Total other financing sources (uses)	**-**	**-**	**9,082**	**(9,082)**
Net changes in fund balances	(1,967,665)	(1,967,665)	(9,483)	1,958,182
Fund balance, beginning of year	1,967,665	1,967,665	1,646,860	(320,805)
Fund balance, end of year	**$ -**	**$ -**	**1,637,377**	**$ 1,637,377**
Reconciliation to GAAP				
Capital assets, net of depreciation			35,851,557	
Notes receivable from other organization			347,338	
Deferred outflows of resources			362,959	
Net pension asset (liability)			(974,835)	
Deferred inflows of resources			(837,591)	
Notes, bonds and special assessment debt			(6,388,992)	
Landfill post closure liability			(890,498)	
Accrued interest payable			(161,999)	
Compensated absences			(74,782)	
Net position, end of year			**$ 28,870,534**	

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

REPORT REQUIRED BY OREGON MINIMUM AUDIT STANDARDS

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Port of Tillamook Bay
Tillamook, Oregon

We have audited the basic financial statements of the Port of Tillamook Bay (the Port) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 16, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 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 our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we 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.
Programs funded from outside sources.
Authorized investment of surplus funds (ORS Chapter 294).
Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe the Port was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the basic financial statements of the Port as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Port's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis.

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
Port of Tillamook Bay
Tillamook, Oregon

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

KERN & THOMPSON, LLC
Certified Public Accountants

Eric A. Zehntbauer, CPA
Partner

Portland, Oregon
December 16, 2022

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Port of Tillamook Bay
Tillamook, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Port of Tillamook (the Port), as of the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port of Tillamook'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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port of Tillamook's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port of Tillamook's internal control.

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

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

Report on Compliance and Other Matters

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

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Port of Tillamook

Purpose of This Report

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

Kern & Thompson LLC

Portland, Oregon
December 16, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Port of Tillamook Bay
Tillamook, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Port of Tillamook's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Port of Tillamook's major federal programs for the year ended June 30, 2022. Port of Tillamook's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Port of Tillamook complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Port of Tillamook and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Port of Tillamook's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Port of Tillamook's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Port of Tillamook's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

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To the Board of Directors
Port of Tillamook

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Port of Tillamook's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Port of Tillamook's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Port of Tillamook's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Port of Tillamook's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Port of Tillamook

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kern & Thompson LLC

Portland, Oregon
December 16, 2022

PORT OF TILLAMOOK BAY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY PROGRAM

Year Ended June 30, 2022

FEDERAL GRANTOR/*Passed through* Grantor/Program Title	**Federal AL Number**	**Contract Agreement Number**		**Expenditures of Federal Awards**
U.S. DEPARTMENT OF TRANSPORTATION				
Direct:				
Airport Improvement Program - Covid	20.106	3-41-0060-020-2021	$	13,301
Airport Improvement Program	20.106	3-41-0060-020-2021, 3-41-0600-21-2021		3,066,822
Total Expenditures of Federal Awards			**$**	**3,080,123**

The accompanying notes are an integral part of this schedule.

PORT OF TILLAMOOK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Port of Tillamook and is presented on the accrual basis of accounting.

The information is presented in accordance with requirements of Title 2 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Assistance Listing Programs

The program titles and Assistance Listing ("AL") numbers were obtained from the federal or pass-through grantor or the catalog of federal domestic assistance.

3. Major and Nonmajor Federal Financial Assistance Programs

Federal financial assistance programs with identical assistance (AL) numbers are combined in determining whether the programs are major or nonmajor. Type A major federal financial assistance programs are those with combined expenditures of $750,000 or more during a fiscal year. Type B nonmajor federal financial assistance programs are those with combined expenditures of less than $750,000 during a fiscal year.

4. Indirect Cost Rate

The Port has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PORT OF TILLAMOOK

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section 1 – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued – **Qualified**

2. Significant deficiencies identified during the audit of the financial statements – **None reported**

3. Material weaknesses identified during the audit of the financial statements – **None**

4. Noncompliance that is material to the financial statements noted – **None**

Federal Awards

5. Significant deficiencies in internal control over major programs – **None reported**

6. Material weaknesses in internal control over major programs – **None**

7. The type of auditors' report issued on compliance for major programs – **Unmodified**

8. Audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a) – **None**

Identification of Major Programs

- **AL #20.106 – Airport Improvement Program**

9. Dollar threshold used to distinguish between Type A and Type B programs – **$750,000.**

10. Is the auditee qualified as a low-risk auditee under the Uniform Guidance – **No**

Section 2 – Financial Statement Findings

11. Findings relating to the financial statements reported in accordance with *Government Auditing Standards* – **None**

Section 3 – Federal Award Findings and Questioned Costs

12. Findings and questioned costs relating to federal awards – **None**