

**PORT OF TILLAMOOK BAY, OREGON**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED**  
**JUNE 30, 2020 & 2019**

**PORT OF TILLAMOOK BAY, OREGON**  
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**June 30, 2020 and 2019**

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## **INTRODUCTORY SECTION**

**PORT OF TILLAMOOK BAY, OREGON**

**PRINCIPAL OFFICIALS**

**June 30, 2020**

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Robert (Bob) Olsen, Commissioner  
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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
Port of Tillamook Bay  
Tillamook, Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Port of Tillamook Bay, as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Port of Tillamook Bay's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The Port of Tillamook Bay's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port of Tillamook Bay, as of June 30, 2020 and 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of proportionate share of the net pension liability, schedule of contributions, schedule of proportionate share – RHIA, schedule of contributions – RHIA, schedule of changes in total OPEB liability and related ratios – SDIS, and schedule of contributions – SDIS, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions, schedule of proportionate share – RHIA, schedule of contributions – RHIA, schedule of changes in total OPEB liability and related ratios – SDIS, and schedule of contributions – SDIS, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

### *Supplemental and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Tillamook Bay's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

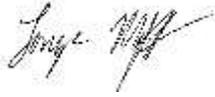
## **Reports on Other Legal and Regulatory Requirements**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2021 on our consideration of the 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 the 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 the Port of Tillamook Bay's internal control over financial reporting and compliance.

### **Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated April 22, 2021, on our consideration of the Port of Tillamook Bay'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.



For Merina+Co  
Tualatin, Oregon  
April 22, 2021

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
INTRODUCTION OF BASIC FINANCIAL STATEMENTS AND  
ANALYTICAL OVERVIEW OF THE PORT’S FINANCIAL ACTIVITIES**

The Management’s Discussion and Analysis (MD&A) provides a discussion and analysis of the operating results, financial position and future prospects of the Port of Tillamook Bay, a municipal government organized under Oregon Revised Statute (ORS) 777. It should be read in conjunction with the consolidated financial statements for the fiscal year ending June 30, 2020, including all accompanying notes to the financial statements.

***Definitions:***

- *Statement of Net Position* – presents the current and long-term portions of assets and liabilities as well as deferred outflows of resources, and deferred inflows of resources. It may provide a useful indicator of whether the financial position of the Port is improving.
- *Statement of Revenues, Expenses and Changes in Net Position* – presents information showing how net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that do not affect cash until future fiscal periods, e.g. accrued vacation.
- *Statement of Cash Flows* – presents information showing how the Port’s cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operation income to net cash provided by operating activities as required by GASB 34.

***Financial Highlights:***

- The Port of Tillamook Bay’s assets exceeded its liabilities at June 30, 2020 by \$29,753,885 (net position), a decrease of \$3,938,278 or (12%) over fiscal year 2019-2020.
- Capital assets decreased by \$3,298,479 or (8%) from the 2019-2020 year due to depreciation of capital projects.

***Brief discussion of basic financial statements:***

The Port of Tillamook Bay (Port) maintained one fund for fiscal year 2019-2020; the General Fund. Accounting is performed on an accrual accounting basis. Within the General Fund, departments have been designated to identify, define and budget for specific areas of operation, including Administration, Airport, Industrial Park, Utilities, Railroad, and Air Museum. Under the reporting model, the financial statements are comprised of four parts: 1) Basic financial statements, 2) Notes to the basic financial statements, 3) Required Supplementary information, and 4) Supplementary information.

***Condensed financial information:***

The Port is operated as an enterprise similar to a commercial or business entity organized for profit. The enterprise funds include accounting of operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through service charges. Most other revenue is generated through land rents. Grants are an additional revenue source.

The permanent property tax rate for the Port of Tillamook Bay is .0364 per thousand of assessed value, and was established by the State of Oregon for most municipalities and districts in Oregon in 1997-1998. Not including grant funds received, revenues from property taxes are minimal and represented only approximately 1% of the General Fund revenue for fiscal year 2019-2020. The opportunity to increase this permanent tax rate exists, however, any change would have to be approved by the electors within the Port's geographic boundaries. Of course, the increased revenue would improve revenues for the General Fund and assist in Port operations.

The *statement of net position* presents information on all the Port's assets and liabilities, with the difference between the two reported as net position. The capital assets (land, buildings, equipment, and infrastructure) are included in this statement are now reported at depreciated value. The Port has analyzed all existing capital assets including purchased asset software and now depreciates capital assets. The *statement of revenues, expenses, and changes in net position* presents information on the operating and non-operating revenues and expenses of the Port. In addition, it provides information on how well the Port is recovering its costs and generating profits available to re-invest in Port operations.

### *Condensed Statement of Net Position*

	Balances as of June 30,			Increase (Decrease)	
	2020	2019	2018	2019 to 2020	2018 to 2019
<b>Assets</b>					
Current Assets	\$ 1,685,568	\$ 1,708,661	\$ 1,109,208	\$ (23,093)	\$ 599,453
Restricted Assets	-	-	1,908	-	(1,908)
Other Assets	366,942	368,791	375,622	(1,849)	(6,831)
Capital Assets, net	<u>37,517,014</u>	<u>40,815,493</u>	<u>43,909,279</u>	<u>(3,298,479)</u>	<u>(3,093,786)</u>
Deferred Outflows of Resources	<u>449,157</u>	<u>549,884</u>	<u>487,562</u>	<u>(100,727)</u>	<u>62,322</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 40,018,681</u>	<u>\$ 43,442,829</u>	<u>\$ 45,883,579</u>	<u>\$ (3,424,148)</u>	<u>\$ (2,440,750)</u>
<b>Liabilities</b>					
Current Liabilities	\$ 2,444,744	\$ 2,449,939	\$ 2,020,229	\$ (5,195)	\$ 429,710
Long Term Liabilities	<u>7,643,304</u>	<u>7,169,561</u>	<u>7,465,093</u>	<u>473,743</u>	<u>(295,532)</u>
Deferred Inflows of Resources	<u>176,748</u>	<u>131,166</u>	<u>55,740</u>	<u>45,582</u>	<u>75,426</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,264,796</u>	<u>9,750,666</u>	<u>9,541,062</u>	<u>514,130</u>	<u>209,604</u>
<b>Net Position</b>					
Net Investment in Capital Assets	31,274,812	34,227,876	37,330,470	(2,953,064)	(3,102,594)
Unrestricted	<u>(1,520,927)</u>	<u>(535,713)</u>	<u>(987,953)</u>	<u>(985,214)</u>	<u>452,240</u>
Total Net Position	<u>29,753,885</u>	<u>33,692,163</u>	<u>36,342,517</u>	<u>(3,938,278)</u>	<u>(2,650,354)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 40,018,681</u>	<u>\$ 43,442,829</u>	<u>\$ 45,883,579</u>	<u>\$ (3,424,148)</u>	<u>\$ (2,440,750)</u>

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	Activities for Fiscal Years Ending June 30,			Increase (Decrease)	
	2020	2019	2018	2019 to 2020	2018 to 2019
<b>Operating Revenues</b>					
Land & Building	\$ 2,037,441	\$ 2,047,442	\$ 1,588,735	\$ (10,001)	\$ 458,707
Charges for services	688,238	565,253	522,680	122,985	42,573
Museum	353,213	489,379	491,202	(136,166)	(1,823)
Airport Revenues	78,203	81,159	75,259	(2,956)	5,900
Railroad Revenues	249,428	193,549	349,929	55,879	(156,380)
<b>Total Operating Revenues</b>	<b>3,406,523</b>	<b>3,376,782</b>	<b>3,027,805</b>	<b>29,741</b>	<b>348,977</b>
<b>Operating Expenses:</b>					
Personal Services	1,681,389	1,576,595	1,747,871	104,794	(171,276)
Materials and Services	1,263,741	1,355,237	3,376,933	(91,496)	(2,021,696)
Depreciation and amortization	3,584,900	3,664,272	3,761,286	(79,372)	(97,014)
<b>Total Operating Expenses</b>	<b>6,530,030</b>	<b>6,596,104</b>	<b>8,886,090</b>	<b>(66,074)</b>	<b>(2,289,986)</b>
Operating Income (Loss)	(3,123,507)	(3,219,322)	(5,858,285)	95,815	2,638,963
<b>Non-operating Revenues</b>					
<b>(Expenses)</b>	<b>(289,269)</b>	<b>(159,665)</b>	<b>(128,845)</b>	<b>(129,604)</b>	<b>(30,820)</b>
Grant proceeds	238,971	728,633	2,357,669	(489,662)	(1,629,036)
Change in Net Position	(3,173,805)	(2,650,354)	(3,629,461)	(523,451)	979,107
<b>Net Position- Beginning</b>	<b>33,692,163</b>	<b>36,342,517</b>	<b>39,971,978</b>	<b>(2,650,354)</b>	<b>(3,629,461)</b>
Prior Period Adjustment	(764,473)	-	-	(764,473)	-
Beginning Position Restated	32,927,690	36,342,517	39,971,978	(3,414,827)	(3,629,461)
<b>Net Position- Ending</b>	<b>\$ 29,753,885</b>	<b>\$ 33,692,163</b>	<b>\$ 36,342,517</b>	<b>\$ (3,938,278)</b>	<b>\$ (2,650,354)</b>

