PORT OF TILLAMOOK BAY, OREGON

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 & 2017

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INTRODUCTORY SECTION

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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 years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Port of Tillamook Bay's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 18 to the financial statements, the Port of Tillamook Bay adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, 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, 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 an opinion on the financial statements that collectively comprise 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 30, 2019 on our consideration of Port of Tillamook Bay's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port of Tillamook Bay's internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Port of Tillamook Bay's internal control over financial reporting and compliance.

Other 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 30, 2019, 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.

For Merina & Company, LLP
Tualatin, Oregon
April 30, 2019

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, 2018, 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, 2018 by $36,382,016 (net position), a decrease of $3,589,962 or (9%) over fiscal year 2017-2018.

- Capital assets decreased by $3,384,105 or (7%) from the 2017-2018 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 2017-2018; 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, Digester 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 2017-2018. 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)	
	2018	2017	2016	2017 to 2018	2016 to 2017
Assets					
Current Assets	$ 1,164,323	$ 1,355,649	$ 2,389,427	$ (191,326)	$ (1,033,778)
Restricted Assets	1,908	196,784	940,881	(194,876)	(744,097)
Other Assets	372,489	383,012	393,202	(10,523)	(10,190)
Capital Assets, net	43,909,279	47,293,384	51,032,230	(3,384,105)	(3,738,846)
Deferred Outflows of Resources	487,562	646,957	100,034	(159,395)	546,923
Total Assets and Deferred Outflows of Resources	$ 45,935,561	$ 49,875,786	$ 54,855,774	$ (3,940,225)	$ (4,979,988)
Liabilities					
Current Liabilities	$ 2,032,712	$ 2,118,295	$ 7,511,185	$ (85,583)	$ (5,392,890)
Long Term Liabilities	7,465,093	7,721,563	3,440,096	(256,470)	4,281,467
Liabilities Payable From Restricted	-	-	125,000	-	(125,000)
Deferred Inflows of Resources	55,740	63,950	170,190	(8,210)	(106,240)
Total Liabilities and Deferred Inflows of Resources	9,553,545	9,903,808	11,246,471	(350,263)	(1,342,663)
Net Position					
Net Investment in Capital Assets	37,330,470	40,669,130	44,156,075	(3,338,660)	(3,486,945)
Restricted	-	-	99,528	-	(99,528)
Unrestricted	(948,454)	(697,152)	(646,300)	(251,302)	(50,852)
Total Net Position	36,382,016	39,971,978	43,609,303	(3,589,962)	(3,637,325)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 45,935,561	$ 49,875,786	$ 54,855,774	$ (3,940,225)	$ (4,979,988)

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

	Activities for Fiscal Years Ending June 30, 2018	2017	2016	Dollars 2017 to 2018	Dollars 2016 to 2017
Operating Revenues					
Land & Building	$ 1,591,204	$ 1,438,803	$ 1,270,085	$ 152,401	$ 168,718
Charges for services	522,680	446,176	780,547	76,504	(334,371)
Museum	491,202	514,785	599,510	(23,583)	(84,725)
Airport Revenues	75,259	72,413	115,074	2,846	(42,661)
Railroad Revenues	349,929	218,179	173,275	131,750	44,904
Total Operating Revenues	3,030,274	2,690,356	2,938,491	339,918	(248,135)
Operating Expenses:					
Personal Services	1,715,745	1,510,155	1,743,357	205,590	(233,202)
Materials and Services	3,371,950	5,708,936	3,866,826	(2,336,986)	1,842,110
Depreciation and amortization	3,761,286	3,864,055	3,732,913	(102,769)	131,142
Total Operating Expenses	8,848,981	11,083,146	9,343,096	(2,234,165)	1,740,050
Operating Income (Loss)	(5,818,707)	(8,392,790)	(6,404,605)	2,574,083	(1,988,185)
Non-operating Revenues (Expenses)	(128,845)	(11,665)	1,344,392	(117,180)	(1,356,057)
Grant proceeds	2,357,590	4,807,234	2,447,180	(2,449,644)	2,360,054
Change in Net Position	(3,589,962)	(3,597,221)	(2,613,033)	7,259	(984,188)
Net Position- Beginning	39,971,978	43,609,303	46,222,336	(3,637,325)	(2,613,033)
Change in Accounting Principle	-	(40,104)	-	40,104	(40,104)
Beginning Position Restated	39,971,978	43,569,199	46,222,336	(3,597,221)	(2,653,137)
Net Position- Ending	$ 36,382,016	$ 39,971,978	$ 43,609,303	$ (3,589,962)	$ (3,637,325)

Analysis of the overall financial position and results of operations:

Due to a number of factors, including the national economy, the overall financial position of the General Fund had a reduction in revenues. The Port continues to absorb railroad debt and make debt service payments from Port operating funds, as it has since the storm damage in 2007. This continues to impact Port operations. In addition, after a deferral of some of the Port's debt service for previous years, this fiscal year the Port began again fulfilling its debt obligations.

The POTB Board decided in the spring of 2009 to not pursue repair the damaged railroad. 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 are funded by FEMA and State of Oregon Lottery Bonds, 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 water and sewer services.

