

Port of Morrow Annual Financial Report

2022



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541.481.7678

<http://www.portofmorrow.com>

PORT OF MORROW
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INTRODUCTORY SECTION

**PORT OF MORROW
Commissioners**

| Name | Position | Term Expires |
|------------------------|---------------------|---------------------|
| Rick Stokoe | President | June 30, 2025 |
| Marv Padberg | Vice President | June 30, 2023 |
| Joe Taylor | Secretary/Treasurer | June 30, 2025 |
| Jerry Healy | Commissioner | June 30, 2025 |
| John Murray | Commissioner | June 30, 2023 |
| Other Personnel | | |
| Lisa Mittelsdorf | Executive Director | |

All Commissioners can receive mail at the following address:

Port of Morrow
P.O. Box 200
Boardman, OR 97818

Registered Agent

Sam Tucker, Attorney
Milton Freewater, OR 97862

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FINANCIAL SECTION

Independent Auditors' Report

Commissioners
Port of Morrow
P.O. Box 200
Boardman, Oregon 97818

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Port of Morrow as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Port of Morrow's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Port of Morrow, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the Port adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

We have applied certain limited procedures to the management's discussion analysis and other post-employment benefit liability 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.

The budgetary comparison information is the responsibility of management and was derived from, and, relate directly to, the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Morrow's basic financial statements. The individual fund financial statements, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, the schedule of federal awards, and other financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2022, on our consideration of the Port of Morrow'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 Morrow's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port of Morrow's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 2, 2022, on our consideration of Port of Morrow'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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

By Chelsea A. Hewitt
Chelsea A. Hewitt, CPA
Owner/Member

La Grande, OR
November 2, 2022

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

PORT OF MORROW
Management's Discussion and Analysis

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

Overview of the Financial Statements:

This audit report consists of three parts - management's discussion and analysis (this section), the basic financial statements (including notes), and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB), and also by the Oregon Secretary of State (OSS).

The **Statement of Net Assets** and the **Statement of Activities and Changes in Net Assets** report financial information about the Port as a whole and about its activities. These statements include *all* assets and liabilities of the Port using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Port's *net assets* and the changes in them. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, which is one way to measure the Port's financial health, or *financial position*. Over time, *increases or decreases* in the Port's net assets are one indicator of whether its *financial health* is improving or deteriorating. In these statements, Port activities are separated as follows:

Governmental activities – The Port accounts for all receipts, expenditures and capital costs not accounted for within the proprietary or business-type activities fund in its general fund. Property taxes, bond handling fees and transfers from the enterprise fund (or business-type activities) are the primary sources of revenue for the fund.

Business-type activities – The Port's freshwater, discharge water, east beach utility, freezer warehouse, site development, SAGE center and motor pool are reported in this category. The Port charges a fee to customers, tenants or other units within the Port to cover all or most of the cost of services it provides

These activities are described in Note 1 of the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, nearly all of which is required by the GASB, the OSS, or bond ordinances.

Financial Results:

The analysis in Table 1 (below) focuses on the net position of the general fund and of the business-type activities separately.

Table 1
Net Position

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------------------|--------------------------------|---------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | \$ 2,812,520 | \$ 2,629,464 | \$ 102,840,498 | \$ 66,237,044 | \$ 105,653,018 | \$ 68,866,508 |
| Capital assets (net) | 835,876 | 144,348 | 143,115,902 | 141,759,925 | 143,951,778 | 141,904,273 |
| Total assets | <u>3,648,396</u> | <u>2,773,812</u> | <u>245,956,400</u> | <u>207,996,969</u> | <u>249,604,796</u> | <u>210,770,781</u> |
| Deferred outflows of resources | - | - | 105,485 | 125,856 | 105,485 | 125,856 |
| Long-term liabilities outstanding | - | - | 88,623,160 | 93,954,719 | 88,623,160 | 93,954,719 |
| Other liabilities | 91,775 | 79,311 | 15,540,845 | 10,287,709 | 15,632,620 | 10,367,020 |
| Total liabilities | <u>91,775</u> | <u>79,311</u> | <u>104,164,005</u> | <u>104,242,428</u> | <u>104,255,780</u> | <u>104,321,739</u> |
| Deferred inflows of resources | - | - | 42,641,514 | 202,553 | 42,641,514 | 202,553 |
| Net position: | | | | | | |
| Net investment in capital assets | 835,876 | 144,348 | 85,376,582 | 72,890,685 | 86,212,458 | 73,035,033 |
| Restricted | - | - | 6,605,145 | 14,926,999 | 6,605,145 | 14,926,999 |
| Unrestricted | 2,720,745 | 2,550,153 | 7,274,639 | 15,860,160 | 9,995,384 | 18,410,313 |
| Total net position | <u>\$ 3,556,621</u> | <u>\$ 2,694,501</u> | <u>\$ 99,256,366</u> | <u>\$ 103,677,844</u> | <u>\$ 102,812,987</u> | <u>\$ 106,372,345</u> |

PORT OF MORROW
Management's Discussion and Analysis

As required, the Port adopted GASB 87 during the current year. This standard requires that certain contracts that end with transfer of ownership be reported as financed sales of the underlying asset rather than as leases. As a result of the adoption of this standard, three leases were restated as sales, resulting in an almost \$12 million reduction in net position. Additionally, the remaining leases determined to be subject were added as a \$47,761,334 lease receivable with an offsetting deferred inflow of resources.

