



OF TILLAMOOK BAY

PORT OF TILLAMOOK BAY
TILLAMOOK, OREGON

FINANCIAL STATEMENTS

Year Ended June 30, 2025

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

**PORT OF TILLAMOOK BAY
TILLAMOOK, OREGON
FOR THE YEAR ENDED JUNE 30, 2025**

BOARD OF OFFICIALS

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

All Officials receive mail at the address below:

Registered Agent and Address:

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

Attorney and Address:

**Jordan Ramis, Attorney
PO Box 230669
Portland, OR 97225**

PORT OF TILLAMOOK BAY
FINANCIAL STATEMENTS
Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the business-type activities of Port of Tillamook Bay (the Port), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of the report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions

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

Matter Giving Rise to the Qualified Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

To the Board of Commissioners
Port of Tillamook Bay

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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.

To the Board of Commissioners
Port of Tillamook Bay

Other Report on State Legal and Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated November 5, 2025 on our consideration of 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.

KERN & THOMPSON, LLC
Certified Public Accountants



Eric A. Zehntbauer, CPA
Partner

Portland, Oregon
November 5, 2025

**PORT OF TILLAMOOK BAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

This discussion and analysis of the Port of Tillamook Bay (the Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the Port's financial statements, which follow this section.

Overview of the Financial Statements

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

Financial Results

The Port's total net position decreased from the prior year from \$28.1M to \$27.0M. Additions to capital assets of \$913K includes the airport improvement project, funded by grants from Federal Aviation Administration. The Port ended the year with a decrease in net position of \$1,103K, due to an increase in operating expenses that exceeded increased operating revenues.

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

Table 1 – Net Position

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------------|-----------------------------|
| Assets and deferred outflows | | |
| Current | \$ 3,017,988 | \$ 2,713,232 |
| Other | 325,865 | 359,126 |
| Capital assets, net | 31,959,789 | 33,239,754 |
| Deferred outflows of resources | <u>692,584</u> | <u>553,283</u> |
| Total assets and deferred outflows | <u>\$ 35,996,226</u> | <u>\$ 36,865,395</u> |
| Liabilities and deferred inflows | | |
| Current | \$ 1,138,633 | \$ 814,779 |
| Long-term | 7,770,583 | 7,841,928 |
| Deferred inflows of resources | 130,126 | 147,987 |
| Total liabilities and deferred inflows | <u>9,039,342</u> | <u>8,804,694</u> |
| Net position | | |
| Net invested in capital assets | 26,631,125 | 27,457,483 |
| Unrestricted | 325,759 | 603,218 |
| Total net position | <u>26,956,884</u> | <u>28,060,701</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 35,996,226</u> | <u>\$ 36,865,395</u> |

**PORT OF TILLAMOOK BAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

Table 2 – Revenues and Expenses

| | <u>2025</u> | <u>2024</u> |
|--|-----------------------------|-----------------------------|
| Operating revenues | | |
| Land and building rent | \$ 2,740,143 | \$ 2,617,384 |
| Charges for services | 1,016,268 | 942,931 |
| Museum | 699,346 | 702,799 |
| Airport revenues | 146,901 | 136,133 |
| Railroad revenues | - | 91,174 |
| Total operating revenues | <u>4,602,658</u> | <u>4,490,421</u> |
| Operating expenses | | |
| Personnel services | 2,009,278 | 1,618,746 |
| Materials and services | 1,862,475 | 1,653,521 |
| Depreciation and amortization | 2,251,458 | 2,081,828 |
| Total operating expenses | <u>6,123,211</u> | <u>5,354,095</u> |
| Total operating income (loss) | <u>(1,520,553)</u> | <u>(863,674)</u> |
| Non-operating revenues (expenses) | | |
| Grants | 383,279 | 190,711 |
| Interest income | 122,420 | 96,550 |
| Other revenue | 217,904 | 274,026 |
| Interest expense | (301,815) | (304,166) |
| Other expense | (5,052) | (4,860) |
| Net non-operating revenues (expenses) | <u>416,736</u> | <u>252,261</u> |
| Change in net position | (1,103,817) | (611,413) |
| Net position, beginning of year | <u>28,060,701</u> | <u>28,672,114</u> |
| Net position, end of year | \$ <u>26,956,884</u> | \$ <u>28,060,701</u> |

Capital Assets

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

| | <u>2025</u> | <u>2024</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Capital assets | | |
| Land | \$ 3,993,040 | \$ 3,993,148 |
| Construction in progress | 520,532 | 83,151 |
| Depreciable costs | 78,952,382 | 79,328,844 |
| Total capital assets | <u>83,465,954</u> | <u>83,405,143</u> |
| Accumulated depreciation | <u>(51,506,165)</u> | <u>(50,165,389)</u> |
| Total net capital assets | \$ <u>31,959,789</u> | \$ <u>33,239,754</u> |

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

**PORT OF TILLAMOOK BAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

Long-Term Debt

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

| | 2025 | 2024 |
|-----------------------------|---------------------|---------------------|
| Long-term debt | | |
| Bonds | \$ 4,681,995 | \$ 4,961,943 |
| Notes payable | 646,669 | 677,853 |
| Total long-term debt | \$ 5,328,664 | \$ 5,639,796 |

Long-Term Obligations

At June 30, 2025, the Port had \$646.7K in notes payable outstanding. In addition, the Port has bonds outstanding of \$4.6M. The Port reported a net decrease in debt of \$311K for the 2024-25 fiscal year. Additional information on the Port's long-term debt can be found in Note G of the financial statements.