**Analysis of the overall financial position and results of operations:**

The POTB Board decided in the spring of 2009 to not pursue and repair the damage to the railroad from the December 2007 storm. Instead, the Board decided to proceed with a variety of FEMA Alternate Projects, designed to improve capital assets with an expected increase in future revenues and activity for the Port. These projects were funded by FEMA and State of Oregon Lottery Bonds; Port and local match, design and construction began in the 2011-2012 fiscal year. East side operations are limited to a lumber mill in Banks, and west side operations are limited to the Oregon Coast Scenic Railroad, which has taken over full operational authority and responsibility for maintenance. The total FEMA Alternate Project amount is \$44.6 million. The Port continues to work with Oregon Department of Forestry, Tillamook County, and Oregon Parks and Recreation Department on a Master Plan for the Salmonberry Trail, located between Banks and Tillamook, running through the Salmonberry Canyon where the railroad right of way is located.

***Analysis of balances and transactions of individual funds:***

The General Fund's main revenue is from the rental of industrial property to commercial tenants, airport operations, and utility services.

For the year ending June 30, 2020, the net operating income (loss) of the Port's general operations was (\$3,123,507). The Port total net position, as of June 30, 2020, was \$29,753,885, a decrease from the previous year of \$3,938,278. Overall, this trend continues because of the dramatic impact of the FEMA projects, which are all capital improvements, and the remainder of the operations staying fairly static. It is anticipated that once the FEMA and other capital projects are completed that this trend will change to a more operational standard.

***Capital Assets and Debt Administration:***

As of June 30, 2020, the Port had \$37,517,014 in capital assets net of accumulated depreciation. The Port's capital assets decreased (8%) during the year. This decrease is mainly due to depreciation. For more detailed information regarding the Port's capital assets refer to notes to the basic financial statements.

***Capital Assets at Year End***

	<u>06/30/18</u>	<u>06/30/19</u>	<u>06/30/20</u>
Land	\$ 3,993,510	\$ 3,993,510	\$ 3,993,510
Land Improvements	23,972,649	23,972,649	24,595,329
Buildings	38,130,819	38,130,819	37,348,257
Leasehold Improvements	248,331	248,331	248,331
Machinery & Equipment and Rail Equipment	14,713,977	14,729,166	14,754,475
Furniture & Fixtures	24,803	24,803	24,803
Intangible Assets	3,909,437	3,909,437	3,909,437
Construction in Progress	<u>64,383</u>	<u>619,680</u>	<u>101,854</u>
Total Capital Assets	85,057,909	85,628,395	84,975,996
Accumulated Depreciation and Amortization	<u>41,148,630</u>	<u>44,812,902</u>	<u>47,458,981</u>
Net Capital Assets	<u>\$ 43,909,279</u>	<u>\$ 40,815,493</u>	<u>\$ 37,517,014</u>

***Outstanding Long Term Debt***

	<u>6/30/2018</u>	<u>06/30/19</u>	<u>06/30/20</u>
Bonds	\$ 6,211,631	\$ 6,216,683	\$ 5,981,735
Notes Payable	<u>427,271</u>	<u>370,934</u>	<u>1,076,945</u>
Total Long Term Debt	<u>\$ 6,638,902</u>	<u>\$ 6,587,617</u>	<u>\$ 7,058,680</u>

The Port's total long-term debt increased by \$471,063 or 7% during 2020, to \$7,058,680 as the Port continued paying down debt. \*L07004 – Repayment of this loan will be forgiven by the State, with the condition the Port remain current on all other outstanding debt owed to Business Oregon (OBDD), formerly Oregon Economic & Community Development (OECDD).

***Description of currently known facts, decisions, or conditions that are expected to have a material effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position):***

1. The Federal Aviation Administration and the Oregon Department of Aviation recognizes that it is highly unlikely that the Port airport can generate enough income to support the necessary maintenance of asphalt runways and taxis, and navigational aids. Therefore, these state and federal agencies make available funding opportunities in order for the continued operation of the airport through PMP (Pavement Management Program) and Airport Improvement Programs (AIP), and a new avenue, HB2075 Aviation Fuel Tax grants, and COAR (Critical Oregon Airport Relief) grants. Additional Federal funding has also been awarded through the FAA as supplemental infrastructure funding.
2. As stated previously, due to storm damage to the railroad in 2007, activity has been extremely limited on the rail. On the east side of the tracks, there is twenty-six (26) miles of track. The Port continues to receive fees for use of this portion of the rail right of way. On the west side, there is forty-two (42) miles of track available for use. At this time, the only usage is by Oregon Coast Scenic Railroad (OCSR) for passenger trains during certain periods of the year. OCSR has full operations authority and absorb all maintenance of crossings and track, and any improvements are for their business. OCSR leases trackage to a rail rider operation. This is a fifteen-year agreement, with 6 years remaining.
3. The Port continues to search and apply for grants and loans to complete the capital projects for all aspects of operation, including marketing.
4. Implementation of the updated Strategic Business Plan 2019 through 2022.

***Requests for Information:***

This financial report is designed to provide a general overview of the Port of Tillamook Bay's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be directed to the Port General Manager, Port of Tillamook Bay, 4000 Blimp Boulevard, Suite 100, Tillamook, Oregon, 97141.

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## **BASIC FINANCIAL STATEMENTS**

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include interrelated sets of financial statements as required by the GASB. In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**PORT OF TILLAMOOK BAY**  
**STATEMENT OF NET POSITION**  
**June 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,393,259	\$ 1,395,953
Accounts receivables, net of allowance	148,828	73,331
Property taxes receivable	3,521	3,521
Note receivable, current portion	11,327	10,939
Accrued interest receivable	2,420	-
Grants receivable	37,839	148,119
Inventory	88,074	76,498
Prepaid expenses	300	300
Total current assets	<u>1,685,568</u>	<u>1,708,661</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets, net	37,517,014	40,815,493
Note receivable, net of current portion	351,710	361,623
Net other post-employment benefit asset	15,232	7,168
Total noncurrent assets	<u>37,883,956</u>	<u>41,184,284</u>
Total assets	39,569,524	42,892,945
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows relating to other post-employment benefits	15,305	11,135
Deferred outflows relating to pension	433,852	538,749
Total deferred outflows of resources	<u>449,157</u>	<u>549,884</u>
Total assets and deferred outflows of resources	<u>\$ 40,018,681</u>	<u>\$ 43,442,829</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 195,458	\$ 289,702
Accrued payroll and related expenses	47,219	64,829
Accrued payroll penalties, interest, and legal	-	107,982
Accrued vacation	57,454	50,118
Other accrued liabilities	106,404	107,129
Accrued interest payable	308,360	158,209
Net other post-employment liability	45,736	40,532
Net pension liability	1,378,239	1,322,884
Long-term debt obligations, current portion	305,874	308,554
Total current liabilities	<u>2,444,744</u>	<u>2,449,939</u>
<b>NONCURRENT LIABILITIES:</b>		
Long-term debt obligations, net of current portion	6,752,806	6,279,063
Landfill post-closure liability	890,498	890,498
Total noncurrent liabilities	<u>7,643,304</u>	<u>7,169,561</u>
Total liabilities	<u>10,088,048</u>	<u>9,619,500</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows relating to other post-employment benefits	5,784	4,435
Deferred inflows relating to pensions	170,964	126,731
Total deferred inflows of resources	<u>176,748</u>	<u>131,166</u>
<b>NET POSITION:</b>		
Net investment in capital assets	31,274,812	34,227,876
Unrestricted	(1,520,927)	(535,713)
Total net position	<u>29,753,885</u>	<u>33,692,163</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 40,018,681</u>	<u>\$ 43,442,829</u>