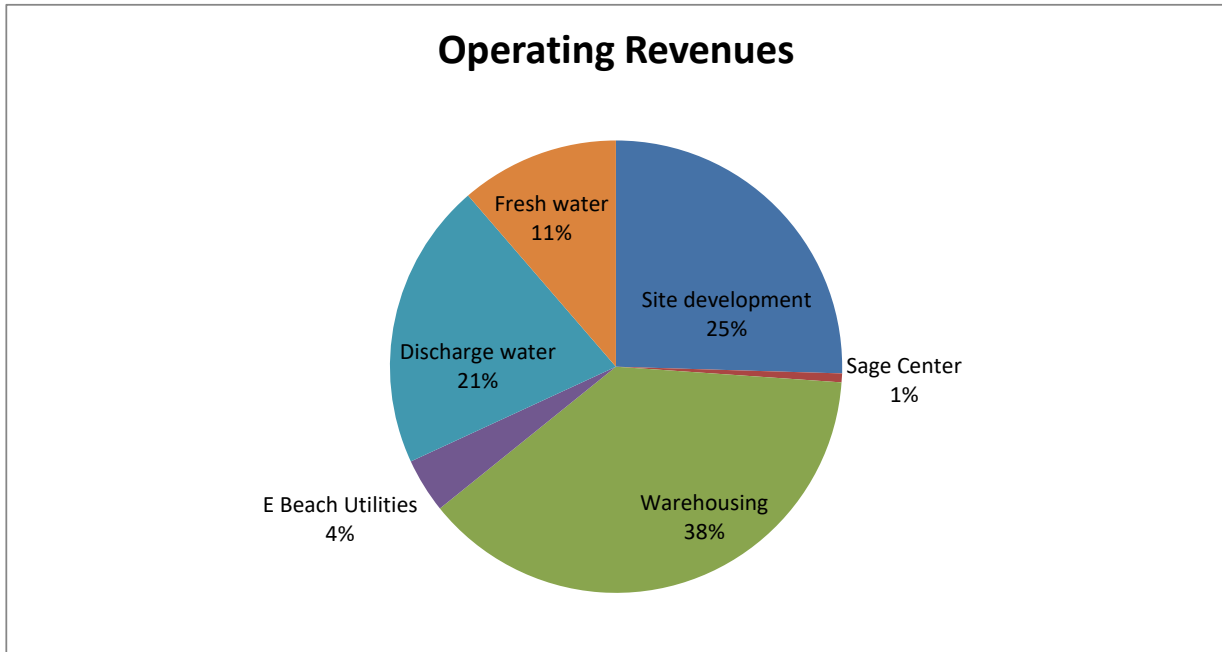
Table 2
Changes in Net Position

| | Governmental activities | | Business-type activities | | Total | |
|--|--------------------------------|---------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues: | | | | | | |
| General governmental revenues | \$ 1,799,751 | \$ 1,637,709 | \$ - | \$ - | \$ 1,799,751 | \$ 1,637,709 |
| Operating revenues | | | | | | |
| Site Development | - | - | 8,662,394 | 6,732,005 | 8,662,394 | 6,732,005 |
| Sage Center | - | - | 214,761 | 36,867 | 214,761 | 36,867 |
| Warehousing | - | - | 12,953,985 | 11,970,811 | 12,953,985 | 11,970,811 |
| E. Beach Utilities | - | - | 1,325,699 | 749,563 | 1,325,699 | 749,563 |
| Discharge Water | - | - | 6,980,100 | 6,395,135 | 6,980,100 | 6,395,135 |
| Freshwater | - | - | 3,859,654 | 2,622,834 | 3,859,654 | 2,622,834 |
| NonOperating revenues | | | | | | |
| Interest Income | 13,192 | 7,550 | 91,747 | 1,582,132 | 104,939 | 1,589,682 |
| Gain (loss) on sale of assets | (1,535) | - | 4,954,332 | 591,875 | 4,952,797 | 591,875 |
| Total revenues | 1,811,408 | 1,645,259 | 39,042,672 | 30,681,222 | 40,854,080 | 32,326,481 |
| Expenses: | | | | | | |
| Management and administration | 1,227,738 | 628,089 | - | - | 1,227,738 | 628,089 |
| Operating expense | - | - | 30,164,487 | 27,603,290 | 30,164,487 | 27,603,290 |
| Nonoperating expenses | - | - | 4,394,519 | 3,563,162 | 4,394,519 | 3,563,162 |
| Total expenses | 1,227,738 | 628,089 | 34,559,006 | 31,166,452 | 35,786,744 | 31,794,541 |
| Increase (decrease) in net position before transfers | 583,670 | 1,017,170 | 4,483,666 | (485,230) | 5,067,336 | 531,940 |
| Valuation adjustment | - | - | - | (500,000) | - | (500,000) |
| Grant income and contributions | 113,450 | 271,047 | 3,224,291 | 8,133,101 | 3,337,741 | 8,404,148 |
| Transfers | 165,000 | 165,000 | (165,000) | (165,000) | - | - |
| Increase (decrease) in net position | 862,120 | 1,453,217 | 7,542,957 | 6,982,871 | 8,405,077 | 8,436,088 |
| Net position-beginning | 2,694,501 | 1,241,284 | 103,677,844 | 96,694,973 | 106,372,345 | 97,936,257 |
| Change for GASB 87 | - | - | (11,964,435) | - | (11,964,435) | - |
| Net position-ending | \$ 3,556,621 | \$ 2,694,501 | \$ 99,256,366 | \$ 103,677,844 | \$ 102,812,987 | \$ 106,372,345 |

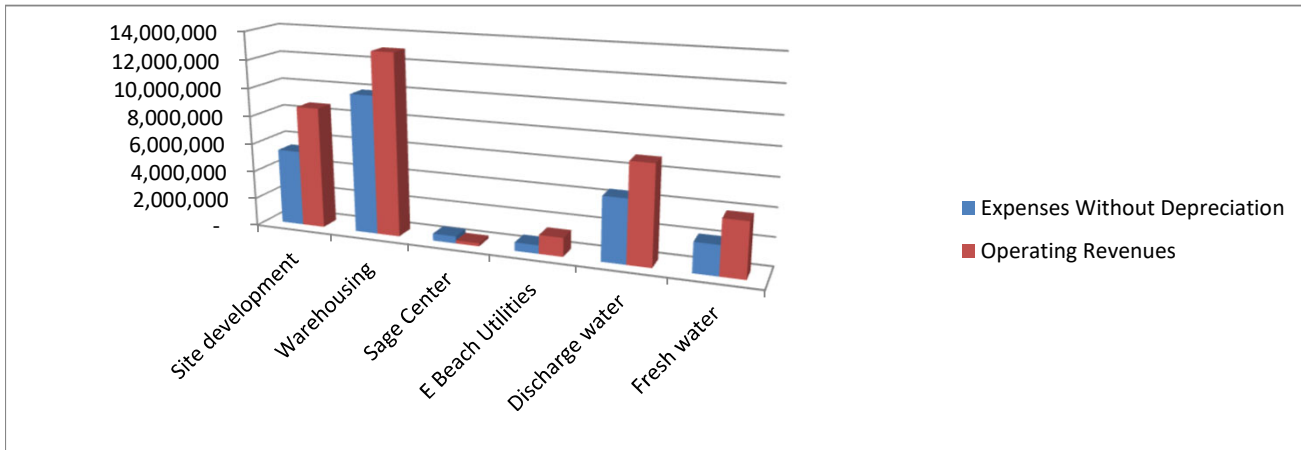
The Port accrued \$150,000 in the prior year as the expected fine for a self-reported DEQ violation. The actual assessment in spring of 2022 was \$2.1 million. The fine has been appealed but the Port has accrued the entire assessment. The Port is working with DEQ on a permit modification and are entering into plans for substantial improvements to their wastewater disposal system. It is currently expected that the Port has the opportunity to resolve up to 80% of the fine by contributing to an approved Supplemental Environmental Project.

PORT OF MORROW
Management's Discussion and Analysis

Operating revenues received in the Enterprise or business-type fund break down as follows:



Depreciation accounts for 24% of the business-type activity expenses. The following is a representation of the segments without depreciation expense.



Capital Assets

During the current year, the Port completed the \$1,969,000 flex use warehouse building. This added 16,000 square feet to available lease space. The space is fully occupied.

The following utility projects were in progress at year end: the Port invested \$2,802,000 into the first of three digester units and \$1,111,000 into south lift improvements for its wastewater system and over \$6 million in freshwater system improvements for new lines, a freshwater storage tank, a new well and refurbishment of well 1.

Work has been delayed on the road and rail improvements expected to be funded by federal RAISE (formerly BUILD) grant funds pending design approval by Union Pacific Railroad.

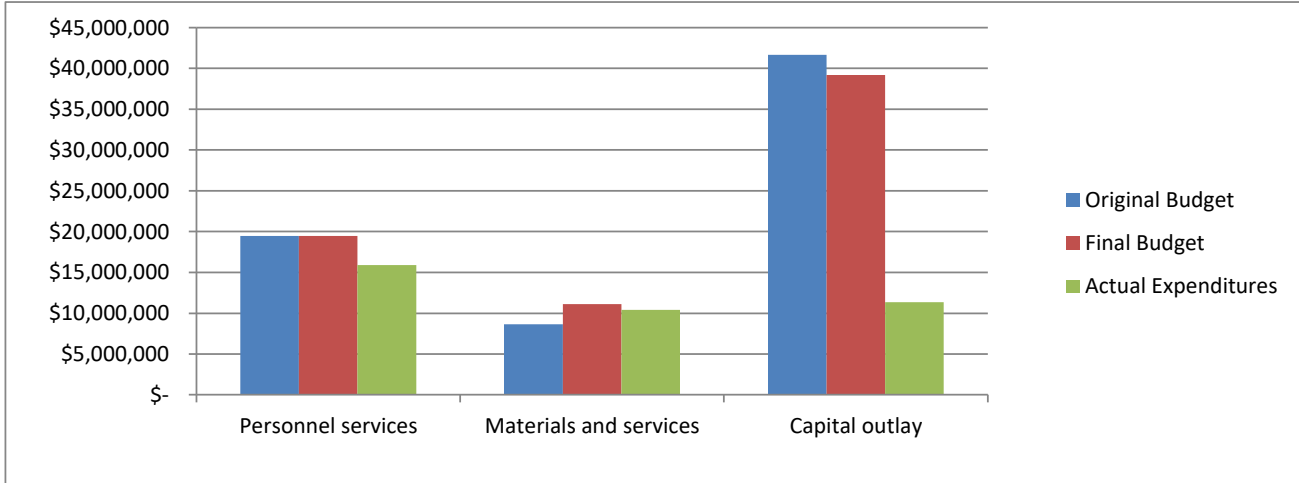
Debt

The Port did not enter into any new financings during the year. Payments were made on existing debt as scheduled.