For the year ending June 30, 2018, the net operating income (loss) of the Port's general operations was ($5,818,707). The Port total net position, as of June 30, 2018, was $36,382,016, a decrease from the previous year of $3,589,962. 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, 2018, the Port had $40,909,279 in capital assets net of accumulated depreciation. The Port's capital assets decreased (7%) 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

	06/30/16	06/30/17	06/30/18
Land	$ 3,993,510	$ 3,993,510	$ 3,993,510
Land Improvements	23,974,015	23,972,904	23,972,649
Buildings	38,174,963	38,163,115	38,130,819
Leasehold Improvements	248,331	248,331	248,331
Machinery & Equipment and Rail Equipment	14,349,510	14,391,212	14,713,977
Furniture & Fixtures	24,803	24,803	24,803
Intangible Assets	3,909,437	3,909,437	3,909,437
Construction in Progress	34,487	93,835	64,383
Total Capital Assets	84,709,056	84,797,147	85,057,909
Accumulated Depreciation and Amortization	33,676,826	37,503,763	41,148,630
Net Capital Assets	$ 51,032,230	$ 47,293,384	$ 43,909,279

Outstanding Long Term Debt

	6/30/2016	6/30/2017	6/30/2018
Bonds	$ 380,000	$ 6,206,579	$ 6,211,631
Notes Payable	2,055,675	481,562	427,271
Total Long Term Debt	$ 2,435,675	$ 6,688,141	$ 6,638,902

The Port's total long-term debt decreased by $49,239 or 1% during 2018, to $6,638,902 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.

2. As stated previously, due to storm damage to the railroad, 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. 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. This is a fifteen-year agreement, with 8 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.

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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FINANCIAL SECTION

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, 2018 and 2017

	2018	2017 As Restated
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 966,482	$ 727,942
Accounts receivables, net of allowance	61,178	41,800
Property taxes receivable	3,531	3,784
Note receivable, current portion	10,524	10,111
Grants receivable	74,851	508,593
Inventory	47,457	63,119
Prepaid expenses	300	300
Total current assets	1,164,323	1,355,649
CURRENT RESTRICTED ASSETS:		
Cash and cash equivalents	1,908	196,784
Total current restricted assets	1,908	196,784
NONCURRENT ASSETS:		
Capital assets, net	43,909,279	47,293,384
Note receivable, net of current portion	372,489	383,012
Total noncurrent assets	44,281,768	47,676,396
Total assets	45,447,999	49,228,829
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to other post-employment benefits	9,241	9,619
Deferred outflows relating to pension	478,321	637,338
Total deferred outflows of resources	487,562	646,957
Total assets and deferred outflows of resources	$ 45,935,561	$ 49,875,786
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 184,196	$ 411,372
Accrued payroll and related expenses	74,841	111,796
Accrued payroll penalties, interest, and legal	160,000	-
Accrued vacation	44,235	44,415
Other accrued liabilities	108,007	106,983
Accrued interest payable	158,563	166,781
Net other post-employment liability	40,292	49,723
Net pension liability	1,196,363	1,173,365
Long-term debt obligations, current portion	66,215	53,860
Total current liabilities	2,032,712	2,118,295
NONCURRENT LIABILITIES:		
Long-term debt obligations, net of current portion	6,572,687	6,634,281
Unearned revenue	1,908	196,784
Landfill post-closure liability	890,498	890,498
Total noncurrent liabilities	7,465,093	7,721,563
Total liabilities	9,497,805	9,839,858
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to other post-employment benefits	3,520	-
Deferred inflows relating to pensions	52,220	63,950
Total deferred inflows of resources	55,740	63,950
NET POSITION:		
Net investment in capital assets	37,330,470	40,669,130
Unrestricted	(948,454)	(697,152)
Total net position	36,382,016	39,971,978
Total liabilities, deferred inflows of resources, and net position	$ 45,935,561	$ 49,875,786

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, 2018 and 2017

	2018	2017 As Restated
OPERATING REVENUES:		
Charges for services	$ 522,680	$ 446,176
Building and land rent	1,591,204	1,438,803
Museum	491,202	514,785
Airport revenues	75,259	72,413
Railroad revenues	349,929	218,179
Total operating revenues	3,030,274	2,690,356
OPERATING EXPENSES:		
Personnel services	1,715,745	1,510,155
Materials and services	3,371,950	5,708,936
Depreciation	3,761,286	3,864,055
Total operating expenses	8,848,981	11,083,146
Operating income (loss)	(5,818,707)	(8,392,790)
NON-OPERATING REVENUES (EXPENSES):		
Property taxes	60,835	52,791
Interest income	32,257	21,727
Grant revenue	2,357,590	4,807,234
Timber sales	-	4,000
Miscellaneous income	12,698	20,754
Insurance proceeds	13,491	-
Tax credit income	133,967	383,551
Loss on sale of assets	(51,032)	(4,582)
Loan fees	(5,052)	(176,113)
Interest expense	(326,009)	(313,793)
Total non-operating income (expenses)	2,228,745	4,795,569
Change in net position	(3,589,962)	(3,597,221)
NET POSITION, BEGINNING AS RESTATED	39,971,978	43,609,303
PRIOR PERIOD ADJUSTMENT	-	(40,104)
NET POSITION, ENDING	$ 36,382,016	$ 39,971,978