*The accompanying notes are an integral part of the basic financial statements.*

**PORT OF TILLAMOOK BAY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

	2020	2019
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 688,238	\$ 565,253
Building and land rent	2,037,441	2,047,442
Museum	353,213	489,379
Airport revenues	78,203	81,159
Railroad revenues	249,428	193,549
Total operating revenues	<u>3,406,523</u>	<u>3,376,782</u>
<b>OPERATING EXPENSES:</b>		
Personnel services	1,681,389	1,576,595
Materials and services	1,263,741	1,355,237
Depreciation	3,584,900	3,664,272
Total operating expenses	<u>6,530,030</u>	<u>6,596,104</u>
Operating income (loss)	<u>(3,123,507)</u>	<u>(3,219,322)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Property and other taxes	82,306	63,462
Interest income	40,030	42,472
Grant revenue	238,971	728,633
Miscellaneous income	14,348	42,298
Insurance proceeds	22,140	21,684
Gain on sale of assets	41,650	-
Loan fees	(5,052)	(5,052)
Interest expense	(484,691)	(324,529)
Total non-operating income (expenses)	<u>(50,298)</u>	<u>568,968</u>
Change in net position	(3,173,805)	(2,650,354)
<b>NET POSITION, BEGINNING AS ORIGINALLY REPORTED</b>	33,692,163	36,382,016
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(764,473)</u>	<u>(39,499)</u>
<b>NET POSITION, BEGINNING AS RESTATED</b>	32,927,690	36,342,517
<b>NET POSITION, ENDING AS RESTATED</b>	<u>\$ 29,753,885</u>	<u>\$ 33,692,163</u>

*The accompanying notes are an integral part of the basic financial statements.*

**PORT OF TILLAMOOK BAY**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 3,338,131	\$ 3,375,080
Cash paid to suppliers	(1,370,286)	(1,278,833)
Cash paid for personnel services	(1,600,841)	(1,485,246)
Net cash provided (used) by operating activities	<u>367,004</u>	<u>611,001</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Property and other taxes received	82,306	63,472
Insurance proceeds	22,140	21,684
Non-operating revenues	14,348	42,298
Net cash provided (used) by non-capital financing activities	<u>118,794</u>	<u>127,454</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(286,421)	(570,486)
Grant proceeds	349,251	653,457
Principal payment on notes and bond payable	(293,410)	(51,285)
Interest paid on notes and bond payable	(334,540)	(324,883)
Gain on sale of assets	41,650	-
Fees paid on notes and bonds payable	(5,052)	(5,052)
Net cash provided (used) by capital and related financing activities	<u>(528,522)</u>	<u>(298,249)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest income	40,030	42,472
Net cash provided (used) by investing activities	<u>40,030</u>	<u>42,472</u>
Net increase (decrease) in cash and cash equivalents	(2,694)	482,678
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>1,395,953</u>	<u>913,275</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,393,259</u>	<u>\$ 1,395,953</u>

*The accompanying notes are an integral part of the basic financial statements.*

**PORT OF TILLAMOOK BAY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	2020	2019
Operating loss	\$ (3,123,507)	\$ (3,219,322)
Adjustments:		
Depreciation	3,584,900	3,664,272
Pension expense	196,421	133,436
Other post-employment benefit expense	2,383	(739)
Decrease (increase) in:		
Accounts receivable	(75,497)	(12,153)
Note receivable	7,105	10,451
Inventory	(11,576)	(29,041)
Increase (decrease) in:		
Accounts payable	(94,244)	105,477
Accrued payroll	(125,592)	(47,231)
Accrued compensated absences	7,336	5,883
Other accrued liabilities	(725)	(32)
	<u>\$ 367,004</u>	<u>\$ 611,001</u>
Net cash provided (used) by operating activities	<u>\$ 367,004</u>	<u>\$ 611,001</u>

*The accompanying notes are an integral part of the basic financial statements.*

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Operation** - 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.

**Reporting entity** - In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units (PCU).

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on this criterion, no component units were included within the Port of Tillamook Bay's reporting entity.

**Basis of accounting** – The Port's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Accordingly, the Port utilizes the accrual basis of accounting, whereas revenues are recognized when earned and expenses are recognized when incurred.

The Port uses one fund for state legal compliance and budgeting purposes. This fund is reported as a unitary enterprise similar to a commercial entity organized for profit for financial reporting. Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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The Port distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Port's ongoing principal operations. The principal operating revenues of the Port include lease income from rental of Port property, museum admissions, train switching, septage receiving, digester fiber sales, electric power sales, and water and sewer fees. Operating expenses include the cost of providing the services mentioned above, as well as administrative expenses. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Cash and cash equivalents** - The Port has one bank account at US Bank. The Port also maintains two bank accounts for its funds in a central pool of cash. This pool includes amounts in demand deposits and investments in the Oregon State Treasury Local Government Investment Pool both of which meet the requirements of ORS 294.035 governing allowable depositories. Amounts on deposit with the Local Government Investment Pool are treated as cash, as the account can be accessed as needed.

**Statement of cash flows** - The cash and investment balances held by the Port are pooled for investment purposes. For purposes of the cash flows statements, "Cash and investments" are considered to be cash equivalents since the amounts are readily available for use.

**Accounts receivable** - Accounts receivable are unsecured and consist primarily of rents due from tenants within the industrial park. The Port establishes a reserve for bad debts based on prior history and a review of individual customer accounts. The reserve totaled \$103,770 and \$96,507 as of June 30, 2020 and 2019, respectively.

**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%.

**Inventory** - Inventories are maintained on a consumption basis of accounting under the lower of cost or market first-in, first-out method where items are purchased for inventory and charged to expense as the items are consumed. Inventory held by the Port consists of gift shop merchandise at the museum and fuel for the airport facility.

**Prepaid expenses** - Prepaid expenses represent amounts paid for normal operating expenses in advance of receiving the related goods or services.

**Restricted assets and related liabilities** - Assets whose use is restricted to specific purposes by State law or by contract and the related liabilities are segregated on the balance sheet. Assets so classified are held to make payments on bonded indebtedness and for purchase or construction of capital assets. 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. The Port does not currently have any restricted assets.

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**Capital assets** - All purchased property and equipment are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated property and equipment are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Expenses for additions and improvements with a value of \$5,000 or more and a useful life of more than one year are capitalized. Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Assets	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

Contribution of funds from federal, state or local sources for the purpose of purchasing property and equipment are recorded as capital grant revenue when received, in accordance with GASB 33.

**Unused compensated absences** - Vested or accumulated vacation leave is recorded as an expense and liability when earned by each employee.

**Unearned revenue** - Grant proceeds and rental income received prior to and earned after year end are recorded as unearned revenue. The Port had no unearned revenue at June 30, 2020.

**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 represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Port has two items that qualify for reporting in this category. They are the deferred amounts relating to pensions and deferred amounts relating to other post-employment benefits. These amounts are deferred and recognized as an outflow of resources in the period when the Port recognizes the expense. Deferred outflows are included in the Statement of Net Position.

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 represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Port has two items that qualifies for reporting in this category. The Port reports deferred amounts related to pensions and deferred amounts related to other post-employment benefits. These amounts are deferred and recognized as an inflow of resources in the period when the Port recognizes the income. Deferred inflows are included in the Statement of Net Position.

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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***Pension*** - 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.

***Postemployment Benefits Other Than Pensions (OPEB)*** - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Port's two separate plans the Implicit Rate Subsidy and Oregon Public Employees Retirement Systems (OPERS) and additions to/deductions from Implicit Rate Subsidy and OPERS's fiduciary net position have been determined on the same basis as they are reported by Implicit Rate Subsidy and OPERS. For this purpose, Implicit Rate Subsidy and OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***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.

***Property and other taxes*** - Assessments of property values are as of July 1 of each year, and the taxes levied are a lien on the properties as of July 1 of the year levied. By July 15 of each year, the Port certifies its property tax levy to Tillamook County, Oregon. Tillamook County makes all assessments of property value and levies, collects, and distributes property taxes for all taxing districts within its boundaries.

Taxes are payable in three installments on November 15, February 15, and May 15 following the levy date and become delinquent May 15. The County pools all tax collections and makes distributions to taxing districts according to their pro-rata share of the total levy of each fiscal year for which collections are received. Property tax revenue is recognized on the accrual basis of accounting. Property taxes levied during the current year are recorded as nonoperating revenue, and any amounts uncollected at year-end are recorded as a current asset.

The Port also receives taxes for timber and land. Rates and amounts collected are verified by the county and distributed to the Port accordingly.

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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*Use of estimates* - Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions.

These assumptions and estimates affect the amounts and disclosures in the accompanying financial statements. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*General Fund* – As the Port’s only fund, the General Fund is used to account for the operations of the Port’s industrial park and railroad operations. These operations include the lease of industrial property, airport activities including hangar rentals, the air museum, railroad activities, and sewer and water services.