Budgetary Highlights

The Port's budget for the fiscal year 2024-25 was adopted by the Port Commission in June 2024 and certified by the Tillamook County Clerk in July 2024.

Economic Factors and Next Year's Budgets and Rates

As part of the Port's strategic planning and business planning process, regional and national economic trends and forecasts are reviewed and forecasted to help produce the annual budget. In the Port's 2025-26 budget, operating expenditures and revenues are forecast to increase from prior years.

Contacting the Port's Financial Management

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

PORT OF TILLAMOOK BAY
STATEMENT OF NET POSITION

June 30, 2025

ASSETS

Current assets

| | |
|----------------------------------|--------------|
| Cash and investments | \$ 2,198,631 |
| Receivables, net of allowances | 322,110 |
| Property tax receivable | 3,494 |
| Note receivable, current portion | 36,007 |
| Grant receivable | 98,808 |
| Inventory | 142,162 |
| Prepaid expenses | 216,776 |
| Total current assets | 3,017,988 |

Noncurrent assets

| | |
|--|--------------|
| Capital assets | |
| Non-depreciable capital assets | 4,513,572 |
| Depreciable capital assets | 78,952,382 |
| Accumulated depreciation | (51,506,165) |
| Capital assets, net | 31,959,789 |
| Note receivable, net of current position | 325,865 |
| Total noncurrent assets | 32,285,654 |

Deferred outflows of resources

692,584

Total assets and deferred outflows

\$ 35,996,226

LIABILITIES AND NET POSITION

Current liabilities

| | |
|---|------------|
| Accounts payable | \$ 448,584 |
| Accrued payroll and related expenses | 93,691 |
| Compensated absences | 72,555 |
| Other accrued liabilities | 69,751 |
| Accrued interest payable | 141,688 |
| Notes payable and assessment debt - current | 312,364 |
| Total current liabilities | 1,138,633 |

Noncurrent liabilities

| | |
|---------------------------------------|-----------|
| Notes payable, net of current portion | 5,016,300 |
| Landfill post closure liability | 890,498 |
| Net pension liability | 1,863,785 |
| Total noncurrent liabilities | 7,770,583 |

Deferred inflows of resources

130,126

Net position

| | |
|----------------------------------|------------|
| Net investment in capital assets | 26,631,125 |
| Restricted | - |
| Unrestricted | 325,759 |
| Total net position | 26,956,884 |

Total liabilities, deferred inflows and net position

\$ 35,996,226

See notes to financial statements.

PORT OF TILLAMOOK BAY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2025

| | |
|--|-----------------------------|
| Operating revenues | |
| Charges for services | \$ 1,016,268 |
| Building and land rent | 2,740,143 |
| Museum | 699,346 |
| Airport revenues | 146,901 |
| Total operating revenues | <u>4,602,658</u> |
| Operating expenses | |
| Personnel services | 2,009,278 |
| Materials and services | 1,862,475 |
| Depreciation | 2,251,458 |
| Total operating expenses | <u>6,123,211</u> |
| Operating income (loss) | <u>(1,520,553)</u> |
| Non-operating revenues (expenses) | |
| Property and other taxes | 78,668 |
| Interest income | 122,420 |
| Grant revenue | 383,279 |
| Miscellaneous income | 46,007 |
| Gain (loss) on sale of assets | 93,229 |
| Loan fees | (5,052) |
| Interest expense | (301,815) |
| Total non-operating expenses | <u>416,736</u> |
| Change in net position | <u>(1,103,817)</u> |
| Net position, beginning of year | <u>28,060,701</u> |
| Net position, end of year | <u>\$ 26,956,884</u> |

See notes to financial statements.