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 3,021,006	$ 2,818,547
Cash paid to suppliers	(3,582,440)	(6,985,589)
Cash paid for personnel services	(1,428,128)	(1,363,054)
Net cash provided (used) by operating activities	(1,989,562)	(5,530,096)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Property taxes received	61,088	52,655
Timber sales	-	4,000
Insurance proceeds	13,491	-
Non operating revenues	146,665	404,305
Net cash provided (used) by non-capital financing activities	221,244	460,960
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(438,213)	(129,791)
Grant proceeds	2,596,456	4,767,611
Principal payment on notes and bond payable	(49,239)	(1,954,113)
Loan proceeds	-	6,320,000
Bond discount on issuance of debt	-	(115,947)
Interest paid on notes and bond payable	(334,227)	(163,212)
Gain on sale of assets	10,000	-
Fees paid on notes and bonds payable	(5,052)	(173,587)
Line of credit proceeds (payments)	-	(4,508,003)
Net cash provided (used) by capital and related financing activities	1,779,725	4,042,958
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	32,257	21,727
Net cash provided (used) by investing activities	32,257	21,727
Net increase (decrease) in cash and cash equivalents	43,664	(1,004,451)
CASH AND CASH EQUIVALENTS, BEGINNING	924,726	1,929,177
CASH AND CASH EQUIVALENTS, ENDING	$ 968,390	$ 924,726
CLASSIFIED ON THE STATEMENT OF NET POSITION AS:		
Cash and cash equivalents	$ 966,482	$ 727,942
Restricted cash and cash equivalents	1,908	196,784
Total cash and cash equivalents	$ 968,390	$ 924,726

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

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	2018	2017
Operating loss	$ (5,818,707)	$ (8,392,790)
Adjustments:		
Depreciation	3,761,286	3,864,055
Pension expense	170,285	118,847
Other post-employment benefit expense	(5,533)	-
Decrease (increase) in:		
Accounts receivable	(19,378)	118,452
Note receivable	10,110	9,739
Inventory	15,662	50,613
Increase (decrease) in:		
Accounts payable	(227,176)	(1,326,803)
Accrued payroll	123,045	43,435
Accrued compensated absences	(180)	(15,181)
Other accrued liabilities	1,024	(463)
Net cash provided (used) by operating activities	$ (1,989,562)	$ (5,530,096)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation - The Port of Tillamook Bay 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). The decision to include a PCU in the reporting entity was made by applying the criteria set forth in GAAP.

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 two funds for state legal compliance and budgeting purposes. These funds are combined and 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.

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. Additionally, there are two accounts with Wells Fargo Bank.

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's tenants are located in the Pacific Northwest. The Port establishes a reserve for bad debts based on prior history and a review of individual customer accounts. The reserve totaled $62,645 and $50,980 as of June 30, 2018 and 2017, respectively.

Grants receivable - Grants receivable consist of outstanding reimbursements for FEMA projects.

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 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.

***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. Unearned revenue at June 30, 2018 and 2017 was $1,908 and $196,784, respectively.

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.

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 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.

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 - 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.

Revenue Bond Fund - The Revenue Bond Fund is used to account for resources accumulated for the purpose of repayment of the Port's revenue bond indebtedness.

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, 2018. Original appropriations may be increased or decreased, through resolutions, by transferring amounts between appropriations in the same fund or by transferring from an appropriation in the General Fund to an appropriation in another 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 and the Revenue Bond Fund.

NOTE 3 - CASH AND CASH EQUIVALENTS

Following is a summary of the Port's deposit and investment balances at June 30, 2018 and 2017:

Cash deposits	2018	2017
Cash on hand	$ 1,868	$ 1,868
Bank deposits	221,248	235,371
Total cash and bank deposits	223,116	237,239
Cash and investments		
Investments in the State and Local Government	745,274	687,487
Total deposits and investment	$ 968,390	$ 924,726
These balances reconcile to the Statement of Net Position as follows:		
Current assets	$ 966,482	$ 727,942
Restricted assets	1,908	196,784
	$ 968,390	$ 924,726

As of June 30, 2018, the Port had the following cash equivalents:

Investment	Weighted Average Maturity	Fair Value
Local Government Investment Pool	0.0	$ 745,274

As of June 30, 2017, the Port had the following cash equivalents:

Investment	Weighted Average Maturity	Fair Value
Local Government Investment Pool	0.0	$ 687,487

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, 2018 and 2017, the book value of the Port's deposits was $221,248 and $235,371 and the bank balance was $283,621 and $235,319. $33,621 of the Port's bank balances was exposed to custodial credit risk as they were collateralized under PFCP for June 30, 2018.

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, 2018 and 2017, $745,274 (77%) and $687,487 (74%) of its deposits and investments were held in the Local Government Investment Pool. The remainder was held in demand accounts with various banks.

NOTE 4 - PROPERTY TAX

The Port levied property taxes in the amount of $53,556 and $51,835 for fiscal year ending June 30, 2018 and 2017. Property taxes receivable as of June 30, 2018 and 2017 is $3,531 and $3,784, respectively.

NOTE 5 - CAPITAL ASSETS

Capital asset activity and balances consist of the following for the year ended June 30, 2018:

Capital assets, non deperciable	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Land	$ 3,993,510	$ -	$ -	$ -	$ 3,993,510
Construction in progress	93,835	76,992	(106,444)	-	64,383
Total capital assets, non depreciable	4,087,345	76,992	(106,444)	-	4,057,893
Capital Assets, depreciable					
Land Improvements	23,972,904	-	-	(255)	23,972,649
Buildings	38,163,115	18,460	106,444	(157,200)	38,130,819
Leasehold Improvements	248,331	-	-	-	248,331
Machinery & Equipment	11,296,162	342,765	-	-	11,638,927
Rail Equipment	3,095,050	-	-	(20,000)	3,075,050
Furniture & Fixtures	24,803	-	-	-	24,803
Intangible Assets	3,909,437	-	-	-	3,909,437
Total Capital Assets, depreciable	80,709,802	361,225	106,444	(177,455)	81,000,016
Less: Accumulated depreciation					
Land Improvements	(12,162,778)	(1,286,865)	-	153	(13,449,490)
Buildings	(14,355,917)	(864,332)	-	96,270	(15,123,979)
Leasehold Improvements	(233,685)	(7,323)	-	-	(241,008)
Machinery & Equipment	(6,409,443)	(1,286,964)	-	-	(7,696,407)
Rail Equipment	(2,404,413)	(151,485)	-	20,000	(2,535,898)
Furniture & Fixtures	(14,152)	(3,795)	-	-	(17,947)
Intangible Assets	(1,923,375)	(160,526)	-	-	(2,083,901)
Accumulated Depreciation	(37,503,763)	(3,761,290)	-	116,423	(41,148,630)
Net Depreciable, Capital Assets	43,206,039	(3,400,065)	106,444	(61,032)	39,851,386
Total Net Capital Assets	$ 47,293,384	$ (3,323,073)	$ -	$ (61,032)	$ 43,909,279

Capital asset activity and balances consist of the following for the year ended June 30, 2017:

Capital assets, non deperciable	**Beginning Balance**	**Additions**	**Transfers**	**Deletions**	**Ending Balance**
Land	$ 3,993,510	$ -	$ -	$ -	$ 3,993,510
Construction in progress	34,487	80,600	(21,252)	-	93,835
Total capital assets, non depreciable	4,027,997	80,600	(21,252)	-	4,087,345
Capital Assets, depreciable					
Land Improvements	23,974,015	-	-	(1,111)	23,972,904
Buildings	38,174,963	-	21,252	(33,100)	38,163,115
Leasehold Improvements	248,331	-	-	-	248,331
Machinery & Equipment	11,254,460	49,190	-	(7,488)	11,296,162
Rail Equipment	3,095,050	-	-	-	3,095,050
Furniture & Fixtures	24,803	-	-	-	24,803
Intangible Assets	3,909,437	-	-	-	3,909,437
Total Capital Assets, depreciable	80,681,059	49,190	21,252	(41,699)	80,709,802
Less: Accumulated depreciation					
Land Improvements	(10,873,974)	(1,289,471)	-	667	(12,162,778)
Buildings	(13,519,286)	(865,594)	-	28,963	(14,355,917)
Leasehold Improvements	(225,711)	(7,974)	-	-	(233,685)
Machinery & Equipment	(5,065,109)	(1,351,822)	-	7,488	(6,409,443)
Rail Equipment	(2,249,815)	(154,598)	-	-	(2,404,413)
Furniture & Fixtures	(10,357)	(3,795)	-	-	(14,152)
Intangible Assets	(1,732,574)	(190,801)	-	-	(1,923,375)
Accumulated Depreciation	(33,676,826)	(3,864,055)	-	37,118	(37,503,763)
Net Depreciable, Capital Assets	47,004,233	(3,814,865)	21,252	(4,581)	43,206,039
Total Net Capital Assets	$ 51,032,230	$ (3,734,265)	$ -	$ (4,581)	$ 47,293,384

Construction in progress consists of the FEMA alternative projects 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, 2018 and 2017.

NOTE 6 - SHORT-TERM DEBT

As discussed in Note 16, the Port was awarded grant funds from both FEMA and State Lottery Bond proceeds for approved FEMA grant funded Alternate Projects. FEMA funding is on a “reimbursement” basis, requiring the Port to pay vendors first, then request reimbursement. To ensure the Port’s ability to pay vendors on schedule, the Board of Commissioners approved establishing lines of credit to be accessed for vendor payment, and reimbursed when grant funds were received. As the need for these lines of credit have decreased as grant projects are winding down, the Port refinanced its line of credit into long-term debt in 2017.

A schedule of changes in short-term debt for June 30, 2017:

Line of Credit:	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017
TLC Line of Credit #142	$ 4,508,003	$ 21,062	$ 4,529,065	-
Total Line of Credit	$ 4,508,003	$ 21,062	$ 4,529,065	$ -

NOTE 7 - 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.

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 loans. 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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Bonds:					
Series 2016B - Tax-Exempt	130,000	-	-	130,000	-
Series 2016C - Taxable	6,190,000	-	-	6,190,000	-
Bond Amortization	(113,421)	-	(5,052)	(108,369)	5,052
Total Bonds	6,206,579	-	(5,052)	6,211,631	5,052
Notes Payable:					
OEDD 525179	282,236	-	40,819	241,417	42,384
OBDD Payroll loan C2008004	63,887	-	3,798	60,089	3,958
OEDD SPWF X03002	63,076	-	9,674	53,402	9,994
SPWF L07004	72,363	-	-	72,363	4,827
Total Note Payables	481,562	-	54,291	427,271	61,163
	$ 6,688,141	$ -	$ 49,239	$ 6,638,902	$ 66,215

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Bonds:					
Refunding Bond, Series 2002	$ 200,000	$ -	$ 200,000	$ -	$ -
Revenue Bond, Series 1998	180,000	-	180,000	-	-
Series 2016B - Tax-Exempt	-	130,000	-	130,000	-
Series 2016C - Taxable	-	6,190,000	-	6,190,000	-
Bond Discount	-	(115,947)	(2,526)	(113,421)	(5,052)
Total Bonds	380,000	6,204,053	377,474	6,206,579	(5,052)
Notes Payable:					
OEDD 525179	321,548	-	39,312	282,236	40,819
OBDD Payroll loan C2008004	67,523	-	3,636	63,887	3,798
OEDD SPWF X03002	72,439	-	9,363	63,076	9,673
OEDD SPWF L95003	48,889	-	48,889	-	-
OEDD, Safe Drinking Water, S01009	105,697	-	105,697	-	-
SPWF L07004	72,363	-	-	72,363	4,622
Refinancing 2004 (Columbia Bank)	434,543	-	434,543	-	-
Capital Improvement 2006 (Wells Fargo)	80,122	-	80,122	-	-
Commercial Real Estate (TLC)	852,551	-	852,551	-	-
Total Notes Payable	2,055,675	-	1,574,113	481,562	58,912
Total Bonds and Notes Payable	$ 2,435,675	$ 6,204,053	$ 1,951,587	$ 6,688,141	$ 53,860