*Budgets and budgetary accounting* - The Port is required by Oregon State Law to adopt an annual appropriated budget. The budgetary fiscal period coincides with the annual reporting period (July 1 through June 30). Appropriated budgets are adopted by the executive body and, accordingly, used as a management control device for all funds. The Port prepared its budget using the modified accrual basis of accounting for the year ended June 30, 2020. Original appropriations may be increased or decreased, through resolutions, by transferring amounts between appropriations in the same fund, or they may be increased through the adoption of a supplemental budget. By state law, budget appropriations lapse at year-end. The Port adopts its budget at the department level for the General Fund.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

Following is a summary of the Port’s deposit and investment balances at June 30, 2020 and 2019:

Cash deposits	2020	2019
Cash on hand	\$ 1,868	\$ 1,868
Bank deposits	307,506	247,115
Total cash and bank deposits	309,374	248,983
Cash and investments		
Investments in the State and Local Government	1,083,885	1,146,970
Total deposits and investment	<u>\$ 1,393,259</u>	<u>\$ 1,395,953</u>

As of June 30, 2020 and June 30, 2019, the Port had the following cash equivalents:

<u>Investment</u>	<u>Weighted Average Maturity (in years)</u>	<u>Fair Value 2019</u>	<u>Fair Value 2020</u>
Local Government Investment Pool	0.0	<u>\$ 1,146,970</u>	<u>\$ 1,083,885</u>

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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***Interest rate risk***

Interest rate risk is the risk of exposure to fair value losses resulting from rising interest rates. The Port does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Port has minimal interest rate risks because all of its deposits and investments are held in demand accounts with banks and the Local Government Investment Pool.

***Custodial credit risk***

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Port would not be able to recover the value of its deposits and investments that are in the possession of the financial institution. The Port's demand deposit accounts and savings accounts with financial institutions are each insured by the Federal Depository Insurance Corporation (FDIC) up to a maximum of \$250,000. Oregon statutes require depositories qualified to hold public funds to participate in the Oregon Public Funds Collateralization Program (PFCP) in which depositories become part of a multiple financial institution collateral pool and are required to pledge as collateral, securities with a value at least equal to their maximum liability towards protecting public funds in the event one or more of the participating depositories fail. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected. As of June 30, 2020 and 2019, the book value of the Port's deposits was \$307,506 and \$247,115 and the bank balance was \$395,289 and \$351,864. \$145,289 of the Port's bank balances was exposed to custodial credit risk as they were collateralized under PFCP at June 30, 2020.

***Credit risk***

The Port does not have a formal policy addressing credit risk other than following ORS 294.035 on allowable deposits and investments. The Port uses a Local Government Investment Pool with the State of Oregon for its investments. The fair value of the Port's share of the pool assets approximates its deposits plus accrued interest. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Port can draw on its deposits in the Pool upon demand, and therefore, classifies this as a cash equivalent.

The Local Government Investment Pool is not rated.

***Concentration of credit risk***

The Port does not limit the amount that may be invested in any one issuer. At June 30, 2020 and 2019, \$1,083,885 (78%) and \$1,146,970 (82%) of its deposits and investments were held in the Local Government Investment Pool. The remainder was held in demand accounts with US Bank.

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 4 - RECEIVABLES**

Following is a summary of the Port's account receivable balances at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accounts	\$ 148,828	\$ 73,331
Property taxes	3,521	3,521
Interest receivable	2,420	-
Grants	37,839	148,119
Notes	<u>363,037</u>	<u>372,562</u>
Total receivables	<u>\$ 555,645</u>	<u>\$ 597,533</u>

The Port levied property taxes in the amount of \$59,580 and \$56,036 for fiscal year ending June 30, 2020 and 2019.

The Port has a note receivable for the sale of property. Interest of 4% and principle payments are due monthly. The note is secured by real property and is considered fully collectible.

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 5 - CAPITAL ASSETS**

Capital asset activity and balances consisted of the following for the year ended June 30, 2020:

<b>Capital assets, non-depreciable</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Ending Balance</b>
Land	\$ 3,993,510	\$ -	\$ -	\$ -	\$ 3,993,510
Construction in progress	619,680	104,854	(622,680)	-	101,854
<b>Total capital assets, non-depreciable</b>	<b>4,613,190</b>	<b>104,854</b>	<b>(622,680)</b>	<b>-</b>	<b>4,095,364</b>
<b>Capital Assets, depreciable</b>					
Land Improvements	23,972,649	-	622,680	-	24,595,329
Buildings	38,130,819	134,438	-	(917,000)	37,348,257
Leasehold Improvements	248,331	-	-	-	248,331
Machinery & Equipment	11,654,116	47,130	-	(21,821)	11,679,425
Rail Equipment	3,075,050	-	-	-	3,075,050
Furniture & Fixtures	24,803	-	-	-	24,803
Intangible Assets	3,909,437	-	-	-	3,909,437
<b>Total Capital Assets, depreciable</b>	<b>81,015,205</b>	<b>181,568</b>	<b>622,680</b>	<b>(938,821)</b>	<b>80,880,632</b>
<b>Less: Accumulated depreciation</b>					
Land Improvements	(14,736,351)	(1,266,480)	-	-	(16,002,831)
Buildings	(15,929,858)	(812,489)	-	917,000	(15,825,347)
Leasehold Improvements	(248,331)	-	-	-	(248,331)
Machinery & Equipment	(8,987,944)	(1,233,993)	-	21,821	(10,200,116)
Rail Equipment	(2,644,248)	(108,351)	-	-	(2,752,599)
Furniture & Fixtures	(21,742)	(3,061)	-	-	(24,803)
Intangible Assets	(2,244,428)	(160,526)	-	-	(2,404,954)
<b>Accumulated Depreciation</b>	<b>(44,812,902)</b>	<b>(3,584,900)</b>	<b>-</b>	<b>938,821</b>	<b>(47,458,981)</b>
<b>Net Depreciable, Capital Assets</b>	<b>36,202,303</b>	<b>(3,403,332)</b>	<b>622,680</b>	<b>-</b>	<b>33,421,651</b>
<b>Total Net Capital Assets</b>	<b>\$40,815,493</b>	<b>\$(3,298,478)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$37,517,014</b>

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

Capital asset activity and balances consist of the following for the year ended June 30, 2019:

<b>Capital assets, non-depreciable</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Land	\$ 3,993,510	\$ -	\$ -	\$ 3,993,510
Construction in progress	64,383	555,297	-	619,680
<b>Total capital assets, non-depreciable</b>	<b>4,057,893</b>	<b>555,297</b>	<b>-</b>	<b>4,613,190</b>
 <b>Capital Assets, depreciable</b>				
Land Improvements	23,972,649	-	-	23,972,649
Buildings	38,130,819	-	-	38,130,819
Leasehold Improvements	248,331	-	-	248,331
Machinery & Equipment	11,638,927	15,189	-	11,654,116
Rail Equipment	3,075,050	-	-	3,075,050
Furniture & Fixtures	24,803	-	-	24,803
Intangible Assets	3,909,437	-	-	3,909,437
<b>Total Capital Assets, depreciable</b>	<b>81,000,016</b>	<b>15,189</b>	<b>-</b>	<b>81,015,205</b>
 <b>Less: Accumulated depreciation</b>				
Land Improvements	(13,449,490)	(1,286,861)	-	(14,736,351)
Buildings	(15,123,979)	(805,879)	-	(15,929,858)
Leasehold Improvements	(241,008)	(7,323)	-	(248,331)
Machinery & Equipment	(7,696,407)	(1,291,537)	-	(8,987,944)
Rail Equipment	(2,535,898)	(108,350)	-	(2,644,248)
Furniture & Fixtures	(17,947)	(3,795)	-	(21,742)
Intangible Assets	(2,083,901)	(160,527)	-	(2,244,428)
<b>Accumulated Depreciation</b>	<b>(41,148,630)</b>	<b>(3,664,272)</b>	<b>-</b>	<b>(44,812,902)</b>
<b>Net Depreciable, Capital Assets</b>	<b>39,851,386</b>	<b>(3,649,083)</b>	<b>-</b>	<b>36,202,303</b>
 <b>Total Net Capital Assets</b>	 <b>\$43,909,279</b>	 <b>\$(3,093,786)</b>	 <b>\$ -</b>	 <b>\$ 40,815,493</b>

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, 2020 and 2019.

**NOTE 6 - LONG-TERM DEBT**

**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 payroll 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

**PORT OF TILLAMOOK BAY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

would be converted to a grant due to the emergency financial needs to repair rail lines damaged by natural disasters.

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.