PORT OF MORROW
Management's Discussion and Analysis

Budgetary

The Port's budget for the year ended June 30, 2022 was adopted by the Port Commission in June 2021. The following table illustrates the total changes in the final budget with comparison to the actual expenditures.



Capital outlay had a significant variance between actual results and budgeted amounts. Timing of major expenditures and construction projects is difficult to project and some projects did not proceed as quickly as projected. Significant delays in permitting the RAISE project occurred. Expenditures did not exceed budgetary limits in any category.

Contacting the Port's Financial Management

This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional financial information, contact Port of Morrow's Chief Financial Officer, PO Box 200, Boardman, OR 97818.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

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PORT OF MORROW
Statement of Net Position
As of June 30, 2022

| Assets: | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| Current assets: | | | |
| Petty cash | \$ 200 | \$ 1,140 | \$ 1,340 |
| Cash in bank - Unrestricted | 478,746 | 1,361,696 | 1,840,442 |
| Local Government Investment Pool - Unrestricted | 2,308,672 | 2,533,682 | 4,842,354 |
| Local Government Investment Pool - Restricted | - | 6,605,120 | 6,605,120 |
| Total cash and cash equivalents | <u>2,787,618</u> | <u>10,501,638</u> | <u>13,289,256</u> |
| Accounts receivable - county treasurer | 412 | - | 412 |
| Accounts receivable (net of \$0 doubtful accounts) | 18,475 | 6,105,362 | 6,123,837 |
| Grants receivable | - | 867,370 | 867,370 |
| Current portion of lease receivable | - | 2,001,202 | 2,001,202 |
| Current portion of note receivable | - | 1,615,464 | 1,615,464 |
| Deposits and prepaid expenses | - | 282,680 | 282,680 |
| Inventory | - | 15,464 | 15,464 |
| Property taxes receivable | 6,015 | - | 6,015 |
| Total current assets | <u>2,812,520</u> | <u>21,389,180</u> | <u>24,201,700</u> |
| Noncurrent assets: | | | |
| Deposits with trustee | - | 25 | 25 |
| Note receivable | - | 36,675,074 | 36,675,074 |
| Lease receivable | - | 43,265,418 | 43,265,418 |
| Patronage capital credits | - | 1,510,801 | 1,510,801 |
| Capital assets (net) | 835,876 | 143,115,902 | 143,951,778 |
| Total noncurrent assets | <u>835,876</u> | <u>224,567,220</u> | <u>225,403,096</u> |
| Total assets | <u>3,648,396</u> | <u>245,956,400</u> | <u>249,604,796</u> |
| Deferred outflows of resources: | | | |
| Deferred outflows related to OPEB | - | 105,485 | 105,485 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 24,745 | 5,310,282 | 5,335,027 |
| Accrued payroll and compensated absences | 67,030 | 1,723,387 | 1,790,417 |
| Customer deposits | - | 4,000 | 4,000 |
| Unearned revenue | - | 495,196 | 495,196 |
| Current portion of deferred inflows related to lease receivable | - | 2,649,760 | 2,649,760 |
| Current portion of long-term debt | - | 5,358,220 | 5,358,220 |
| Total current liabilities | <u>91,775</u> | <u>15,540,845</u> | <u>15,632,620</u> |
| Long-term liabilities: | | | |
| Net OPEB liability | - | 194,435 | 194,435 |
| Long-term debt | - | 88,428,725 | 88,428,725 |
| Total long-term liabilities | <u>-</u> | <u>88,623,160</u> | <u>88,623,160</u> |
| Total liabilities | <u>91,775</u> | <u>104,164,005</u> | <u>104,255,780</u> |
| Deferred inflows of resources: | | | |
| Deferred inflows related to OPEB | - | 7,503 | 7,503 |
| Deferred lease resources | - | 42,478,372 | 42,478,372 |
| Deferred charges | - | 155,639 | 155,639 |
| Total deferred inflows of resources | <u>-</u> | <u>42,641,514</u> | <u>42,641,514</u> |
| Net Position: | | | |
| Net Investment in capital assets | 835,876 | 85,376,582 | 86,212,458 |
| Restricted for capital and debt service | - | 6,605,145 | 6,605,145 |
| Unrestricted | 2,720,745 | 7,274,639 | 9,995,384 |
| Total net position | <u>\$ 3,556,621</u> | <u>\$ 99,256,366</u> | <u>\$ 102,812,987</u> |

(The accompanying notes are an integral part of these financial statements)

PORT OF MORROW
Statement of Activities
For the Fiscal Year Ended June 30, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|----------------------------------|----------------------|---------------------------------------|---|
| | | <u>Operating</u> | <u>Operating</u> |
| | | <u>Charges for</u> <u>Services</u> | <u>Grants and</u> <u>Contributions</u> |
| Governmental Activities: | | | |
| Management and administration | \$ 1,136,709 | \$ - | \$ 113,450 |
| Depreciation - unallocated | 91,029 | - | - |
| Total governmental | <u>1,227,738</u> | <u>-</u> | <u>113,450</u> |
| Business-Type Activities: | | | |
| Site development | 8,872,573 | 7,650,168 | 691,431 |
| Sage Center | 505,997 | 34,251 | 180,510 |
| Warehousing | 11,150,321 | 12,953,985 | - |
| E Beach Utilities | 950,940 | 1,325,699 | - |
| Discharge water | 6,055,219 | 6,980,100 | - |
| Fresh water | 2,308,642 | 3,859,654 | - |
| Total business-type activities | <u>29,843,692</u> | <u>32,803,857</u> | <u>871,941</u> |
| Total primary government | <u>\$ 31,071,430</u> | <u>\$ 32,803,857</u> | <u>\$ 985,391</u> |

General revenues:
Property taxes
Payments in lieu of tax
Interest income
Bond handling charges
Gain (loss) on disposition of assets
Interest expense
Trustee Fees
Special Item - DEQ penalty
Transfers
Total general revenues, transfers, and special items

Change in net position
Net position-beginning
Effect of change for GASB 87 implementation
Net position-beginning as restated
Net position-ending

**Net(Expense) Revenue and
Changes in Net Position**

| Capital Grants, System Development Charges and Contributions | Governmental Activities | Business- type Activities | Total |
|---|------------------------------------|--|-----------------------|
| \$ - | \$ (1,023,259) | \$ - | \$ (1,023,259) |
| - | (91,029) | - | (91,029) |
| - | (1,114,288) | - | (1,114,288) |
| 711,388 | - | 180,414 | 180,414 |
| - | - | (291,236) | (291,236) |
| - | - | 1,803,664 | 1,803,664 |
| - | - | 374,759 | 374,759 |
| - | - | 924,881 | 924,881 |
| 2,512,903 | - | 4,063,915 | 4,063,915 |
| 3,224,291 | - | 7,056,397 | 7,056,397 |
| \$ 3,224,291 | (1,114,288) | 7,056,397 | 5,942,109 |
| | 232,670 | - | 232,670 |
| | 1,491,606 | - | 1,491,606 |
| | 13,192 | 91,747 | 104,939 |
| | 75,475 | - | 75,475 |
| | (1,535) | 4,954,332 | 4,952,797 |
| | - | (2,441,018) | (2,441,018) |
| | - | (3,150) | (3,150) |
| | - | (1,950,351) | (1,950,351) |
| | 165,000 | (165,000) | - |
| | 1,976,408 | 486,560 | 2,462,968 |
| | 862,120 | 7,542,957 | 8,405,077 |
| | 2,694,501 | 103,677,844 | 106,372,345 |
| | - | (11,964,435) | (11,964,435) |
| | 2,694,501 | 91,713,409 | 94,407,910 |
| | \$ 3,556,621 | \$ 99,256,366 | \$ 102,812,987 |