Future maturities of bonds payable are as follows:

	Series 2016B - Tax-Exempt		Series 2016C - Taxable		Bond
	Principal	Interest	Principal	Interest	Amortization
2019	$ -	$ 5,305	$ -	$ 306,090	$ 5,052
2020	5,000	5,305	235,000	306,090	5,052
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
2024-2028	25,000	21,625	1,460,000	1,241,700	25,260
2029-2033	45,000	15,332	1,855,000	848,357	25,260
2034-2037	40,000	4,500	1,890,000	274,026	32,589
Total	$ 130,000	$ 67,082	$ 6,190,000	$ 3,847,143	$ 108,369

Future maturities of notes payable are as follows:

	OECDD 525179		OEDD SPWF X03002		OEDD SPWF L07004		OBDD Payroll Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 42,384	$ 8,529	$ 9,994	$ 1,773	$ 4,827	$ 2,623	$ 3,958	$ 2,537
2020	44,009	6,904	10,326	1,441	5,041	2,408	4,126	2,369
2021	45,697	5,217	10,669	1,098	5,265	2,185	4,295	2,200
2022	47,449	3,465	11,023	744	5,499	1,951	4,480	2,015
2023	61,878	585	11,390	378	5,743	1,707	4,670	1,825
2024-2028	-	-	-	-	45,988	4,163	26,475	6,000
2029-2033	-	-	-	-	-	-	12,085	771
Total	$ 241,417	$ 24,700	$ 53,402	$ 5,434	$ 72,363	$ 15,037	$ 60,089	$ 17,717

NOTE 8 - 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.

As of June 30, 2018, minimum rental payments required under operating leases which have remaining non-cancelable lease terms in excess of one year are as follows:

Year	Payments
2019	$ 402,214
2020	230,529
2021	253,785
2022	254,414
2023	248,458
2024-2028	1,173,267
	$ 2,562,667

As of June 30, 2017, minimum rental payments required under operating leases which have remaining non-cancelable lease terms in excess of one year are as follows:

Year	Payments
2018	$ 426,177
2019	402,214
2020	230,529
2021	253,785
2022	254,414
2023-2027	1,197,502
2028-2032	224,223
	$ 2,988,843

NOTE 9 - 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.

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 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 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 0.15 percent on annual benefits above $60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension benefits- 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.

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, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were $89,566, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 18.15 percent for Tier One/Tier Two General Service Member, 12.06 percent for OPSRP Pension Program General Service members, and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2018 and 2017, respectively, the Port reported a liability of $1,196,363 and $1,173,365 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017, the Port's proportion was 0.0089 percent, which was an increase from its proportion of 0.0078 percent measured as of June 30, 2016.

For the year ended June 30, 2018, the Port recognized pension expense of $170,285. At June 30, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 57,857	$ -
Changes of assumptions	218,076	-
Net difference between projected and actual earnings on investments	12,325	-
Changes in proportion	98,915	27,041
Differences between employer contributions and proportionate share of contributions	1,582	25,179
Total (prior to post-MD contributions)	388,755	52,220
Contributions subsequent to the MD	89,566	-
Total	$ 478,321	$ 52,220

For the year ended June 30, 2017, the Port recognized pension expense of $118,847. At June 30, 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 38,820	$ -
Changes of assumptions	250,250	-
Net difference between projected and actual earnings on investments	231,808	-
Changes in proportion	35,423	38,308
Differences between employer contributions and proportionate share of contributions	2,062	25,642
Total (prior to post-MD contributions)	558,363	63,950
Contributions subsequent to the MD	78,975	-
Total	$ 637,338	$ 63,950

$89,566 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, 2019. 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:	
2019	$ 55,876
2020	155,101
2021	121,075
2022	(5,197)
2023	9,680
Total	$ 336,535

$78,975 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, 2018. 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:	
2018	$ 80,826
2019	80,826
2020	168,471
2021	139,943
2022	24,347
Total	$ 494,413

Actuarial assumptions

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal method.

For the ORS 238 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), and (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.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 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 *Moro* decision, blend based on service.
Mortality	Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 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 *Moro* decision, blend based on service.
Mortality	Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled
At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.5 percent	

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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

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. The following asset class allocation table was used for the 2015 valuation.

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

The following asset class allocation table was used for the 2014 valuation.

	Assumed Asset Allocation		
Asset Class/Strategy	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

The breakdown of asset categories for both the 2015 and the 2014 valuations are as follows:

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.30%	6.99%
Micro Cap US Equities	1.30%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-Driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.00%	
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.

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 7.50 percent for the Defined Benefit Pension Plan for June 30, 2018 and 2017. 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, 2018, 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:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability (asset)	$ 2,038,821	$ 1,196,363	$ 491,912

The following presents the Port's proportionate share of the net pension liability as of June 30, 2017, 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:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability (asset)	$ 1,894,593	$ 1,173,365	$ 570,544

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, 2017 or 2016 measurement periods that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

On July 28, 2017, subsequent to the June 30, 2017 and 2016 measurement date, the OSPERS Board lowered the assumed rate to 7.2 percent. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The new rate will take effect January 1, 2018. The effect on the Port has not been determined.