PORT OF TILLAMOOK BAY
STATEMENT OF CASH FLOWS

Year Ended June 30, 2025

| | |
|---|-----------------------------------|
| Cash flows from operating activities: | |
| Cash received from tenants and customers | \$ 4,540,249 |
| Payments to vendors | (1,642,315) |
| Payments to employees | (1,938,191) |
| Net cash provided by (used in) operating activities | <u>959,743</u> |
| Cash flows from investing activities: | |
| Payments from notes receivable | 36,341 |
| Interest income | 122,420 |
| Net cash provided by (used in) investing activities | <u>158,761</u> |
| Cash flows from noncapital financing activities: | |
| Property taxes | 78,668 |
| Insurance proceeds | - |
| Nonoperating revenues | 46,007 |
| Net cash provided by (used in) noncapital financing activities | <u>124,675</u> |
| Cash flows from capital and related financing activities: | |
| Acquisitions (disposal) of capital assets | (913,537) |
| Proceeds from sale of assets | 124,564 |
| Grant proceeds | 295,458 |
| Payments on notes and bonds payable | (316,185) |
| Interest paid | (302,601) |
| Net cash provided by (used in) capital and related financing activities | <u>(1,112,301)</u> |
| Change in cash and cash equivalents | 130,878 |
| Cash and cash equivalents | |
| Beginning of year | <u>2,067,753</u> |
| End of year | \$ <u><u>2,198,631</u></u> |
| Reconciliation of operating income (loss) to cash provided by (used in) operating activities: | |
| Operating income (loss) | \$ (1,520,553) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | |
| Depreciation and amortization | 2,251,458 |
| Net pension obligation | 83,858 |
| Accounts receivable | (62,409) |
| Prepaid expense and inventory | (26,729) |
| Increase (decrease) in liabilities | |
| Accounts payable | 224,003 |
| Accrued payroll liabilities | 22,886 |
| Accrued compensated absences | (12,771) |
| Other accrued liabilities | - |
| Net cash provided by (used in) operating activities | \$ <u><u>959,743</u></u> |

See notes to financial statements.

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE A – DESCRIPTION OF ORGANIZATION

The Port of Tillamook Bay (the Port) is an Oregon Municipal corporation formed under Oregon Revised Statute (ORS) 777. It was formed by special election in 1911 to incorporate land at the entrance to Tillamook Bay and named the Port of Bay Ocean. In 1948 at a special election, additional land at the entrance to Tillamook Bay was incorporated into the Port for the purpose of constructing a jetty to protect the bay. In 1953, a special election was held to incorporate 1,600 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, appropriate funds, adopts budgets, and performs other duties required by state laws.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

GASB 87 requires lessees to capitalize the present value of all lease obligations as right-of-use assets and record a corresponding long-term liability for the present value of the contractual lease payments. Additionally, GASB 87 requires lessors to recognize a lease receivable and deferred inflows of resources for the effects of its leasing activities and requires enhanced disclosures for both lessees and lessors. Management has not adopted a methodology for applying GASB 87 for lease accounting. Under this statement a lessor is required to recognize a lease receivable and deferred inflow of resources for leased assets, which would increase both assets and liabilities. The amount by which this departure would affect the assets, deferred inflows of resources, fund balances, and expense has not been determined.

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

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

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

Budget Policies and Budgetary Control

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

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The Port maintains common cash and investment pools for all Port funds. All short-term, highly liquid investments, including investments in the State Treasurer's Local Government Investment Pool (LGIP), where the remaining maturity at the time of purchase is one year or less are stated at amortized cost, which approximates fair value. The LGIP's policies provide minimum weighted average credit ratings for the LGIP's holdings: AA and As2 for Standard and Poor's and Moody's, respectively. Earnings on pooled cash investments are allocated to each fund based on the balance of each participating fund. Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

Cash and Cash Equivalents

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

Receivables

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

Tenant rent receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tenant rent receivable. The reserve was \$86,418 as of June 30, 2025.

Grants Receivable

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

Capital Assets and Depreciation

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

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

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

| <u>Asset Classification</u> | <u>Useful Life in Years</u> | <u>Capitalization Threshold</u> |
|-----------------------------|---------------------------------|-------------------------------------|
| Land improvements | 15-20 | 50,000 |
| Buildings | 39-40 | 50,000 |
| Leasehold improvements | 10 | 25,000 |
| Machinery and equipment | 5-10 | 25,000 |
| Rail equipment | 15 | 25,000 |
| Furniture and fixtures | 7 | 25,000 |
| Intangibles | 5-15 | 25,000 |

Net Position

The Port's net position is classified as follows:

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

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

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

Long-Term Obligations

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

Estimates

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

Deferred Outflows/Inflows of Resources

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

Pension Retirement Plan

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

NOTE C – CASH AND INVESTMENTS

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

Cash and investments are comprised of the following at June 30, 2025:

| | |
|---------------------------------------|---------------------|
| Deposits with financial institutions: | |
| Demand deposits | \$ 233,164 |
| State Treasurer's Investment Pool | <u>1,965,467</u> |
| Total | <u>\$ 2,198,631</u> |
| Reported in: | |
| Balance Sheet | |
| Cash and investments | <u>\$ 2,198,631</u> |

Interest Rate Risk

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the Port's deposits may not be returned. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$233,164 as of June 30, 2025. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the Port has no exposure to custodial credit risk for deposits with financial institutions.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Port will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2025, all the Port's investments were held in the LGIP.