(The accompanying notes are an integral part of these financial statements)

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FUND FINANCIAL STATEMENTS

PORT OF MORROW
Balance Sheet
Governmental Fund
As of June 30, 2022

| | General Fund |
|---|-------------------------|
| Assets: | |
| Petty cash | \$ 200 |
| Cash in bank | 478,746 |
| Local Government Investment Pool - Unrestricted | 2,308,672 |
| Total cash and cash equivalents | 2,787,618 |
| Accounts receivable - county treasurer | 412 |
| Accounts receivable | 18,475 |
| Property taxes receivable | 6,015 |
| Total assets | 2,812,520 |
| Deferred outflows of resources: | |
| | - |
| Total assets and deferred outflows of resources | \$ 2,812,520 |
| Liabilities: | |
| Accounts payable | \$ 24,745 |
| Accrued payroll payable | 67,030 |
| Total liabilities | 91,775 |
| Deferred inflows of resources: | |
| Unavailable property tax revenue | 6,015 |
| Fund Balances: | |
| Unassigned | 2,714,730 |
| Total liabilities, deferred inflows of resources and fund balance | \$ 2,812,520 |

(The accompanying notes are an integral part of these financial statements)

PORT OF MORROW
Reconciliation of The Governmental Fund Balance Sheet
To The Statement of Net Position
For the Fiscal Year Ended June 30, 2022

Total fund balances for governmental funds \$ 2,714,730

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

| | | |
|--------------------------|------------------|---------|
| Equipment | \$ 1,390,325 | |
| Accumulated Depreciation | <u>(554,449)</u> | |
| | | 835,876 |

Some of the Port's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.

6,015

Total net position of governmental activities **\$ 3,556,621**

(The accompanying notes are an integral part of these financial statements)

PORT OF MORROW
Statement of Revenues, Expenditures, and Changes in
Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2022

| | General Fund |
|--|-------------------------|
| | |
| Revenues: | |
| Taxes: | |
| Property taxes | \$ 233,114 |
| Payments in lieu of tax | 1,491,606 |
| Miscellaneous: | |
| Interest income | 13,192 |
| Bond handling charges | 75,475 |
| Total revenues | 1,813,387 |
| Expenditures: | |
| Current: | |
| Management and administration | 1,136,709 |
| Capital outlay | 784,093 |
| Total expenditures | 1,920,802 |
| Excess of revenues over (under) expenditures | (107,415) |
| Other Financing Sources (Uses): | |
| Grant Revenue | 113,450 |
| Transfers from other funds | 165,000 |
| Total other financing sources (uses) | 278,450 |
| Change in fund balance | 171,035 |
| Fund balance, beginning of year | 2,543,695 |
| Fund balance, end of year | \$ 2,714,730 |

(The accompanying notes are an integral part of these financial statements)

PORT OF MORROW
Reconciliation of The Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Fund To The Statement of Activities
For the Fiscal Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ 171,035

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$784,093) was less than depreciation (\$91,029) less loss on disposition of assets (\$1,535) in the current period. 691,529

Property taxes receivable but not collectable soon enough to pay for the current period's expenditures are offset by unearned revenue in the Governmental fund. In the statement of activities property taxes are recorded as revenues as billed. Property taxes receivable had decreased (\$6,459-\$6,015) during the current period. (444)

Change in net position of governmental activities \$ 862,120

(The accompanying notes are an integral part of these financial statements)

PORT OF MORROW
Statement of Fund Net Position
Enterprise Fund
As of June 30, 2022

Assets:

| | |
|---|---------------|
| Current assets: | |
| Petty cash | \$ 1,140 |
| Cash in bank | 1,361,696 |
| Local government investment pool | 9,138,802 |
| Total cash and cash equivalents | 10,501,638 |
| Accounts receivable (net of \$0 doubtful accounts) | 6,105,362 |
| Grants receivable | 867,370 |
| Current portion of leases receivable | 2,001,202 |
| Current portion of note receivable | 1,615,464 |
| Deposits and prepaid expenses | 282,680 |
| Inventory | 15,464 |
| Total current assets | 21,389,180 |
| Noncurrent assets: | |
| Deposits with trustee | 25 |
| Note receivable | 36,675,074 |
| Lease receivable | 43,265,418 |
| Patronage capital credits | 1,510,801 |
| Capital assets not being depreciated: | |
| Land, construction in progress | 21,931,119 |
| Capital assets being depreciated: | |
| Property and equipment | 201,918,086 |
| Less: accumulated depreciation | (80,733,303) |
| Total capital assets, net of depreciation | 143,115,902 |
| Total noncurrent assets | 224,567,220 |
| Total assets | 245,956,400 |
| Deferred outflows of resources: | |
| Deferred outflows related to OPEB | 105,485 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 5,310,282 |
| Accrued payroll and compensated absences | 1,723,387 |
| Customer deposits | 4,000 |
| Unearned revenue | 495,196 |
| Current portion of deferred inflows related to lease receivable | 2,649,760 |
| Current portion of long-term debt | 5,358,220 |
| Total current liabilities | 15,540,845 |
| Long-term liabilities: | |
| Net OPEB liability | 194,435 |
| Long-term debt | 88,428,725 |
| Total long-term liabilities | 88,623,160 |
| Total liabilities | 104,164,005 |
| Deferred inflows of resources: | |
| Deferred inflows related to OPEB | 7,503 |
| Deferred lease resources | 42,478,372 |
| Deferred charges | 155,639 |
| Total deferred inflows of resources | 42,641,514 |
| Net Position: | |
| Net Investment in capital assets | 85,376,582 |
| Restricted for capital and debt service | 6,605,145 |
| Unrestricted | 7,274,639 |
| Total net position | \$ 99,256,366 |

(The accompanying notes are an integral part of these financial statements)

PORT OF MORROW
Statement of Revenues, Expenses, and Changes in Fund Net Position
Enterprise Fund
For the Fiscal Year Ended June 30, 2022

| | |
|---|-----------------------------|
| Operating Revenues | |
| Discharge water segment | \$ 6,980,100 |
| Site development segment | 8,341,599 |
| Fresh water segment | 3,859,654 |
| Sage center | 34,251 |
| Warehousing segment | 12,953,985 |
| East beach utility | 1,325,699 |
| Total operating revenues | <u>33,495,288</u> |
| Operating Expenses: | |
| Labor | 14,540,881 |
| Contract | 851,199 |
| Utilities | 1,645,185 |
| Insurance | 375,860 |
| Repairs | 1,393,915 |
| Fuel and oil | 254,352 |
| Testing and permits | 1,164,771 |
| Legal fees | 314,317 |
| Property taxes / Lease Expense | 108,628 |
| Supplies | 1,305,187 |
| Marketing | 194,970 |
| LRA Activities | 415,810 |
| Depreciation | 7,170,990 |
| Community projects | 107,627 |
| Total operating expenses | <u>29,843,692</u> |
| Operating income (loss) | <u>3,651,596</u> |
| Non-Operating Revenues (Expenses): | |
| Interest income | 91,747 |
| Gain (loss) on sale of assets | 4,954,332 |
| Transfers (to) other funds | (165,000) |
| Interest expense | (2,441,018) |
| Trustee fees | (3,150) |
| Total non-operating revenues (expenses) | <u>2,436,911</u> |
| Special Items: | |
| Contributions | 180,510 |
| System Development Charges | 2,512,903 |
| DEQ Penalty | (1,950,351) |
| Grant income | 711,388 |
| Total special items | <u>1,454,450</u> |
| Change in net position | 7,542,957 |
| Net position, beginning of year | <u>91,713,409</u> |
| Net position, end of year | <u><u>\$ 99,256,366</u></u> |