NOTE 10 - 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 3.9% and an employer contribution of 12.10% of employee compensation. The Port's required contributions for the years ended June 30, 2018 and 2017 were $1,047 and $1,660 respectively.

NOTE 11 – 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.

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, 2018:

	Implicit Rate Subsidy	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	$ -	$ 3,133	$ 3,133
Deferred Outflows of Resources			
Change in Assumptions	-	-	-
Contributions After MD	6,132	3,109	9,241
Total OPEB Liability	(43,425)	-	(43,425)
Deferred Inflows of Resources			
Difference in Assumptions	(1,880)	-	(1,880)
Difference in Earnings	-	(1,451)	(1,451)
Change in Proportionate Share	-	(189)	(189)
OPEB Expense/(Income)*	3,762	(54)	3,708

*Included in program expenses on Statement of Activities

The amounts on the financial statements relate to the plans as follows as of June 30, 2017:

	Implicit Rate Subsidy	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	$ -	$ -	$ -
Deferred Outflows of Resources			
Change in Assumptions	-	-	-
Contributions After MD	5,882	3,737	9,619
Total OPEB Liability	(47,425)	(2,298)	(49,723)
Deferred Inflows of Resources			
Difference in Assumptions	-	-	-
Difference in Earnings	-	-	-
Change in Assumptions	-	-	-
Change in Proportionate Share	-	-	-
OPEB Expense/(Income)	-	-	-

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, 2016, the following employees were covered by the benefit terms:

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 $43,425 and $$47,425 was measured as of June 30, 2017 and June 30, 2016 and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2018, the Port recognized OPEB expense from this plan of $8,252. At June 30, 2017 and June 30, 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

Deferred outflows of resources related to OPEB of $6,132 and $5,882 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, 2019 and June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ -	$ 1,880
Total (prior to post-MD contributions)	-	1,880
Contributions subsequent to the MD	6,132	-
Total	$ 6,132	$ 1,880

Deferred outflows of resources related to OPEB of $6,132 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ (269)
2020	(269)
2021	(269)
2022	(269)
2023	(269)
Thereafter	(535)
Total	$ (1,880)

At June 30, 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to this SDIS plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the MD	$ 5,882	-
Total	$ 5,882	$ -

Actuarial Assumptions and Other Inputs - The total OPEB liability in the July 1, 2016 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 2.85 to 3.58.

Sensitivity of the Total OPEB Liability - The following presents the Port's OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	$ 46,405	$ 43,425	$ 40,707

Healthcare Cost Trend:

	1% Decrease	Current Health Care Trend Rates	1% Increase
Total OPEB Liability	$ 39,716	$ 43,425	$ 47,893

The information is not available for the year ended June 30, 2017.

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.

***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

Inactive employees or beneficiaries receiving benefits	1
Active employees	19
	20

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 for the year ended June 30, 2018 contributions was $3,109.

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the Port reported an asset of $3,133 for its proportionate share of the OPERS net OPEB asset. At June 30, 2017, the port reported a liability of $2,298 for its proportionate share of the OPERS net OPEB liability. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017, the Port's proportionate share was 0.0075%, which is a decrease from its proportion of 0.0085% as of June 30, 2016.

For the year ended June 30, 2018, the Port recognized OPEB income from this plan of $2,719. At June 30, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$ -	$ 1,451
Changes in proportionate share	-	189
Total (prior to post-MD contributions)	-	1,640
Contributions subsequent to the MD	3,109	-
Total	$ 3,109	$ 1,640

Deferred outflows of resources related to OPEB of $3,109 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ (433)
2020	(433)
2021	(412)
2022	(362)
2023	-
Total	$ (1,640)

At June 30, 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the MD	$ 3,737	-
Total	$ 3,737	$ -

Actuarial Methods and Assumptions - The total OPEB asset in the December 31, 2015 actuarial valuation was determined using the actuarial methods and assumptions are the same as listed above in Note 9 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 9 – Pension Plan Long-term Expected Rate of Return.

***Discount Rate* -** The discount rate used to measure the total OPEB liability was 7.50% for the RHIA Plan. 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate for the year ended June 30, 2018:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability (Asset)	$ 437	$ (3,133)	$ (6,168)

The information is not avaliable for the year ended June 30, 2017.

***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 Subsequent to Measurement Date -The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018 and will decrease the net OPEB asset or increase the net OPEB liability in future periods. The effect on the Port has not been determined.

NOTE 12 - INTERGOVERNMENTAL AGREEMENT - RAILROAD OPERATIONS

In 1991, the Port purchased approximately 90 miles of railroad from Southern Pacific through a $2,800,000 grant from the Oregon Business Development Department (OBDD).
As of April 6, 1993, an intergovernmental agreement between the Port and the State of Oregon formed the Oregon Tillamook Railroad Authority (OTRA) to administer the operations of the railroad. The

OTRA board of directors consists of five members, three are chosen by the State, and two are chosen by the Port. The agreement states that title to the assets, controls, and trains of the railroad will remain with the Port; however, control over the use and disposition of the rail line will rest with the OTRA. OTRA's oversight was intended to bring the railroad up to FRA Class II standards; however, due to significant storm damage in 2007, achieving the standard is unlikely. The OTRA board was disbanded in September of 2014.