The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated for credit quality. The State's investment policies are governed by the ORS and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution.

Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool, which belongs to local government participants, is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, OR 97310-0840.

The Port's position in the LGIP at June 30, 2025 is stated at cost, which approximates fair value.

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE D – RECEIVABLES

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%. The Port entered into a long term note receivable with Tillamook Lightwave in December 2022 for \$100,000. The note is 5 years in length with final payment scheduled to be made in November 2027. Interest on the loan is 3.9%.

Summary

Following is a summary of the Port's receivable balances at June 30, 2025:

| | | |
|----------------|----|-----------------------|
| Accounts | \$ | 322,110 |
| Property taxes | | 3,494 |
| Grants | | 98,808 |
| Notes | | <u>361,872</u> |
| | \$ | <u><u>786,284</u></u> |

The Port levied property taxes in the amount of \$72,593 for fiscal year ending June 30, 2025.

NOTE E – CAPITAL ASSETS

Capital asset activity and balances consisted of the following for the year ended June 30, 2025:

| | Balances June 30, 2024 | Additions | Transfers/ Deletions | Balances June 30, 2025 |
|--|---------------------------|-----------------------|-------------------------|---------------------------|
| Capital assets not depreciated: | | | | |
| Land | \$ 3,993,148 | \$ - | \$ (108) | \$ 3,993,040 |
| Construction in process | 83,151 | 842,729 | (405,348) | 520,532 |
| Total capital assets not depreciated | <u>4,076,299</u> | <u>842,729</u> | <u>(405,456)</u> | <u>4,513,572</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 28,518,731 | - | 3,012 | 28,521,743 |
| Buildings | 38,537,705 | 50,599 | - | 38,588,304 |
| Leasehold improvements | 333,121 | - | - | 333,121 |
| Machinery and equipment | 4,592,606 | 109,499 | (71,170) | 4,630,935 |
| Rail equipment | 2,979,079 | - | (468,402) | 2,510,677 |
| Furniture and fixtures | 24,803 | - | - | 24,803 |
| Intangible assets | 4,342,799 | - | - | 4,342,799 |
| Total capital assets being depreciated | <u>79,328,844</u> | <u>160,098</u> | <u>(536,560)</u> | <u>78,952,382</u> |
| Less accumulated depreciation | | | | |
| Land improvements | (20,148,721) | (1,134,114) | - | (21,282,835) |
| Buildings | (19,788,958) | (786,015) | - | (20,574,973) |
| Leasehold improvements | (254,690) | (8,479) | - | (263,169) |
| Machinery and equipment | (3,977,310) | (114,675) | 473,505 | (3,618,480) |
| Rail equipment | (2,916,625) | (31,228) | 437,177 | (2,510,676) |
| Furniture and fixtures | (24,803) | - | - | (24,803) |
| Intangible assets | (3,054,282) | (176,947) | - | (3,231,229) |
| Total accumulated depreciation | <u>(50,165,389)</u> | <u>(2,251,458)</u> | <u>910,682</u> | <u>(51,506,165)</u> |
| Net capital assets being depreciated | <u>29,163,455</u> | <u>(2,091,360)</u> | <u>374,122</u> | <u>27,446,217</u> |
| Total capital assets, net | <u>\$ 33,239,754</u> | <u>\$ (1,248,631)</u> | <u>\$ (31,334)</u> | <u>\$ 31,959,789</u> |

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE E – CAPITAL ASSETS (CONTNUED)

Construction in progress consists of the Federal Aviation Administration Airport Project and Department of Energy projects. Capital projects are financed by federal grants, state matching funds and internal resources. There was no interest capitalized during the years ended June 30, 2025 and 2024.

NOTE F – LIABILITY FOR COMPENSATED ABSENCES

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

Port employees can earn vacation at rates determined by their length of employment. Vacation leave is limited to a maximum accrual of 240 hours. At June 30, 2025, the liability for vacation leave earned by all Port employees totaled \$72,555, including the employer's share of social security taxes and other payroll related costs.

NOTE G – LONG-TERM OBLIGATIONS

Notes payable – The Port has a loan with the Oregon Business Development Department (OBDD) to make various improvements to buildings leased by tenants. The interest rate is 3.95%, and the note matures December 2039. These loans are secured by Port buildings. If the loan is defaulted, by failure to make required principal or interest payments, OBDD could declare all principal and interest and all other amounts due immediately.

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.