(The accompanying notes are an integral part of these financial statements)

PORT OF MORROW
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2022

Cash Flows From Operating Activities:

| | |
|--|---------------------|
| Cash received from customers | \$ 26,010,619 |
| Cash payments to supplies for goods and services | (8,024,293) |
| Cash payments for personnel services | <u>(14,388,361)</u> |
| Net cash provided by operating activities | <u>3,597,965</u> |

Cash Flows From Non Capital Financing Activities:

| | |
|---|------------------|
| Cash payments for quasi-external operating transactions | <u>(165,000)</u> |
|---|------------------|

Cash Flows From Capital and Related Financing Activities:

| | |
|---|---------------------|
| Principal paid on revenue bond maturities, loans, and contracts | (6,113,109) |
| Interest paid on bonds and loans | (2,479,094) |
| Interest income on bond reserves | 54,842 |
| Capital related trustee fees on bonds | (3,150) |
| Acquisition and construction of capital assets | (10,272,307) |
| Restricted for debt service | 1,099,651 |
| Receipts from sale of capital assets | 5,016,582 |
| Capital grants received | <u>284,766</u> |
| Net cash provided by capital and related financing activities | <u>(12,411,819)</u> |

Cash Flows From Investing Activities:

| | |
|--|-----------------------------|
| Interest on investments | <u>36,904</u> |
| Net increase (decrease) in cash | (8,941,950) |
| Cash and cash equivalents at July 1, 2021 | <u>19,443,588</u> |
| Cash and cash equivalents at June 30, 2022 | <u><u>\$ 10,501,638</u></u> |

continued on next page

PORT OF MORROW
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2022

Reconciliation of Operating income (Loss) to Net Cash Provided By Operating Activities:

| | |
|---|---------------------------------|
| Operating income | \$ 3,651,596 |
| <hr/> | |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 7,170,990 |
| Internal service revenue charged to capital assets | (1,001,886) |
| Net increase in trade accounts and notes receivable | (6,181,361) |
| Decrease in lease receivable | 2,494,714 |
| Increase in prepaid expense | (36,372) |
| Decrease in deferred outflows from OPEB | 20,371 |
| Increase in patronage capital credits | (185,050) |
| Increase in trade accounts payable | 143,903 |
| Increase in customer deposits | 2,000 |
| Increase in deferred inflows from OPEB | 2,855 |
| Decrease in deferred lease resources | (2,633,202) |
| Decrease in OPEB liability | (4,650) |
| Increase in accrued payroll | 133,944 |
| Increase in unearned revenue | 20,113 |
| Total adjustments | <hr/> (53,631) <hr/> |
| Net cash provided by operating activities | <hr/> <u>\$ 3,597,965</u> <hr/> |

Summary of Cash and Cash Equivalents:

| | <u>June 30, 2022</u> |
|----------------------------------|----------------------------------|
| Petty cash | \$ 1,140 |
| Cash in Bank | 1,361,696 |
| Local government investment pool | <hr/> 9,138,802 <hr/> |
| Total cash and cash equivalents | <hr/> <u>\$ 10,501,638</u> <hr/> |

Noncash operating activities:

The Port adopted GASB 87 which resulted in a noncash addition of \$47,761,334 to both assets and liabilities on the balance sheet.

(The accompanying notes are an integral part of these financial statements)

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**NOTES TO BASIC FINANCIAL
STATEMENTS**

PORT OF MORROW
Notes to Basic Financial Statements

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

The accompanying financial statements present the activities of the Port of Morrow. The Port of Morrow is a municipal corporation whose territory encompasses all of Morrow County, Oregon. The Port was organized under O.R.S. 777.010 and owns land known as "Port of Morrow" along the Columbia River at Boardman, Oregon. It has developed an industrial park, operates water and wastewater facilities, operates frozen and cold warehousing facilities, is lessor of a dock and wharf facility including a Gantry Crane, and develops siting for prospective tenants. It is governed by a Board of Commissioners form of government. The Port is legally and financially independent of other state and local government units, has the power to levy tax, is responsible for its debts, and is entitled to any surpluses.

Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Port. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Port and for each function of the Port's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Port's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. The Port considers both of its funds to be major.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Port gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Port considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as

PORT OF MORROW
Notes to Basic Financial Statements

expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Port funds certain programs by a combination of grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net resources available to finance the program. It is the Port's policy to first apply grant resources to such programs, followed by general revenues.

Financial Position

Deposits and Investments

The cash balances of all funds are pooled and invested by the Port for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2022 based on market prices. The individual fund's portions of the pool's fair value are presented as cash and cash equivalents. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the ending balance of each participating fund.

Deposits with Trustee are deposits held by trustees in accordance with bond indenture agreements to service debt and provide cash reserves.

Cash and Cash Equivalents

The government's cash and cash equivalents include cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Receivables

All accounts, property taxes, grants and note receivables are shown net of an allowance for uncollectible accounts.

Lease Receivables

Lease receivables are recognized at the net present value of the leased assets at a borrowing rate either explicitly described in the agreement or implicitly determined by the Port, reduced by principal payments received.

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. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Included in this category, the Port has deferred outflows related to other post employment benefits.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Port has four types of items, which arises under the accrual and modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable property taxes, is reported in the governmental activities statement of net position and the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The business-type fund reports deferred charges on refunding of debt. This results from the difference in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The business-type fund reports deferred lease resources. This amount is deferred and amortized over the life of the lease. The business-type fund reports also reports deferred inflows related to other post employment benefits.

PORT OF MORROW
Notes to Basic Financial Statements

Property Tax Calendar

Property taxes attach as an enforceable lien when they are levied on July 1, and until they are paid. Taxes are due in one-third increments, on November 15, February 15, and May 15. Unpaid taxes are considered delinquent after November 15.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property tax revenues are accounted for on the accrual basis of accounting in the government-wide statements and are recognized when earned.

Inventory and Prepaid Items

Inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflected costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historic cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Major capital asset additions are financed primarily from bond proceeds. The normal cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used for assets that have initial useful lives extended beyond a single reporting period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives |
|---------------------------------|------------------------|
| Infrastructure | 20-50 |
| Equipment and Furniture | 5-20 |
| Buildings and Land Improvements | 20-40 |

Capitalized Interest

The Port did not capitalize interest in the current period. The Port implemented treatment of interest cost during construction as outlined in GASB 89.

Compensated Absences

Paid vacation benefits are provided to all permanent full-time and permanent part-time employees. Vacation time may accrue to a maximum of 30 days. Any time earned beyond 30 days must be taken by December 31 or is lost unless an extension is granted by the Executive Director. All unused vacation time must be converted to cash upon termination of permanent employees at the equivalent hourly rate of pay being received upon termination. Vacation accrues in the following increments:

| Years of Employment | Vacation Hours/Days |
|---------------------|---------------------|
| 1 | 80 hours/10 days |
| 2-4 | 122 hours/15 days |
| 5-9 | 161 hours/ 20 days |
| 10-24 | 200 hours/25 days |
| 25+ | 242 hours/30 days |

Years of employment begin with the date of hire.