NOTE 13 - 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 14 - 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. At this time, as closure of FEMA funded projects is continuing, there is some uncertainty of ineligible reimbursements, if any. At this time, any finding from these audits is not anticipated 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, 2018 and 2017, are not likely to have a material adverse impact on the Port's financial position.

Agreements- In July of 2016, the Port ceased operations of the Digester which required early termination of several long-term agreements. Management does not believe the termination of any of these agreements will have a significant impact on the Port.

Payroll liabilities- The Port became aware of outstanding payroll liabilities in the amount of approximately $160,000.

NOTE 15 - 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, 2018, 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 16 - FEMA GRANT AND RELATED CAPITAL PROJECTS

In August of 2010, the Port was awarded up to $44.6 million grant from the Federal Emergency Management Agency ("FEMA") of which twenty five percent match for every dollar spent is required. Lottery bond proceeds totaling $7.8 million were secured as matching funds by the Port through a grant award from the State of Oregon. Additionally, the Port received a grant from the Business Oregon to match equipment purchases, as well as partnering with Stimson Lumber on the Truck Scales Project. Stimson provided the 25% local match. Business Oregon/Infrastructure Finance Authority (IFA) also has issued a combination loan/grant to assist the Port in securing the local match needed on FEMA projects. Grant funds will provide resources for various capital projects on Port property including construction of new buildings, capital improvements, and equipment and real property acquisitions. All FEMA projects are expected to have construction completed by December 31, 2017, and close-out procedures either completed or at OEM or FEMA for review.

NOTE 17 - 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 2018 and 2017. 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.

NOTE 18 - NEW PRONOUNCEMENTS

During the fiscal year ended June 30, 2018, the Port implemented the following GASB pronouncements:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions is effective for fiscal years beginning after June 15, 2017. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE

In implementing GASB Statement No. 75, the Port has restated beginning net position in order to recognize the correct Total OPEB Liability for the Port's Implicit Rate Subsidy plan and to recognize the Port's proportionate share of the Net OPEB Asset of the Oregon Public Employees Retirement Systems (OPERS). The Port had previously reported a Net OPEB Obligation in accordance with GASB Statement No. 45 related to the Implicit Rate Subsidy plan, which has been replaced with the Total OPEB Liability. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2017 measurement date.

	Governmental Activities
Net position - beginning (as reported)	$ 40,012,082
Cumulative effect of change in accounting principle	(40,104)
Net position - beginning (as restated)	$ 39,971,978

NOTE 20 – SUBSEQUENT EVENT

Oregon DEQ inspected the Port's Industrial Park and Airport pursuant to its general 1200-Z permit. Following that, the Port received a violation with opportunity to correct. The Port is currently working through that process that has two deadlines, one year to update and map the stormwater flow and the Stormwater Pollution Control Plan, with additional months to work on employee training and a better system for both tenant and non-tenant inspections. The Port has hired one new employee to assist with the expected volume of work, and also contracted with GSI Solutions to assist with locating and mapping the entirety of the Port's almost 1600 acres.

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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

PORT OF TILLAMOOK BAY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Four Fiscal Years

Measurement Date June 30,	(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
2017	0.00887507%	$ 1,196,363	$ 789,616	151.51%	108.90%
2016	0.00781601%	1,173,365	737,864	159.02%	80.53%
2015	0.00715800%	410,974	680,856	60.36%	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.

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
For the Last Four Fiscal Years

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
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	-	680,856	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.

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 PROPORTIONATE SHARE - RHIA
For the Last Fiscal Year

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
2017	0.00750598%	$ (3,133)	$ 789,616	-0.40%	108.90%

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

[1]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 Board reviews the discount rate in odd-numbered years as part of the Boards adoption of actuarial methods and assumptions. That rate is then adopted in an administratvie rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.2% assumed rate.

The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with this Boards's policy decision from 2013 that the assumed rate will be effectvie January 1 following the Board's adoption of the rate.

PORT OF TILLAMOOK BAY
SCHEDULE OF CONTRIBUTIONS - RHIA
For the Last Two Fiscal Years

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
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.

[1]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, 2013	December 31, 2011
Effective:	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	10 years	10 years
Asset valuation method:	Market value	Market value
Remaining amortization periods:	20 years	N/A
Actuarial assumptions		
Inflation rate	2.75 percent	2.75 percent
Projected salary increases	3.75 percent	3.75 percent
Investment rate of return	7.75 percent	8.00 percent
Healthcare cost trend rates	None. Statute stipulates $60 monthly payment for healthcare isnurance	None. Statute stipulates $60 monthly payment for healthcare isnurance

PORT OF TILLAMOOK BAY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - SDIS
For the Last Fiscal Year

		2018
Total OPEB Liability		
Service Interest	$	2,686
Interest		1,345
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(2,149)
Benefit payment		(5,882)
Net change in total OPEB liability		(4,000)
Total OPEB liability - beginning		47,425
Total OPEB liability - ending (a)		43,425
Covered-employee payroll	$	760,868
Total OPEB liability as a percentage of covered-employee payroll		5.71%

[1]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 Two Fiscal Years

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
2018	$ 6,132	$ 6,132	$ -	$ 760,868	0.81%
2017	5,882	5,882	-	789,616	0.74%

[1]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, 2016
Effective:	July 2016 - June 2018
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Amortization period:	8.9 years
Asset valuation method:	Market value
Remaining amortization periods:	20 years
Actuarial assumptions	
Inflation rate	2.50 percent
Projected salary increases	3.50 percent
Investment rate of return	7.85 percent

Notes to Required Supplementary Information

NOTE 1 – 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.