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2020:

	<b>Balance</b>			<b>Balance</b>	<b>Due within</b>
	<b>June 30, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2020</b>	<b>one year</b>
<b>Bonds:</b>					
Series 2016B - Tax-Exempt	130,000	-	5,000	125,000	5,000
Series 2016C - Taxable	6,190,000	-	235,000	5,955,000	240,000
Bond Amortization	(103,317)	-	(5,052)	(98,265)	(5,052)
<b>Total Bonds</b>	<b>6,216,683</b>	<b>-</b>	<b>234,948</b>	<b>5,981,735</b>	<b>239,948</b>
<b>Notes Payable:</b>					
OBDD L14002	-	764,473	-	764,473	-
OBDD 525179	199,032	-	44,009	155,023	45,697
OBDD Payroll Loan C2008004	56,131	-	4,126	52,005	4,295
OBDD SPWF X03002	43,408	-	10,327	33,081	10,669
SPWF L07004	72,363	-	-	72,363	5,265
<b>Total Note Payables</b>	<b>370,934</b>	<b>764,473</b>	<b>58,462</b>	<b>1,076,945</b>	<b>65,926</b>
	<b>\$ 6,587,617</b>	<b>\$ 764,473</b>	<b>\$ 293,410</b>	<b>\$ 7,058,680</b>	<b>\$ 305,874</b>

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The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2019:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due within</u> <u>one year</u>
<b>Bonds:</b>					
Series 2016B - Tax-Exempt	\$ 130,000	\$ -	\$ -	\$ 130,000	\$ 5,000
Series 2016C - Taxable	6,190,000	-	-	6,190,000	235,000
Bond Amortization	<u>(108,369)</u>	<u>-</u>	<u>(5,052)</u>	<u>(103,317)</u>	<u>(5,052)</u>
<b>Total Bonds</b>	<u>6,211,631</u>	<u>-</u>	<u>(5,052)</u>	<u>6,216,683</u>	<u>234,948</u>
<b>Notes Payable:</b>					
OEDD 525179	241,417	-	42,385	199,032	44,009
OBDD Payroll Loan C2008004	60,089	-	3,958	56,131	4,126
OEDD SPWF X03002	53,402	-	9,994	43,408	10,326
SPWF L07004	<u>72,363</u>	<u>-</u>	<u>-</u>	<u>72,363</u>	<u>5,041</u>
<b>Total Note Payables</b>	<u>427,271</u>	<u>-</u>	<u>56,337</u>	<u>370,934</u>	<u>63,502</u>
	<u>\$ 6,638,902</u>	<u>\$ -</u>	<u>\$ 51,285</u>	<u>\$ 6,587,617</u>	<u>\$ 298,450</u>

Future maturities of bonds payable are as follows:

	<u>Series 2016B - Tax-Exempt</u>		<u>Series 2016C - Taxable</u>		<u>Bond</u> <u>Amortization</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 5,000	\$ 5,155	\$ 240,000	\$ 298,570	\$ (5,052)
2022	5,000	5,005	250,000	290,530	(5,052)
2023	5,000	4,855	260,000	281,780	(5,052)
2024	5,000	4,705	270,000	272,030	(5,052)
2025	5,000	4,515	280,000	261,230	(5,052)
2026-2030	30,000	19,672	1,595,000	1,103,822	(25,260)
2031-2035	50,000	11,215	2,065,000	641,968	(25,260)
2036-2037	<u>20,000</u>	<u>1,350</u>	<u>995,000</u>	<u>85,033</u>	<u>(22,485)</u>
<b>Total</b>	<u>\$ 125,000</u>	<u>\$ 56,472</u>	<u>\$5,955,000</u>	<u>\$3,234,963</u>	<u>\$ (98,265)</u>

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Future maturities of notes payable are as follows:

	<u>OECD 525179</u>		<u>OEDD SPWF X03002</u>		<u>OEDD SPWF L07004</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 45,697	\$ 5,217	\$ 10,669	\$ 1,098	\$ 5,265	\$ 2,185
2022	47,449	3,465	11,023	744	5,499	1,951
2023	61,877	585	11,389	378	5,743	1,707
2024	-	-	-	-	5,998	1,452
2025	-	-	-	-	6,264	1,186
2026-2030	-	-	-	-	43,594	1,524
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
Total	<u>\$ 155,023</u>	<u>\$ 9,267</u>	<u>\$ 33,081</u>	<u>\$ 2,220</u>	<u>\$ 72,363</u>	<u>\$ 10,005</u>

	<u>OBDD Payroll Loan</u>		<u>OBDD L14002</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 4,295	\$ 2,200	\$ -	\$ 183,744
2022	4,480	2,015	27,762	29,100
2023	4,670	1,825	28,859	27,960
2024	4,867	1,628	29,999	26,775
2025	5,068	1,427	31,184	25,543
2026-2030	28,625	3,716	175,399	114,396
	-	-	212,886	76,909
	-	-	258,384	31,410
Total	<u>\$ 52,005</u>	<u>\$ 12,811</u>	<u>\$ 764,473</u>	<u>\$ 515,837</u>

**NOTE 7 - OPERATING LEASES**

The Port leases facilities to various individuals and businesses. Rent agreements vary from month-to-month to 30 years. Determination of the cost and book value of leased facilities is not determinable given the mixed use nature of Port property.

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As of June 30, 2020, minimum rental payments required under operating leases which have remaining non-cancelable lease terms in excess of one year are as follows:

Year	Payments
2021	\$ 902,195
2022	725,551
2023	693,420
2024	543,266
2025	550,931
2026-2030	1,879,841
2031-2035	23,595
2036-2040	11,455
2041-2045	5,928
2046-2049	5,566
	\$ 5,341,749

As of June 30, 2019, minimum rental payments required under operating leases which have remaining non-cancelable lease terms in excess of one year are as follows:

Year	Payments
2020	\$ 875,877
2021	895,308
2022	712,458
2023	627,420
2024	475,286
2025-2029	1,496,931
2030-2034	23,595
2035-2039	11,455
2040-2044	5,928
2045-2049	5,566
	\$ 5,129,824

**NOTE 8 - DEFINED BENEFIT PENSION PLAN**

**Plan description** - Employees of the Port are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

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***Benefits provided***

**1. Tier One/Tier Two Retirement Benefit ORS Chapter 238**

***Pension benefits*** - The PERS retirement allowance is payable monthly for life. 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. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

***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:

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

***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 (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

***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 (COLA) changes. The COLA is capped at 2.0 percent.

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

***Pension benefits*** - The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal

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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.

**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.

**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.

**Benefit changes after retirement** - Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

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

**Pension benefits** - The Individual Account Program (IAP) is 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.

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.

**Recordkeeping** - OPERS contracts with VOYA Financial to maintain IAP participant records.

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*Contributions*

**1. Employer Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. 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, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the years ended June 30, 2020 and 2019 were \$121,173 and \$111,082, respectively, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal years ended June 30, 2020 and 2019 were 12.70 percent for Tier One/Tier Two General Service Member, 8.40 percent for OPSRP Pension Program General Service members, and 6 percent for OPSRP Individual Account Program.

**2. Employee Contributions**

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. As permitted, the Port has opted to pick-up the contributions on behalf of employees; contributions were \$52,283 and \$53,323 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020 and 2019, respectively, the Port reported a liability of \$1,378,239 and \$1,322,884 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the Port's proportion was 0.0079 percent, which was a decrease from its proportion of 0.0087 percent measured as of June 30, 2018.

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For the year ended June 30, 2020, the Port recognized pension expense of \$131,168. At June 30, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 76,006	\$ -
Changes of assumptions	186,974	-
Net difference between projected and actual earnings on investments	-	39,071
Changes in proportion	49,077	86,273
Differences between employer contributions and proportionate share of contributions	622	45,620
Total (prior to post-MD contributions)	<u>312,679</u>	<u>170,964</u>
Contributions subsequent to the MD	<u>121,173</u>	<u>-</u>
Total	<u>\$ 433,852</u>	<u>\$ 170,964</u>

For the year ended June 30, 2019, the Port recognized pension expense of \$140,604. At June 30, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 45,001	\$ -
Changes of assumptions	307,568	-
Net difference between projected and actual earnings on investments	-	58,744
Changes in proportion	73,996	27,543
Differences between employer contributions and proportionate share of contributions	1,102	40,444
Total (prior to post-MD contributions)	<u>427,667</u>	<u>126,731</u>
Contributions subsequent to the MD	<u>111,082</u>	<u>-</u>
Total	<u>\$ 538,749</u>	<u>\$ 126,731</u>

\$121,173 was reported as deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021	\$ 110,921
2022	(2,471)
2023	16,648
2024	14,126
2025	<u>2,491</u>
Total	<u>\$ 141,715</u>

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\$111,082 was reported as deferred outflows of resources related to pensions resulting from the Port’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 154,323
2021	121,036
2022	(3,215)
2023	18,982
2024	9,810
<b>Total</b>	<b><u>\$ 300,936</u></b>

***Actuarial assumptions***

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p><b>Health retirees and beneficiaries:</b> RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active Members:</b> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

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The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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Experience Study Report	2016, published July 26, 2017
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Actuarial Assumptions:	
Inflation Rate	2.50 percent
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Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p><b>Health retirees and beneficiaries:</b> RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active Members:</b> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

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 2017 Experience Study which reviewed experience for the four-year period ending on December 31, 2017.