Sick leave is provided to all employees. Sick leave is accumulated at the rate of one hour per 30 regular hours worked, up until a maximum of 52 hours earned per year. Sick leave can be used as soon as it is accumulated. Upon termination, if an employee has six or more years of service they will receive 75% of accumulated hours paid into their HRA.

PORT OF MORROW
Notes to Basic Financial Statements

The Port accrues liability for compensated absences which meet the following criteria:

1. The Port's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the Port has accrued a liability for vacation pay which has been earned but not taken by Port employees and 75% of sick pay accumulated by employees with six or more years. The liability is included in "accrued payroll payable" in accordance with ASC 710-10-25.

Net Position/Fund Balance Classifications

Government-Wide Statements - Equity is classified as net position and displayed in three components:

- a. Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Port's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements - In the governmental funds the difference among deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. The constraints are defined as follows:

Nonspendable - Resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Restricted - Constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Reported when the Board passes an ordinance that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - Resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the Commission approves which resources should be "reserved" during the adoption of the annual budget. The Controller uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the Port's annual financial report.

PORT OF MORROW
Notes to Basic Financial Statements

Unassigned - The residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Unearned Revenue

This is cash received prior to the fiscal year in which it is recognized as revenue.

Discount and Premiums on Port Revenue Bonds

Bond discounts and premiums for proprietary fund types are deferred and amortized over the term of the bonds using the straight line method. Bond discounts are presented as a reduction of the face amount of the bonds payable, premiums as an addition.

Unearned Amount on Refunding (Net)

This account is the difference between the reacquisition price and the net carrying amount of the old debt. It is amortized over the shorter life of either the refunded or refunding debt issue. It is amortized using the straight line method. This account is presented as a reduction of the face amount of bonds payable.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Depreciation expense, Accumulated Depreciation, Property Taxes Receivable, and Unearned Revenue accounts have been subject to estimation.

New Accounting Pronouncement and Accounting Standards

During the fiscal year June 30, 2022, the Port implemented the following GASB pronouncement:

GASB Statement No. 87, Leases

This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liability for leases that were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions for the contract. This GASB effects both the presentation of financial statements on the current financial resource measurement focus and the economic resources measurement focus.

Restatement

In implementing GASB Statement No. 87, the Port has restated beginning fund balance, and statement of net position for Business - Type Activities in order to recognize the cumulative effect on these statements.

Statement of Net Position is restated as follows:

| | Beginning as previously reported | GASB 87 Restatement | Beginning as restated |
|----------------------|-------------------------------------|------------------------|--------------------------|
| Note Receivable | \$ - | \$ 32,792,799 | \$ 32,792,799 |
| Lease Receivable | 40,756,670 | (40,756,670) | - |
| Capital Assets (net) | 141,759,925 | (4,000,564) | 137,759,361 |
| Net Position | <u>\$ 103,677,844</u> | <u>\$ (11,964,435)</u> | <u>\$ 91,713,409</u> |

PORT OF MORROW
Notes to Basic Financial Statements

Note 2 - Compliance and Accountability:

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38 "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with the actions taken to address such violations.

None reported

Note 3 - Deposits and Investments:

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

| | |
|--------------------------------------|----------------------|
| Petty Cash | \$ 1,340 |
| Deposits with financial institutions | 1,840,442 |
| Deposits with trustee | 25 |
| Local Government Investment Pool | <u>11,447,474</u> |
| | <u>\$ 13,289,281</u> |

Deposits and investments are reflected in the government-wide Statement of Net Position as follows:

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 13,289,256 |
| Deposits with trustee | <u>25</u> |
| | <u>\$ 13,289,281</u> |

The Port maintains a cash management pool for its cash and cash equivalents in which each fund participates. Interest earnings are distributed monthly based on average daily balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Pool (LGIP) are stated at fair value.

Deposits

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$1,985,551 at June 30, 2022. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

Custodial Credit Risk - Deposits

Custodial credit risk on deposits is the risk that in the event of a bank failure, the Port's deposits may not be returned. In order to minimize this risk, state statutes require banks holding public funds to become members of the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating banks depositories, it does not guarantee that all funds are 100% protected.

All accounts are insured by FDIC up to \$250,000.

PORT OF MORROW
Notes to Basic Financial Statements

Investments

The purpose of the Port's investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. The Port has delegated investment responsibilities to the Chief Financial Officer, who is primarily responsible for implementing the investment policy.

Credit Risk - Investments

State statutes authorize the Port to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's investment pool, among others. The Port has no formal investment policy that further restricts its investment choices.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the Port will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The Port does not have a policy that limits the amount of investments that can be held by counterparties.

The Local Government Investment Pool (LGIP) is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. The LGIP's credit quality is unrated.

Professional standards indicate investments in external investment pools are not subject to custodial risk because they are not evidenced by the securities that exist in physical or book entry form. Nevertheless, management does not believe there is any substantial custodial risk related to investments in the LGIP. The fair value of the Port's position in the LGIP is the same as the value of the pool shares.

Concentration Risk

The Port does not have a formal policy that places a limit on the amount that they may be invested in any one insurer. The Port has concentrations in the following investments: Local Government Pool. These investments are 100% of the Port's total investments.

| <u>Investment Type</u> | <u>Maturities</u> | <u>Concentration % of Portfolio</u> | <u>Actual Amount</u> |
|----------------------------------|-------------------|---|----------------------|
| Local Government Investment Pool | Avg 6-18 months | 100% | <u>\$ 11,447,474</u> |

Interest Rate Risk

The Port does not have a formal investment policy limiting investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

PORT OF MORROW
Notes to Basic Financial Statements

Note 4 - Accounts and Other Receivables:

The Port considers its delinquent property tax receivables fully collectible and does not use an allowance for uncollectible property taxes. Property taxes attach as an enforceable lien on property July 1, when they are levied, and until they are paid.

Grants and other receivables from other government agencies are generally expected to be collectible. Accordingly, an allowance for uncollectables is not considered necessary or recorded.

Accounts receivable is partly composed of amounts due Port of Morrow at June 30, 2022 for fresh water and discharge services, land leases, warehouse storage, and royalties. Accounts receivable are considered delinquent if uncollected after 30 days. Uncollectible receivables are accounted for using the reserve method as required by GAAP based on 80% of accounts receivable aged over 90 days delinquent.

Note 5 - Property Taxes Receivable:

Property taxes receivable included in revenues are \$6,015, which are all past due and accruing interest.

PORT OF MORROW
Notes to Basic Financial Statements

Note 6 - Lease Receivables:

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 07/01/2021, Port of Morrow, OR entered into a 44 month lease as Lessor for the use of farm land. An initial lease receivable was recorded in the amount of \$129,808.34. As of 06/30/2022, the value of the lease receivable is \$86,683.24. The lessee is required to make annual fixed payments of \$44,000.00. The lease has an interest rate of 1.0110%. The value of the deferred inflow of resources as of 06/30/2022 was \$94,406.06, and Port of Morrow, OR recognized lease revenue of \$35,402.27 during the fiscal year. The lessee has 1 extension option(s), each for 36 months.

On 07/01/2021, Port of Morrow, OR entered into a 173 month lease as Lessor for the use of farm land. An initial lease receivable was recorded in the amount of \$3,085,529.16. As of 06/30/2022, the value of the lease receivable is \$2,894,683.80. The lessee is required to make monthly fixed payments of \$20,577.33. The lease has an interest rate of 2.0477%. The value of the deferred inflow of resources as of 06/30/2022 was \$2,871,504.02, and Port of Morrow, OR recognized lease revenue of \$214,025.14 during the fiscal year.