NOTE 2 – Changes of Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 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.

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.

Such statements and schedules include:

- Combining Statements

- Budgetary Comparison Schedules

Budgetary Comparison schedules include the following funds:

General Fund
The General Fund is used to account for the operations of the Port's general operational expenses and property tax income that is not reserved for debt service. These operations include the lease of industrial and commercial property, airport activities including hangar rentals, railroad revenues, air museum, 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, 2018

	Actual	Budgetary Adjustment	Budgetary Basis	Budget Original	Budget Final	Variance with Final Budget	
REVENUES:							
Charges for services	$ 522,680	$ -	$ 522,680	$ 462,140	$ 462,140	$ 60,540	
Building and land rent	1,591,204	-	1,591,204	1,476,717	1,476,717	114,487	
Museum	491,202	-	491,202	611,950	611,950	(120,748)	
Airport revenues	75,259	-	75,259	120,000	120,000	(44,741)	
Railroad revenues	349,929	-	349,929	360,000	360,000	(10,071)	
Property taxes	60,835	-	60,835	69,033	69,033	(8,198)	
Interest income	32,257	-	32,257	6,005	6,005	26,252	
Grant revenue	2,357,590	-	2,357,590	2,372,312	2,372,312	(14,722)	
Miscellaneous income	12,698	-	12,698	2,200	2,200	10,498	
Insurance proceeds	13,491	-	13,491	-	-	13,491	
Tax credit income	133,967	-	133,967		-	133,967	
Other income	-	-	-	85,600	85,600	(85,600)	
Loss on sale of assets	(51,032)	61,032	10,000	-	-	10,000	
Total revenues	5,590,080	61,032	5,651,112	5,565,957	5,565,957	85,155	
EXPENDITURES:							
Materials and services	3,377,002	(1,944,418)	1,432,584	1,743,734	1,743,734	311,150	
Personnel services	1,715,745	(164,572)	1,551,173	1,653,078	1,653,078	101,905	
Capital outlay	-	2,351,394	2,351,394	2,518,148	2,518,148	166,754	
Debt service:							
Principle	-	54,291	54,291	52,311	52,311	(1,980)	*
Interest	326,009	8,218	334,227	348,686	348,686	14,459	
Depreciation	3,761,286	(3,761,286)	-	-	-	-	
Total expenditures	9,180,042	(3,456,373)	5,723,669	6,315,957	6,315,957	592,288	
Changes in net position	$ (3,589,962)	$ 3,517,405	(72,557)	(750,000)	(750,000)	677,443	
FUND BALANCE, BEGINNING BUDGETARY BASIS			662,079	750,000	750,000	(87,921)	
FUND BALANCE, ENDING BUDGETARY BASIS			$ 589,522	$ -	$ -	$ 589,522	

*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, 2018

	Budget Original	Budget Final	Actual	Variance with Final Budget	
Administration					
Personnel service	$ 134,562	$ 134,562	$ 156,388	$ (21,826)	*
Materials and service	203,400	203,400	170,023	33,377	
Debt Service	6,836	6,836	6,735	101	
Subtotal	344,798	344,798	333,146	11,652	
Airport					
Personnel service	315,332	315,332	258,745	56,587	
Materials and service	276,504	276,504	128,035	148,469	
Capital outlay	280,000	280,000	212,491	67,509	
Debt Service	1,095	1,095	1,053	42	
Subtotal	872,931	872,931	600,324	272,607	
Industrial Park					
Personnel service	471,462	471,462	473,609	(2,147)	*
Materials and service	320,160	320,160	277,262	42,898	
Capital outlay	2,148,148	2,148,148	2,138,906	9,242	
Debt Service	323,790	323,790	333,020	(9,230)	*
Subtotal	3,263,560	3,263,560	3,222,797	40,763	
Utilities					
Personnel services	171,377	171,377	163,619	7,758	
Materials and service	205,250	205,250	185,184	20,066	
Capital outlay	60,000	60,000	-	60,000	
Debt Service	9,457	9,457	9,097	360	
Subtotal	446,084	446,084	357,900	88,184	
Rail Road Management					
Personnel service	67,888	67,888	70,204	(2,316)	
Materials and service	197,850	197,850	391,614	(193,764)	
Capital outlay	-	-	-	-	
Debt Service	18,242	18,242	17,794	448	
Subtotal	283,980	283,980	479,612	(195,632)	
Digester					
Personnel service	-	-	22,254	(22,254)	*
Materials and service	231,500	231,500	109,796	121,704	
Debt Service	41,577	41,577	20,817	20,760	
Subtotal	273,077	273,077	152,867	120,210	
Museum:					
Personnel service	492,457	492,457	406,354	86,103	
Materials and service	309,070	309,070	170,669	138,401	
Capital outlay	30,000	30,000	-	30,000	
Subtotal	831,527	831,527	577,023	254,504	
Total expenditures	$ 6,315,957	$ 6,315,957	$ 5,723,669	$ 592,288	

* Budgetary appropriation is at department level.

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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*

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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 Port of Tillamook Bay, as of and for the year ended June 30, 2018 and have issued our report thereon dated April 30, 2019. 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 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 grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 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:

- 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 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 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. In connection with our testing, nothing came to our attention that caused us to believe Port of Tillamook Bay was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Port of Tillamook Bay's internal control over financial reporting (internal control) to determine the 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the separately issued schedule of findings and questioned costs that we consider to be a material weakness as item 2018-01.

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 30, 2019