***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 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’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.

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The following asset class allocation table was used for the 2017 valuation.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
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	13.5%	21.5%	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			<u>100.0%</u>

The following asset class allocation table was used for the 2016 valuation.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
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	13.5%	21.5%	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			<u>100.0%</u>

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The breakdown of asset categories for the 2017 valuation is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-Driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
	<hr/>	
Total	<hr/> <hr/> 100.00%	
Assumed Inflation - Mean		2.50%

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The breakdown of asset categories for the 2016 valuation is as follows:

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.42%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-Driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

***Depletion date projection***

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Based on these circumstances, it is our independent actuary’s opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

***Discount rate***

The discount rate used to measure the total pension liability was 7.20 percent and 7.20 percent for the Defined Benefit Pension Plan for June 30, 2020 and 2019, respectively. 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.

***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 as of June 30, 2020, calculated using the discount rate of 7.20 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 2,207,127	\$ 1,378,239	\$ 684,573

The following presents the Port's proportionate share of the net pension liability as of June 30, 2019, calculated using the discount rate of 7.50 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Port's proportionate share of the net pension liability (asset)	\$ 2,210,790	\$ 1,322,884	\$ 589,991

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***Pension plan fiduciary net position***

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

***Changes in plan provisions prior to measurement period***

There were no changes during either the June 30, 2019 or 2018 measurement periods that require disclosure.

***Changes in plan provisions subsequent to measurement date***

There were no changes subsequent to either the June 30, 2019 or June 30, 2018 measurement periods that require disclosure.

**NOTE 9 - 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 years ended June 30, 2020 and 2019 were \$1,400 and \$1,971 respectively.

**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION**

The other postemployment benefits (OPEB) for the Port combines two separate plans. The Port provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

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***Financial Statement Presentation***

The Port's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows as of June 30, 2020:

	<u>Implicit Rate Subsidy</u>	<u>PERS RHIA Plan</u>	<u>Total OPEB on Financials</u>
Net OPEB Asset	\$ -	\$ 15,232	\$ 15,232
Deferred Outflows of Resources			
Difference in Expected and Actual Experience	2,184	-	2,184
Change in Assumptions	5,038	-	5,038
Change in Proportionate Share	-	96	96
Contributions After MD	7,908	79	7,987
Total OPEB Liability	(45,736)	-	(45,736)
Deferred Inflows of Resources			
Difference in Expected and Actual Experience	-	(2,009)	(2,009)
Difference in Earnings	-	(940)	(940)
Change in Assumptions	(1,969)	(16)	(1,985)
Change in Proportionate Share	-	(850)	(850)
OPEB Expense/(Income)*	4,669	(2,358)	2,311

\*Included in program expenses on Statement of Activities

The amounts on the financial statements relate to the plans as follows as of June 30, 2019:

	<u>Implicit Rate Subsidy</u>	<u>PERS RHIA Plan</u>	<u>Total OPEB on Financials</u>
Net OPEB Asset	\$ -	\$ 7,168	\$ 7,168
Deferred Outflows of Resources			
Change in Proportionate Share	-	169	169
Contributions After MD	7,059	3,907	10,966
Total OPEB Liability	(40,532)	-	(40,532)
Deferred Inflows of Resources			
Difference in Expected and Actual Experience	-	(406)	(406)
Difference in Earnings	-	(1,545)	(1,545)
Change in Assumptions	(2,342)	(23)	(2,365)
Change in Proportionate Share	-	(119)	(119)
OPEB Expense/(Income)*	3,701	(669)	3,032

\*Included in program expenses on Statement of Activities

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***Implicit Rate Subsidy***

**Plan Description** - The Port’s single-employer defined benefit postemployment healthcare plan is administered by Special District Insurance Services (SDIS). Benefit provisions are established through negotiations between the Port and representatives of collective bargaining units or through resolutions passed by the Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The Port’s postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for SDIS. This report may be obtained through their website at: <http://ref.sdao.com/accounting/18ar-sdis.pdf>.

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Active employees	21
Eligible retirees	1
Spouses of ineligible retirees	0
Total participants	<u>22</u>

**Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - The Port’s total OPEB liability of \$45,737 and \$40,532 was measured as of June 30, 2020 and June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017.

For the fiscal year ended June 30, 2020, the Port recognized OPEB expense from this plan of \$4,669. At June 30, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,184	\$ -
Changes of assumptions	5,038	1,969
Total (prior to post-MD contributions)	<u>7,222</u>	<u>1,969</u>
Contributions subsequent to the MD	7,908	-
Total	<u>\$ 15,130</u>	<u>\$ 1,969</u>

For the fiscal year ended June 30, 2020, the Port recognized OPEB expense from this plan of \$3,701. At June 30, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 2,342
Total (prior to post-MD contributions)	-	2,342
Contributions subsequent to the MD	<u>7,059</u>	-
Total	<u>\$ 7,059</u>	<u>\$ 2,342</u>

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Deferred outflows of resources related to OPEB of \$7,908 resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>		
2021	\$	577
2022		577
2023		577
2024		577
2025		580
Thereafter		<u>2,365</u>
Total	\$	<u><u>5,253</u></u>

Deferred outflows of resources related to OPEB of \$7,059 resulting from the Port's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>		
2020	\$	(373)
2021		(373)
2022		(373)
2023		(373)
2023		(373)
Thereafter		<u>(477)</u>
Total	\$	<u><u>(2,342)</u></u>

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**Actuarial Assumptions and Other Inputs** - The total OPEB liability in the July 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Discount Rate	3.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Retiree Healthcare Participation	40% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Mortality	<b>Health retirees and beneficiaries:</b> RP-2014 healthy annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data scale.  <b>Healthcare cost trend rate:</b> Medical and vision: 7.00 percent per year decreasing to 4.75 percent.  Dental: 4.50 percent per year

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary increases	3.5 percent
Healthy mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Discount rate	3.58 percent (change from 2.85 percent in previous measurement period)
Healthcare cost trend rate	Medical and vision: 7.50 percent per year, decreasing to 5.0 percent Dental: 4.50 percent per year

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

**Changes in the Total OPEB Liability** - Changes in assumptions is the result of the change in the discount rate from 3.50% to 3.58%.

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	<b>Total OPEB Liability</b>
Balance as of June 30, 2019	\$ 40,532
Changes for the year:	
Service cost	2,560
Interest on Total OPEB Liability	1,532
Effect of assumptions changes or inputs	5,701
Effect of economic demographic gains or losses	2,470
Benefit payments	<u>(7,059)</u>
Balance as of June 30, 2020	<u>\$ 45,736</u>
	<b>Total OPEB Liability</b>
Balance as of June 30, 2018	\$ 43,425
Changes for the year:	
Service cost	2,537
Interest on Total OPEB Liability	1,537
Effect of assumptions changes or inputs	(835)
Benefit payments	<u>(6,132)</u>
Balance as of June 30, 2019	<u>\$ 40,532</u>

***Sensitivity of the Total OPEB Liability*** - The following presents the Port's OPEB liability for fiscal year end June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB Liability	\$ 49,628	\$ 45,736	\$ 42,168

Healthcare Cost Trend:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 40,611	\$ 45,736	\$ 51,904

The following presents the Port's OPEB liability for fiscal year end June 30, 2019, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent)

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or 1-percentage-point higher (4.50 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

***PERS Retirement Health Insurance Account***

***Plan Description*** - The Port contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at [http://Oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://Oregon.gov/PERS/section/financial_reports/financials.shtml).

Discount Rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB Liability	\$ 43,293	\$ 40,532	\$ 38,019

Healthcare Cost Trend:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 37,136	\$ 40,532	\$ 44,618

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

***Contributions*** - PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The Port's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The Port's total contributions for the years ended June 30, 2020 and 2019 were \$79 and \$3,907, respectively.

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***OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*** - At June 30, 2020, the Port reported an asset of \$14,725 for its proportionate share of the OPERS net OPEB asset. At June 30, 2019, the port reported an asset of \$7,168 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2019. The Port’s proportion of the net OPEB asset was based on the Port’s contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2019, the Port’s proportionate share was 0.0079%, which is a decrease from its proportion of 0.0064% as of June 30, 2018.