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

Transactions for bonds and notes payable for the year ended June 30, 2025 were as follows:

| Bonds | Balance June 30, 2024 | Additions | Reductions | Balance June 30, 2025 | Due Within One Year |
|----------------------------|--------------------------|-------------|-------------------|--------------------------|------------------------|
| Series 2016B - Tax exempt | \$ 105,000 | \$ - | \$ 5,000 | \$ 100,000 | \$ 5,000 |
| Series 2016C - Taxable | 4,935,000 | - | 280,000 | 4,655,000 | 280,000 |
| Bond fee amortization | (78,057) | - | (5,052) | (73,005) | (5,052) |
| Total bonds payable | \$ 4,961,943 | \$ - | \$ 279,948 | \$ 4,681,995 | \$ 279,948 |

| Notes Payable | Balance June 30, 2024 | Additions | Reductions | Balance June 30, 2025 | Due Within One Year |
|--|--------------------------|-------------|------------------|--------------------------|------------------------|
| OBDD L14002, interest at 3.95%, principal | \$ 677,853 | \$ - | \$ 31,184 | \$ 646,669 | \$ 32,416 |
| Total notes payable | \$ 677,853 | \$ - | \$ 31,184 | \$ 646,669 | \$ 32,416 |

Total long-term obligations for the year ended June 30, 2025 were as follows:

| Long-term obligations | Balance June 30, 2024 | Additions | Reductions | Balance June 30, 2025 | Due Within One Year |
|------------------------------------|--------------------------|-------------|-------------------|--------------------------|------------------------|
| Total bonds and notes payable | \$ 5,639,796 | \$ - | \$ 311,132 | \$ 5,328,664 | \$ 312,364 |
| Total long-term obligations | \$ 5,639,796 | \$ - | \$ 311,132 | \$ 5,328,664 | \$ 312,364 |

Future maturities of notes payable as of June 30, 2025 were as follows:

| Year Ended June 30, | OBDD L14002 | | Series 2016B - Tax-Exempt | | Series 2016C - Taxable | |
|--------------------------------|--------------------|-------------------|----------------------------------|------------------|-------------------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2026 | \$ 32,416 | \$ 25,543 | \$ 5,000 | \$ 4,325 | \$ 290,000 | \$ 249,330 |
| 2027 | 33,696 | 24,263 | 5,000 | 4,135 | 305,000 | 236,570 |
| 2028 | 35,027 | 22,932 | 5,000 | 3,945 | 315,000 | 222,540 |
| 2029 | 36,411 | 21,548 | 5,000 | 3,737 | 335,000 | 206,317 |
| 2030 | 37,849 | 20,110 | 10,000 | 3,530 | 350,000 | 189,065 |
| 2031-2035 | 212,885 | 76,910 | 50,000 | 11,215 | 2,065,000 | 641,968 |
| 2036-2040 | 258,385 | 31,409 | 20,000 | 1,350 | 995,000 | 85,033 |
| 2041-2045 | - | - | - | - | - | - |
| | \$ 646,669 | \$ 222,715 | \$ 100,000 | \$ 32,237 | \$ 4,655,000 | \$ 1,830,823 |

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

Future maturities of notes payable as of June 30, 2025 were as follows:

| Year Ended June 30, | Principal | Interest | Total | |
|------------------------|--------------------|-------------|---------------------|---------------------|
| | | | Principal | Interest |
| 2026 | \$ (5,052) | \$ - | \$ 322,364 | \$ 279,198 |
| 2027 | (5,052) | - | 338,644 | 264,968 |
| 2028 | (5,052) | - | 349,975 | 249,417 |
| 2029 | (5,052) | - | 371,359 | 231,602 |
| 2030 | (5,052) | - | 392,797 | 212,705 |
| 2031-2035 | (25,260) | - | 2,302,625 | 730,093 |
| 2036-2040 | (22,485) | - | 1,250,900 | 117,792 |
| 2041-2045 | - | - | - | - |
| | \$ (73,005) | \$ - | \$ 5,328,664 | \$ 2,085,775 |

NOTE H – PENSION RETIREMENT PLAN

Defined Benefit Pension Plan

General Information about the Pension Plan:

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

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

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

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

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

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

Benefits provided under Chapter 238-Tier One / Tier Two: (Continued)

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.

1. *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
 - Member was employed by a OPERS employer at the time of death,
 - Member died within 120 days after termination of OPERS-covered employment,
 - Member died as a result of injury sustained while employed in an OPERS-covered job, or
 - Member was on an official leave of absence from an OPERS-covered job at the time of death.
2. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.
3. *Benefit Changes after Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

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

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

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

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

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

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

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.

1. *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.
2. *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.
3. *Benefit Changes after Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

Contributions:

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

Employer contribution rates during the period were based on the December 31, 2021, actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2024. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. The Port has not established any such side accounts.

Employer contributions for the year ended June 30, 2025 were \$277,858, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2025 were: (1) Tier1/Tier 2 – 22.19%, and (2) OPSRP general service – 20.17%.