On 07/01/2021, Port of Morrow, OR entered into a 66 month lease as Lessor for the use of a Container Yard. An initial lease receivable was recorded in the amount of \$889,274.77. As of 06/30/2022, the value of the lease receivable is \$730,206.57. The lessee is required to make quarterly variable principal and interest payments of \$41,865.50. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 1.3351%. The value of the deferred inflow of resources as of 06/30/2022 was \$727,588.45, and Port of Morrow, OR recognized lease revenue of \$161,686.32 during the fiscal year.

On 07/01/2021, Port of Morrow, OR entered into a 192 month lease as Lessor for the use a Petroleum Dock. An initial lease receivable was recorded in the amount of \$187,051.87. As of 06/30/2022, the value of the lease receivable is \$176,968.40. The lessee is required to make monthly variable principal and interest payments of \$1,156.00. These payments are subject to periodic CPI adjustment. The lease has an interest rate of 2.2100%. The value of the deferred inflow of resources as of 06/30/2022 was \$175,363.16, and Port of Morrow, OR recognized lease revenue of \$11,688.71 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 792 month lease as Lessor for the use of a grain elevator. An initial lease receivable was recorded in the amount of \$9,050,706.09. As of 06/30/2022, the value of the lease receivable is \$8,868,034.55. The lessee is required to make semi-annual fixed payments of \$202,437.50. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$8,913,574.18, and Port of Morrow, OR recognized lease revenue of \$137,131.91 during the fiscal year. The lessee has 5 extension option(s), each for 120 months.

On 07/01/2021, Port of Morrow, OR entered into a 18 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$62,736.42. As of 06/30/2022, the value of the lease receivable is \$20,963.76. The lessee is required to make monthly fixed payments of \$3,500.00. The lease has an interest rate of 0.5925%. The value of the deferred inflow of resources as of 06/30/2022 was \$20,912.14, and Port of Morrow, OR recognized lease revenue of \$41,824.28 during the fiscal year.

On 07/01/2021, Port of Morrow, OR entered into a 690 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$66,046.77. As of 06/30/2022, the value of the lease receivable is \$66,926.94. The lessee is required to make annual fixed payments of \$2000.00. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$64,898.96, and Port of Morrow, OR recognized lease revenue of \$1,147.81 during the fiscal year. The lessee has 2 extension option(s), each for 240 months.

PORT OF MORROW
Notes to Basic Financial Statements

On 07/01/2021, Port of Morrow, OR entered into a 590 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$70,324.28. As of 06/30/2022, the value of the lease receivable is \$68,103.04. The lessee is required to make annual fixed payments of \$2,542.50. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$68,894.68, and Port of Morrow, OR recognized lease revenue of \$1,429.60 during the fiscal year. The lessee has 2 extension option(s), each for 240 months.

On 07/01/2021, Port of Morrow, OR entered into a 650 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$59,849.66. As of 06/30/2022, the value of the lease receivable is \$58,636.75. The lessee is required to make annual fixed payments of \$1,500.00. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$58,744.92, and Port of Morrow, OR recognized lease revenue of \$1,104.75 during the fiscal year. The lessee has 2 extension option(s), each for 240 months.

On 07/01/2021, Port of Morrow, OR entered into a 324 month lease as Lessor for the use of a building. An initial lease receivable was recorded in the amount of \$173,565.26. As of 06/30/2022, the value of the lease receivable is \$168,765.73. The lessee is required to make monthly fixed payments of \$750.00. The lease has an interest rate of 2.6800%. The value of the deferred inflow of resources as of 06/30/2022 was \$167,140.22, and Port of Morrow, OR recognized lease revenue of \$6,425.04 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 408 month lease as Lessor for land. An initial lease receivable was recorded in the amount of \$45,072.63. As of 06/30/2022, the value of the lease receivable is \$43,072.63. The lessee is required to make annual fixed payments of \$2,000.00. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$43,746.96, and Port of Morrow, OR recognized lease revenue of \$1,325.67 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 30 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$3,325.93. As of 06/30/2022, the value of the lease receivable is \$2,002.57. The lessee is required to make monthly variable principal and interest payments of \$112.00. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 0.8453%. The value of the deferred inflow of resources as of 06/30/2022 was \$1,995.56, and Port of Morrow, OR recognized lease revenue of \$1,330.37 during the fiscal year.

On 07/01/2021, Port of Morrow, OR entered into a 294 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$8,795,035.17. As of 06/30/2022, the value of the lease receivable is \$8,554,588.07. The lessee is required to make annual fixed payments of \$356,480.00. These payments are subject to 3% annual increases. The lease has an interest rate of 2.6386%. The value of the deferred inflow of resources as of 06/30/2022 was \$8,436,054.14, and Port of Morrow, OR recognized lease revenue of \$358,981.03 during the fiscal year. The lessee had a termination period of 1 month as of the lease commencement.

On 07/01/2021, Port of Morrow, OR entered into a 294 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$4,848,809.13. As of 06/30/2022, the value of the lease receivable is \$4,716,247.73. The lessee is required to make annual fixed payments of \$196,531.73. The lease has an interest rate of 2.6386%. These payments are subject to 3% annual increases. The value of the deferred inflow of resources as of 06/30/2022 was \$4,650,898.55, and Port of Morrow, OR recognized lease revenue of \$197,910.58 during the fiscal year.

On 07/01/2021, Port of Morrow, OR entered into a 270 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$1,023,718.58. As of 06/30/2022, the value of the lease receivable is \$987,639.97. The lessee is required to make monthly fixed payments of \$5,000.00. The lease has an interest rate of 2.5975%. The value of the deferred inflow of resources as of 06/30/2022 was \$978,219.98, and Port of Morrow, OR recognized lease revenue of \$45,498.60 during the fiscal year.

PORT OF MORROW
Notes to Basic Financial Statements

On 07/01/2021, Port of Morrow, OR entered into a 101 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$99,836.39. As of 06/30/2022, the value of the lease receivable is \$89,931.48. The lessee is required to make monthly fixed payments of \$930.15. The lease has an interest rate of 1.5690%. The value of the deferred inflow of resources as of 06/30/2022 was \$88,052.42, and Port of Morrow, OR recognized lease revenue of \$11,783.97 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 81 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$142,056.75. As of 06/30/2022, the value of the lease receivable is \$118,810.51. The lessee is required to make annual variable principal and interest payments of \$24,836.92. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 1.4930%. The value of the deferred inflow of resources as of 06/30/2022 was \$121,011.30, and Port of Morrow, OR recognized lease revenue of \$21,045.44 during the fiscal year. The lessee had a termination period of 24 months as of the lease commencement.

On 07/01/2021, Port of Morrow, OR entered into a 686 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$1,164,022.37. As of 06/30/2022, the value of the lease receivable is \$1,152,849.20. The lessee is required to make monthly variable principal and interest payments of \$3,353.92. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$1,143,660.46, and Port of Morrow, OR recognized lease revenue of \$20,361.91 during the fiscal year. The lessee has 10 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 49 month lease as Lessor for the use of a building. An initial lease receivable was recorded in the amount of \$434,035.57. As of 06/30/2022, the value of the lease receivable is \$329,114.05. The lessee is required to make monthly fixed payments of \$9,038.08. The lease has an interest rate of 1.0110%. The value of the deferred inflow of resources as of 06/30/2022 was \$327,741.15, and Port of Morrow, OR recognized lease revenue of \$106,294.43 during the fiscal year. The lessee has 5 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 658 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$2,365,257.52. As of 06/30/2022, the value of the lease receivable is \$2,341,084.35. The lessee is required to make monthly variable principal and interest payments of \$6,936.00. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$2,322,122.12, and Port of Morrow, OR recognized lease revenue of \$43,135.40 during the fiscal year. The lessee has 10 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 76 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$210,952.16. As of 06/30/2022, the value of the lease receivable is \$179,053.54. The lessee is required to make monthly variable principal and interest payments of \$2,857.00. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 1.3350%. The value of the deferred inflow of resources as of 06/30/2022 was \$177,847.20, and Port of Morrow, OR recognized lease revenue of \$33,104.96 during the fiscal year. The lessee has 10 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 68 month lease as Lessor for the use of warehouse space. An initial lease receivable was recorded in the amount of \$896,823.24. As of 06/30/2022, the value of the lease receivable is \$742,620.79. The lessee is required to make monthly variable principal and interest payments of \$13,685.83. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 1.3350%. The value of the deferred inflow of resources as of 06/30/2022 was \$738,560.32, and Port of Morrow, OR recognized lease revenue of \$158,262.93 during the fiscal year. The lessee has 5 extension option(s), each for 12 months. The lessee had a termination period of 2 months as of the lease commencement.