For the year ended June 30, 2020, the Port recognized OPEB income from this plan of \$2,358. At June 30, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,009
Changes of assumptions	-	16
Net difference between projected and actual earnings on investments	-	940
Changes in proportionate share	96	850
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>96</u>	<u>3,815</u>
Contributions subsequent to the MD	<u>79</u>	<u>-</u>
Total	<u>\$ 175</u>	<u>\$ 3,815</u>

For the year ended June 30, 2019, the Port recognized OPEB income from this plan of \$669. At June 30, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 406
Changes of assumptions	-	23
Net difference between projected and actual earnings on investments	-	1,545
Changes in proportionate share	<u>169</u>	<u>119</u>
Total (prior to post-MD contributions)	<u>169</u>	<u>2,093</u>
Contributions subsequent to the MD	<u>3,907</u>	<u>-</u>
Total	<u>\$ 4,076</u>	<u>\$ 2,093</u>

Deferred outflows of resources related to OPEB of \$79 resulting from the Port’s contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2021.

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

<u>Year ended June 30:</u>	
2021	\$ (1,880)
2022	(1,724)
2023	(212)
2024	97
2025	-
Total	<u>\$ (3,719)</u>

Deferred outflows of resources related to OPEB of \$3,907 resulting from the Port's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$ (647)
2021	(626)
2022	(498)
2023	(153)
2024	-
Total	<u>\$ (1,924)</u>

**Actuarial Methods and Assumptions** - The total OPEB asset in the December 31, 2017 actuarial valuation was determined using the actuarial methods and assumptions are the same as listed above in Note 8 Pension Plan Actuarial Assumptions and an additional assumption for healthcare cost trend rate ranging from 6.3% in 2016 to 4.4% in 2094.

**Long-Term Expected Rate of Return** - Are the same as listed above in Note 8 – Pension Plan Long-term Expected Rate of Return.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 7.20% and 7.20%, respectively, for the RHIA Plan at June 30, 2019 and June 30, 2018 measurement dates. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Port's proportionate share of the net OPEB liability (asset) to changes in the discount rate** - The following presents the Port's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the Port's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate for the year ended June 30, 2020:

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Discount Rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Total OPEB Liability	\$ (11,808)	\$ (15,232)	\$ (18,148)

The following presents the Port's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the Port's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate for the year ended June 30, 2019:

Discount Rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Total OPEB Liability	\$ (4,174)	\$ (7,168)	\$ (9,717)

***OPEB Plan Fiduciary Net Position*** - Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

***Changes in Plan Provisions During the Measurement Period*** - There were no changes during either the June 30, 2019 or 2018 measurement periods that require disclosure.

***Changes in Plan Provisions Subsequent to Measurement Date*** - There were no changes subsequent to either the June 30, 2019 or the June 30, 2018 measurement period that require disclosure.

**NOTE 11 - RISK MANAGEMENT**

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial insurance. No settlements of any claims exceeded the insurance coverage in the past three years.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

***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.

***Litigation***- From time to time the Port may be involved in legal actions, which normally occur in governmental operations. Legal claims are defended by the Port's insurance company and management believes any proceedings known to exist at June 30, 2020 and 2019, are not likely to have a material adverse impact on the Port's financial position.

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**NOTE 13 - 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, 2020, 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 14 – ASSET RETIREMENT OBLIGATION**

The Port implemented GASB 83 on the accounting and financial reporting of certain asset retirement obligations in fiscal year 2019. The Port has identified the digester it leases to BioGas to have possible retirement obligations upon decommissioning. Under terms of the lease, the lessee is responsible for obligations related to retirement of the asset. As the Port is the legal owner of the digester, asset retirement obligations could become the responsibility of the Port if the lessee defaults on the agreement. As of June 30, 2020, the Port had not incurred any obligating events. Therefore, no liability has been recognized.

**NOTE 15 - 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 2020 and 2019. 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, 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.

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**NOTE 16 - NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement 83 addresses accounting and financial reporting for certain legally enforceable liabilities associated with the retirement of a tangible capital asset. The Port implemented Statement 83 for the year ending June 30, 2019.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement 88 amends GASB Statement 34 and GASB Statement 38 and improves disclosure requirements for notes to the financial statements related to debt, including direct borrowings and direct placements. GASB Statement 88 requires additional essential information about resources required to liquidate debt and the risks associated with changes in terms associated with debt. The Port implemented Statement 88 for the year ending June 30, 2019.

**NOTE 17 – SUBSEQUENT EVENT**

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S., accelerating during the first half of March, as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. The situation is rapidly changing and additional impacts may arise that we are not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

**NOTE 18 – RESTATEMENT**

Previously recognized as contributed capital assets from FEMA in the amount of \$764,473, was matching funds for the loan from OBDD L14002. The project helped the Port to complete a host of infrastructure projects.

**REQUIRED SUPPLEMENTARY INFORMATION**

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Schedule Proportionate Share - RHIA
- Schedule of Contributions - RHIA
- Schedule of Changes in Total OPEB Liability and Related Ratios - SDIS
- Schedule of Contributions - SDIS

**PORT OF TILLAMOOK BAY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Last Ten Fiscal Years<sup>1</sup>**

Measurement Date	(a) Port's proportion of the net pension liability (asset)	(b) Port's proportionate share of the net pension liability (asset)	(c) Port's covered payroll	(b/c) Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2019	0.00796780%	\$ 1,378,239	\$ 847,870	162.55%	80.20%
2018	0.00873267%	1,322,884	760,868	173.87%	82.10%
2017	0.00887507%	1,196,363	789,616	151.51%	83.10%
2016	0.00781601%	1,173,365	737,864	159.02%	80.53%
2015	0.00715800%	410,974	680,586	60.39%	91.90%
2014	0.10045440%	(227,701)	640,247	-35.56%	103.60%
2013	0.10045440%	673,613	600,184	112.23%	91.97%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NOTES TO SCHEDULE**

**Changes in Benefit Terms:**

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

**Changes of Assumptions:**

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

**PORT OF TILLAMOOK BAY  
SCHEDULE OF CONTRIBUTIONS  
For the Last Ten Fiscal Years<sup>1</sup>**

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) Port's covered payroll	(b/c) Contributions as a percent of covered payroll
2020	\$ 121,173	\$ 121,173	\$ -	\$ 871,388	3.91%
2019	111,082	111,082	-	847,870	13.10%
2018	89,566	89,566	-	760,868	11.77%
2017	78,975	78,975	-	789,616	10.00%
2016	77,872	77,872	-	737,864	10.55%
2015	61,132	61,132	-	680,586	8.98%
2014	62,203	62,203	-	640,247	9.72%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NOTES TO SCHEDULE**

**Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions**

Actuarial valuation:	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Market value	Market value	Market value
Remaining amortization periods:	20 years	20 years	N/A
Actuarial assumptions			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 percent	3.75 percent	3.75 percent
Investment rate of return	7.50 percent	7.75 percent	8.00 percent

**PORT OF TILLAMOOK BAY**  
**SCHEDULE OF PROPORTIONATE SHARE - RHIA**  
**For the Last Ten Fiscal Years<sup>1</sup>**

Measurement Date June 30,	(a) Port's proportion of the net OPEB liability (asset)	(b) Port's proportionate share of the net OPEB liability (asset)	(c) Port's covered payroll	(b/c) Port's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.00788242%	\$ (15,232)	\$ 847,870	-1.80%	144.4%
2018	0.00642172%	(7,168)	760,868	-0.94%	124.0%
2017	0.00750598%	(3,133)	789,616	-0.40%	108.9%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NOTES TO SCHEDULE**

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes to reflect an updated trends and mortality improvement scale for all groups.