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

Actuarial Valuations:

The employer contribution rates effective July 1, 2024, through June 30, 2025, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

| | |
|-----------------------------------|--|
| Valuation Date | December 31, 2022 |
| Measurement Date | June 30, 2024 |
| Experience Study Report | 2022, published July 24, 2023 |
| Actuarial Assumptions: | |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years. |
| Asset Valuation Method | Market value of assets |
| Actuarial Assumptions: | |
| Inflation Rate | 2.40 percent |
| Long-term expected rate of return | 6.90 percent |
| Discount rate | 6.90 percent |
| Projected Salary Increases | 3.40 percent |
| Cost of living adjustments (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service. |
| Mortality | <p>Healthy retirees and beneficiaries: Pub-2010 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> |

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions: (Continued)

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 2022 Experience Study which reviewed experience for the four-year period ending on December 31, 2022.

Discount Rate:

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

Assumed Asset Allocation:

| Asset Class/Strategy | Low Range | | High Range | | OIC Target | |
|-----------------------------|------------------|---|-------------------|---|-------------------|---|
| Debt Securities | 20.0 | % | 30.0 | % | 25.0 | % |
| Public Equity | 22.5 | | 32.5 | | 27.5 | |
| Real Estate | 9.0 | | 16.5 | | 12.5 | |
| Private Equity | 17.5 | | 27.5 | | 20.0 | |
| Real Assets | 2.5 | | 10.0 | | 7.5 | |
| Diversifying Strategies | 2.5 | | 10.0 | | 7.5 | |
| Opportunity Portfolio | 0.0 | | 5.0 | | 0.0 | |
| Total | | | | | 100.0 | % |

Long-Term Expected Rate of Return:

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

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return: (Continued)

| Asset Class | Target | Compound Annual Return (Geometric) |
|-------------------------------------|---------|------------------------------------|
| Global Equity | 27.50 % | 7.07 % |
| Private Equity | 25.50 | 8.83 |
| Core Fixed Income | 25.00 | 4.50 |
| Real Estate | 12.25 | 5.83 |
| Master Limited Partnerships | 0.75 | 6.02 |
| Infrastructure | 1.50 | 6.51 |
| Hedge Fund of Funds - Multistrategy | 1.25 | 6.27 |
| Hedge Fund Equity - Hedge | 0.63 | 6.48 |
| Hedge Fund - Macro | 5.62 | 4.83 |
| Assumed Inflation – Mean | | 2.40 |

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

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

| | 1% Decrease (5.9%) | Current Rate (6.9%) | 1% Increase (7.9%) |
|--|-----------------------|------------------------|-----------------------|
| Proportionate share of the net pension (liability)/asset | \$ <u>2,940,046</u> | \$ <u>1,863,785</u> | \$ <u>962,365</u> |

Pension plan fiduciary net position:

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

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

At June 30, 2025, the Port reported a liability of \$1,863,785 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2022, and rolled forward to June 30, 2024. The Port's proportion of the net pension asset was based on the Port's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

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

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.
2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.

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

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

At June 30, 2025, the Port's proportion was 0.00838514 percent, which changed from its proportion measured as of June 30, 2024 of 0.00866367 percent.

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

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

Rates of every employer have at least two major components: (Continued)

For the year ended June 30, 2025, the Port recognized pension expense of \$83,858. At June 30, 2025, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ 110,412 | \$ 4,448 |
| Changes of assumptions | 187,386 | 240 |
| Net difference between projected and actual earnings on investments | 118,402 | - |
| Changes in proportionate share | 49,185 | 35,932 |
| Differences between employer contributions and proportionate share of contributions | <u>12,084</u> | <u>89,506</u> |
| Total (prior to post-measurement date contributions) | 477,469 | 130,126 |
| Contributions made subsequent to measurement date | <u>215,115</u> | - |
| Net Deferred Outflow/(Inflow) of Resources | \$ <u><u>692,584</u></u> | \$ <u><u>130,126</u></u> |

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

Rates of every employer have at least two major components: (Continued)

Deferred outflows of resources related to pensions resulting from Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year subsequent to June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Employer subsequent fiscal years | Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions) |
|--|---|
| 2026 | \$ 208,225 |
| 2027 | 197,870 |
| 2028 | 96,925 |
| 2029 | 49,632 |
| 2030 | 9,806 |
| Thereafter | - |
| Total | \$ 562,458 |

Changes in Plan Provisions Subsequent to Measurement Date:

There were no changes in Plan provisions subsequent to the June 30, 2024 measurement date.

Changes in Assumptions:

There were no key changes implemented since the December 31, 2023, valuation. Additional detail and a comprehensive list of methods and assumptions can be found in the 2022 Experience Study for the System, which was published July, 2023.

Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP):

Pension Benefits:

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

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE H – PENSION RETIREMENT PLAN (CONTINUED)

Defined Contribution Plan

Pension Benefits: (Continued)

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

Death Benefits:

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

NOTE I – DEFINED BENEFIT PENSION PLAN - RAILROAD

Railroad employees participate in the Railroad Retirement Program and are immediately eligible to participate. The Railroad Retirement plan is a multi-employer defined benefit pension plan consisting of two parts. Tier I Railroad Retirement is similar to social security with both employee and employer contributing 6.2% of employee compensation. Tier II Railroad Retirement requires an employee contribution of 6.35% and an employer contribution of 13.10% of employee compensation. The Port's required contributions for the year ended June 30, 2025, were not significant.

NOTE J – RISK MANAGEMENT

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

NOTE K – COMMITMENTS AND CONTINGENCIES

Sick Leave – Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2025, employees of the Port had accumulated approximately 400 days of sick leave. It is the Port's policy to not pay unused sick leave upon departure.

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE L – CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the Port to place a final cover on its Tillamook Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for ten years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Port reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. Total post-closure costs are currently estimated to be \$1,409,706. To date, the landfill has received waste filling 84.84% of its capacity.

As a result, the Port has expensed \$1,195,995 of post-closure care costs in prior years as the waste was being received. To date, the Port has incurred \$300,000 of costs applied to its post-closure activities, resulting in an accrual of \$890,498. The Port will recognize the remaining estimated cost of closure and post-closure care of \$213,711 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care. 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 demonstrated financial assurance about the closure and post-closure care activities for the two landfills, #1107 and #1132, by using the local government financial assurance test described in Title 40 of the Code of Federal Regulations, paragraph 258.74. Continuing the review from 2013, the most recent analysis, the Port did meet the stringent percentage requirements with the local government financial assurance test as required by Oregon Administrative Rule 340-94-0140. As of March 2014, Department of Environmental Quality (DEQ) determined that financial assurance for #1107 is no longer a liability. The Port has continued working with DEQ on the financial assurance requirements and received a letter from DEQ in November of 2016 stating that site #1132 is now considered low risk, and is exempt from financial assurance requirements, as the site is now in the interim closure status.

NOTE M – POLLUTION REMEDIATION

The Port implemented GASB 49 on the accounting and reporting of pollution remediation activities in 2009. The Port has identified a few projects that may be undertaken in future years to remediate possible soil contamination and asbestos in several buildings. As of June 30, 2025, 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.

PORT OF TILLAMOOK BAY
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE N – FUTURE NON-CANCELABLE LEASES

The Port leases real property, buildings and equipment to tenants under non-cancelable operating leases. The cost and carrying amount of the leased assets at June 30, 2025 are as follows:

| | Cost | Accumulated Depreciation | Carrying Amount |
|--------------------------------|----------------------|-----------------------------|----------------------|
| Land | \$ 3,993,148 | \$ - | \$ 3,993,148 |
| Building and land improvements | 67,443,168 | (42,120,977) | 25,322,191 |
| Equipment | 7,571,685 | (6,129,156) | 1,442,529 |
| | \$ 79,008,001 | \$ (48,250,133) | \$ 30,757,868 |

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

| Year Ending June 30, | | |
|-------------------------|-----------|------------------|
| 2026 | \$ | 1,046,365 |
| 2027 | | 1,011,532 |
| 2028 | | 796,935 |
| 2029 | | 268,702 |
| 2030 | | 263,462 |
| thereafter | | 3,831,055 |
| | \$ | 7,218,051 |

NOTE O – OTHER POST EMPLOYMENT BENEFITS

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

The OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of December 31, 2022, rolled forward to June 30, 2024. The Port’s proportionate share of the OPEB liability was based on the Port’s projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. Based on the Port’s small impact on the state-wide pool, the Port’s proportionate share of the OPEB asset as of June 30, 2025 was \$30,719, which was insignificant to the Port’s financial statements.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 5, 2025, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF TILLAMOOK BAY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years*

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Proportion of the net pension liability (asset) | 0.00838514% | 0.00866367% | 0.00847104% | 0.81463800% | 0.00801426% | 0.00796780% | 0.00873267% | 0.00887507% | 0.00781601% | 0.00715800% |
| Proportionate share of the net pension liability (asset) | \$ 1,863,785 | \$ 1,622,765 | \$ 1,297,086 | \$ 974,835 | \$ 1,748,987 | \$ 1,378,239 | \$ 1,322,884 | \$ 1,196,363 | \$ 1,173,365 | \$ 410,974 |
| Covered-employee payroll | 1,053,864 | 922,295 | 925,792 | 883,954 | 837,779 | 871,388 | 847,870 | 760,868 | 789,616 | 737,864 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 176.9% | 175.9% | 140.1% | 110.3% | 208.8% | 158.2% | 156.0% | 157.2% | 148.6% | 55.7% |
| Plan fiduciary net position as a percentage of the total pension liability | 79.3% | 81.6% | 84.5% | 87.6% | 75.8% | 80.2% | 82.1% | 83.1% | 80.5% | 91.9% |

**SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years*

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 211,687 | \$ 207,318 | \$ 341,396 | \$ 176,080 | \$ 184,248 | \$ 121,173 | \$ 111,082 | \$ 89,566 | \$ 78,975 | \$ 77,872 |
| Contributions in relation to the contractually required contribution | 226,581 | 185,372 | 191,621 | 161,192 | 117,989 | 121,173 | 111,082 | 89,566 | 78,975 | 77,872 |
| Contribution deficiency (excess) | \$ (14,894) | \$ 21,946 | \$ 149,775 | \$ 14,888 | \$ 66,259 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-employee payroll | \$ 1,053,864 | \$ 922,295 | \$ 925,792 | \$ 883,954 | \$ 837,779 | \$ 871,388 | \$ 847,870 | \$ 760,868 | \$ 789,616 | \$ 737,864 |
| Contributions as a percentage of covered-employee payroll | 21.5% | 20.1% | 20.7% | 18.2% | 14.1% | 13.9% | 13.1% | 11.8% | 10.0% | 10.6% |

* GASB # 68 requires ten-year trend information.

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

PORT OF TILLAMOOK BAY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2025

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

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

SUPPLEMENTAL INFORMATION

PORT OF TILLAMOOK BAY

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

Year Ended June 30, 2025

| | Budgeted Amounts | | Actual | Variance |
|--|--------------------|---------------------|----------------------|---|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Charges for services | \$ 929,000 | \$ 929,000 | \$ 1,016,268 | \$ 87,268 |
| Building and land rent | 2,655,353 | 2,655,353 | 2,740,143 | 84,790 |
| Museum | 658,500 | 658,500 | 699,346 | 40,846 |
| Airport revenues | 183,000 | 183,000 | 146,901 | (36,099) |
| Railroad revenues | 16,000 | 16,000 | - | (16,000) |
| Property and other taxes | 74,847 | 74,847 | 78,668 | 3,821 |
| Interest income | 66,005 | 66,005 | 122,420 | 56,415 |
| Grant revenue | 727,170 | 727,170 | 383,279 | (343,891) |
| Miscellaneous income | 84,000 | 84,000 | 46,007 | (37,993) |
| Insurance proceeds | - | - | - | - |
| Sale of assets | 168,000 | 168,000 | 124,455 | (43,545) |
| Total revenues | 5,561,875 | 5,561,875 | 5,357,487 | (204,388) |
| Expenditures | | | | |
| Personnel services | 2,385,420 | 2,385,420 | 1,938,190 | 447,230 |
| Material and services | 1,926,556 | 3,394,505 | 1,712,172 | 1,682,333 |
| Capital outlay | 2,460,497 | 2,460,497 | 1,153,023 | 1,307,474 |
| Debt service | 618,785 | 618,785 | 618,785 | - |
| Contingency | - | - | - | - |
| Total expenditures | 7,391,258 | 8,859,207 | 5,422,170 | 3,437,037 |
| Excess (deficiency) of revenues over expenditures | (1,829,383) | (3,297,332) | (64,683) | 3,232,649 |
| Other financing sources (uses) | | | | |
| Collections of tenant notes receivable and capital reimbursements | 74,045 | 74,045 | 36,341 | 37,704 |
| Loan proceeds | 500,000 | 500,000 | - | 500,000 |
| Total other financing sources (uses) | 574,045 | 574,045 | 36,341 | 537,704 |
| Net changes in fund balances | (1,255,338) | (2,723,287) | (28,342) | 2,694,945 |
| Fund balance, beginning of year | 2,212,710 | 2,212,710 | 2,398,297 | 185,587 |
| Fund balance, end of year | \$ 957,372 | \$ (510,577) | \$ 2,369,955 | \$ 2,880,532 |
| Reconciliation to GAAP | | | | |
| Capital assets, net of depreciation | | | 31,959,789 | |
| Notes receivable from other organization | | | 361,872 | |
| Deferred outflows of resources | | | 692,584 | |
| Net pension asset (liability) | | | (1,863,785) | |
| Deferred inflows of resources | | | (130,126) | |
| Notes, bonds and special assessment debt | | | (5,328,664) | |
| Landfill post closure liability | | | (890,498) | |
| Accrued interest payable | | | (141,688) | |
| Compensated absences | | | (72,555) | |
| Net position, end of year | | | \$ 26,956,884 | |

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

REPORT REQUIRED BY OREGON MINIMUM AUDIT STANDARDS

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

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

We have audited the basic financial statements of the Port of Tillamook Bay (the Port) as of and for the year ended June 30, 2025, and have issued our report thereon dated November 5, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

OAR 162-10-0230 Internal Control

In planning and performing our audit of the basic financial statements of the Port as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Port's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

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

KERN & THOMPSON, LLC
Certified Public Accountants



Eric A. Zehntbauer, CPA
Partner

Portland, Oregon
November 5, 2025