**PORT OF TILLAMOOK BAY**  
**SCHEDULE OF CONTRIBUTIONS - RHIA**  
**For the Last Ten Fiscal Years<sup>1</sup>**

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Port's covered payroll	(b/c) Contributions as a percent of covered payroll
2020	\$ 79	\$ 79	\$ -	\$ 871,388	0.01%
2019	3,907	3,907	-	847,870	0.46%
2018	3,109	3,109	-	760,868	0.41%
2017	3,737	3,737	-	789,616	0.47%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NOTES TO SCHEDULE**

**Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions**

Actuarial valuation:	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	10 years	10 years	10 years
Asset valuation method:	Market value	Market value	Market value
Remaining amortization periods:	20 years	20 years	N/A
Actuarial assumptions			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 percent	3.75 percent	3.75 percent
Investment rate of return	7.50 percent	7.75 percent	8.00 percent
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance

**PORT OF TILLAMOOK BAY**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - SDIS**  
**For the Last Ten Fiscal Years<sup>1</sup>**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service Interest	\$ 2,560	\$ 2,537	\$ 2,686
Interest	1,532	1,537	1,345
Changes of benefit terms	-	-	-
Differences between expected and actual experience	2,470	-	-
Changes of assumptions	5,701	(835)	(2,149)
Benefit payment	(7,059)	(6,132)	(5,882)
<b>Net change in total OPEB liability</b>	<u>5,204</u>	<u>(2,893)</u>	<u>(4,000)</u>
<b>Total OPEB liability - beginning</b>	<u>40,532</u>	<u>43,425</u>	<u>47,425</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 45,736</u>	<u>\$ 40,532</u>	<u>\$ 43,425</u>
Covered-employee payroll	\$ 847,870	\$ 760,868	\$ 789,616
Total OPEB liability as a percentage of covered-employee payroll	5.39%	5.33%	5.50%

**NOTES TO SCHEDULE**

The amounts presented for each fiscal year were actuarial determined at July 1 and rolled forward to the measurement date.

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**PORT OF TILLAMOOK BAY**  
**SCHEDULE OF CONTRIBUTIONS - SDIS**  
**For the Last Ten Fiscal Years<sup>1</sup>**

Year Ended June 30,	(a) Actuarially determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Port's covered payroll	(b/c) Contributions as a percent of covered payroll
2020	\$ 7,908	\$ 7,908	\$ -	\$ 871,388	-
2019	7,059	7,059	-	847,870	0.83%
2018	27,024	27,024	-	760,868	3.55%
2017	23,634	23,634	-	789,616	2.99%

<sup>1</sup>This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NOTES TO SCHEDULE**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	July 1, 2018	July 1, 2016
Effective:	June 30, 2018	June 30, 2016 and 2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	6.8 years	7.7 years
Asset valuation method:	Market value	Market value
Remaining amortization periods:	20 years	20 years
Actuarial assumptions		
Inflation rate	2.50 percent	2.50 percent
Projected salary increases	3.50 percent	3.50 percent

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## **SUPPLEMENTARY INFORMATION**

## SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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

Budgetary Comparison schedules include the following fund:

### **General Fund**

As the Port's only fund, the General Fund is used to account for the operations of the Port's industrial park and railroad operations. These operations include the lease of industrial and commercial property, airport activities including hangar rentals, the air museum, railroad activities, and sewer and water services.

**PORT OF TILLAMOOK BAY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2020**

	Actual - GAAP Basis	GAAP to Budgetary Basis Adjustments	Actual - Budgetary Basis	Budget		Variance with Final Budget
				Original	Final	
<b>REVENUES:</b>						
Charges for services	\$ 688,238	\$ -	\$ 688,238	\$ 702,590	\$ 702,590	\$ (14,352)
Building and land rent	2,037,441	-	2,037,441	1,533,500	1,533,500	503,941
Museum	353,213	-	353,213	727,250	727,250	(374,037)
Airport revenues	78,203	-	78,203	75,000	75,000	3,203
Railroad revenues	249,428	-	249,428	508,000	508,000	(258,572)
Property and other taxes	82,306	-	82,306	84,429	84,429	(2,123)
Interest income	40,030	-	40,030	17,548	17,548	22,482
Grant revenue	238,971	-	238,971	477,300	477,300	(238,329)
Miscellaneous income	14,348	9,913	24,261	701,835	701,835	(677,574)
Insurance proceeds	22,140	-	22,140	-	-	22,140
Other income	-	-	-	5,000	5,000	(5,000)
Gain on sale of assets	41,650	-	41,650	-	-	41,650
<b>Total revenues</b>	<b>3,845,968</b>	<b>9,913</b>	<b>3,855,881</b>	<b>4,832,452</b>	<b>4,832,452</b>	<b>(976,571)</b>
<b>EXPENDITURES:</b>						
Materials and services	1,268,793	6,524	1,275,317	2,481,602	2,481,602	1,206,285
Personnel services	1,681,389	(206,139)	1,475,250	1,737,982	1,737,982	262,732
Capital outlay	-	286,422	286,422	540,300	540,300	253,878
Debt service:						
Principle	-	298,461	298,461	298,462	298,462	1
Interest	484,691	(150,151)	334,540	322,607	322,607	(11,933) *
Depreciation	3,584,900	(3,584,900)	-	-	-	-
<b>Total expenditures</b>	<b>7,019,773</b>	<b>(3,349,783)</b>	<b>3,669,990</b>	<b>5,380,953</b>	<b>5,380,953</b>	<b>1,710,963</b>
Revenues over (under) expenditures	(3,173,805)	3,359,696	185,891	(548,501)	(548,501)	734,392
<b>OTHER FINANCING SOURCES (USES):</b>						
Loan proceeds	-	764,473	764,473	-	-	764,473
Total other financing sources (uses)	-	764,473	764,473	-	-	764,473
Changes in net position	\$ (3,173,805)	\$ 4,124,169	950,364	(548,501)	(548,501)	1,498,865
<b>FUND BALANCE, BEGINNING BUDGETARY-BASIS</b>			<b>1,062,221</b>	<b>1,334,001</b>	<b>1,334,001</b>	<b>(271,780)</b>
<b>FUND BALANCE, ENDING BUDGETARY-BASIS</b>			<b>\$ 2,012,585</b>	<b>\$ 785,500</b>	<b>\$ 785,500</b>	<b>\$ 1,227,085</b>

\*Budget appropriations at department level see General Fund - Schedule of Expenditures - Budget and Actual

**PORT OF TILLAMOOK BAY**  
**GENERAL FUND - BUDGETARY BASIS**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**

	Budget		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Administration				
Personnel services	\$ 405,206	\$ 405,206	\$ 341,888	\$ 63,318
Materials and services	174,450	174,450	183,036	(8,586) *
Debt Service	11,859	11,859	11,664	195
Subtotal	591,515	591,515	536,588	54,927
Airport				
Personnel services	272,707	272,707	224,445	48,262
Materials and services	257,340	257,340	119,299	138,041
Capital outlay	390,300	390,300	146,718	243,582
Debt Service	1,820	1,820	1,860	(40) *
Subtotal	922,167	922,167	492,322	429,845
Industrial Park				
Personnel services	393,187	393,187	398,501	(5,314) *
Materials and services	1,012,392	1,012,392	346,766	665,626
Capital outlay	-	-	84,362	(84,362) *
Debt Service	565,663	565,663	576,957	(11,294) *
Subtotal	1,971,242	1,971,242	1,406,586	564,656
Utilities				
Personnel services	175,785	175,785	136,564	39,221
Materials and services	396,060	396,060	250,722	145,338
Capital outlay	100,000	100,000	-	100,000
Debt Service	15,714	15,714	16,068	(354) *
Subtotal	687,559	687,559	403,354	284,205
Rail Road Management				
Personnel services	55,540	55,540	48,640	6,900
Materials and services	329,060	329,060	199,652	129,408
Debt Service	26,013	26,013	26,452	(439) *
Subtotal	410,613	410,613	274,744	135,869
Museum:				
Personnel services	435,557	435,557	325,213	110,344
Materials and services	312,300	312,300	175,842	136,458
Capital outlay	50,000	50,000	55,341	(5,341) *
Subtotal	797,857	797,857	556,396	241,461
Total expenditures	\$ 5,380,953	\$ 5,380,953	\$ 3,669,990	\$ 1,710,963

\* Budgetary appropriation is at department level.

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## **AUDIT COMMENTS AND DISCLOSURES**

**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***

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 Port of Tillamook Bay, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Port of Tillamook Bay’s basic financial statements, and have issued our report thereon dated April 22, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port of Tillamook Bay’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 Bay’s internal control. Accordingly, we do not express an opinion on the effectiveness of Port of Tillamook Bay’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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port of Tillamook Bay’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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*

in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Joseph N. [unclear]".

For Merina+Co  
Tualatin, Oregon  
April 22, 2021

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH OREGON STATE REGULATION**

The Board of Commissioners  
Port of Tillamook Bay  
Tillamook, Oregon

We have audited the basic financial statements of the Port of Tillamook Bay, as of and for the year ended June 30, 2020 and have issued our report thereon dated April 22, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Port of Tillamook Bay's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Port of Tillamook Bay does not receive highway revenues.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Port of Tillamook Bay does not have any elected officials collecting or receiving money.

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 *Minimum Standards for Audits of Oregon Municipal Corporations*.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit of the financial statements, we considered the Port of Tillamook Bay'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 the Port of Tillamook Bay's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port of Tillamook Bay'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 may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co  
Tualatin, Oregon  
April 22, 2021