On 07/01/2021, Port of Morrow, OR entered into a 68 month lease as Lessor for the use of warehouse space. An initial lease receivable was recorded in the amount of \$1,121,474.82. As of 06/30/2022, the value of the lease receivable is \$928,645.11. The lessee is required to make monthly variable principal and interest payments of \$17,114.09. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 1.3350%. The value of the deferred inflow of resources as of 06/30/2022 was \$923,567.50, and Port of Morrow, OR recognized lease revenue of \$197,907.32 during the fiscal year. The lessee has 5 extension option(s), each for 12 months. The lessee had a termination period of 2 months as of the lease commencement.

PORT OF MORROW
Notes to Basic Financial Statements

On 07/01/2021, Port of Morrow, OR entered into a 45 month lease as Lessor for the use of warehouse space. An initial lease receivable was recorded in the amount of \$1,527,885.94. As of 06/30/2022, the value of the lease receivable is \$1,125,146.42. The lessee is required to make monthly fixed payments of \$34,585.87. The lease has an interest rate of 1.0110%. The value of the deferred inflow of resources as of 06/30/2022 was \$1,120,449.69, and Port of Morrow, OR recognized lease revenue of \$407,436.25 during the fiscal year.

On 07/01/2021, Port of Morrow, OR entered into a 457 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$1,703,528.13. As of 06/30/2022, the value of the lease receivable is \$1,675,108.46. The lessee is required to make monthly variable principal and interest payments of \$6,000.00. These payments are subject to periodic CPI adjustment. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$1,658,796.54, and Port of Morrow, OR recognized lease revenue of \$44,731.59 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

On 10/01/2021, Port of Morrow, OR entered into a 120 month lease as Lessor for the use of warehouse space. An initial lease receivable was recorded in the amount of \$547,197.37. As of 06/30/2022, the value of the lease receivable is \$508,613.74. The lessee is required to make monthly fixed payments of \$4,960.00. The lease has an interest rate of 1.7220%. The value of the deferred inflow of resources as of 06/30/2022 was \$506,157.57, and Port of Morrow, OR recognized lease revenue of \$41,039.80 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On 11/01/2021, Port of Morrow, OR entered into a 72 month lease as Lessor for the use of warehouse space. An initial lease receivable was recorded in the amount of \$341,306.74. As of 06/30/2022, the value of the lease receivable is \$304,533.51. The lessee is required to make monthly fixed payments of \$6,800.00. The lease has an interest rate of 1.5440%. The value of the deferred inflow of resources as of 06/30/2022 was \$303,383.76, and Port of Morrow, OR recognized lease revenue of \$37,922.97 during the fiscal year. The lessee has 1 extension option(s), each for 36 months.

On 07/01/2021, Port of Morrow, OR entered into a 180 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$185,095.01. As of 06/30/2022, the value of the lease receivable is \$174,198.16. The lessee is required to make monthly fixed payments of \$1,200.00. The lease has an interest rate of 2.1290%. The value of the deferred inflow of resources as of 06/30/2022 was \$172,755.35, and Port of Morrow, OR recognized lease revenue of \$12,339.67 during the fiscal year. The lessee has 4 extension option(s), each for 36 months.

On 07/01/2021, Port of Morrow, OR entered into a 297 month lease as Lessor for the use of warehouse space. An initial lease receivable was recorded in the amount of \$1,367,126.89. As of 06/30/2022, the value of the lease receivable is \$1,324,529.59. The lessee is required to make monthly fixed payments of \$6,260.00. The lease has an interest rate of 2.6390%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$1,311,889.44, and Port of Morrow, OR recognized lease revenue of \$55,237.45 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 925 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$2,850,272.43. As of 06/30/2022, the value of the lease receivable is \$2,771,396.68. The lessee is required to make annual variable principal and interest payments of \$87,122.38. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$2,813,306.58, and Port of Morrow, OR recognized lease revenue of \$36,965.85 during the fiscal year. The lessee has 5 extension option(s), each for 120 months.

On 07/01/2021, Port of Morrow, OR entered into a 60 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$151,089.78. As of 06/30/2022, the value of the lease receivable is \$121,957.13. The lessee is required to make monthly variable principal and interest payments of \$2,550.43. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 1.1770%. The value of the deferred inflow of resources as of 06/30/2022 was \$121,105.04, and Port of Morrow, OR recognized lease revenue of \$29,984.74 during the fiscal year.

PORT OF MORROW
Notes to Basic Financial Statements

On 07/01/2021, Port of Morrow, OR entered into a 120 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$684,319.51. As of 06/30/2022, the value of the lease receivable is \$615,744.29. The lessee is required to make semi-annual variable principal and interest payments of \$37,074.00. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 1.7220%. The value of the deferred inflow of resources as of 06/30/2022 was \$615,887.56, and Port of Morrow, OR recognized lease revenue of \$68,431.95 during the fiscal year.

On 07/01/2021, Port of Morrow, OR entered into a 684 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$133,724.74. As of 06/30/2022, the value of the lease receivable is \$132,435.48. The lessee is required to make monthly fixed payments of \$481.00. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$131,378.69, and Port of Morrow, OR recognized lease revenue of \$2,346.05 during the fiscal year. The lessee has 10 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 191 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$1,265.04. As of 06/30/2022, the value of the lease receivable is \$1,192.92. The lessee is required to make annual fixed payments of \$100.00. The lease has an interest rate of 2.2100%. The value of the deferred inflow of resources as of 06/30/2022 was \$1,185.56, and Port of Morrow, OR recognized lease revenue of \$79.48 during the fiscal year. The lessee has 3 extension option(s), each for 60 months.

On 07/01/2021, Port of Morrow, OR entered into a 195 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$434,993.03. As of 06/30/2022, the value of the lease receivable is \$411,734.16. The lessee is required to make monthly fixed payments of \$2,652.36. The lease has an interest rate of 2.2100%. The value of the deferred inflow of resources as of 06/30/2022 was \$408,224.23, and Port of Morrow, OR recognized lease revenue of \$26,768.80 during the fiscal year. The lessee has 3 extension option(s), each for 12 months.

On 07/01/2021, Port of Morrow, OR entered into a 925 month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$2,850,272.43. As of 06/30/2022, the value of the lease receivable is \$2,771,396.68. The lessee is required to make annual variable principal and interest payments of \$87,122.38. These payments are subject to periodic CPI adjustments. The lease has an interest rate of 2.7410%. The value of the deferred inflow of resources as of 06/30/2022 was \$2,813,306.58, and Port of Morrow, OR recognized lease revenue of \$36,965.85 during the fiscal year. The lessee has 5 extension option(s), each for 120 months.

On 09/01/2021, Port of Morrow, OR entered into a 24 month lease as Lessor for the use of a laydown yard. An initial lease receivable was recorded in the amount of \$57,944.20. As of 06/30/2022, the value of the lease receivable is \$3,000.00. The lessee is required to make annual fixed payments of \$54,944.20. The value of the deferred inflow of resources as of 06/30/2022 was \$33,800.78, and Port of Morrow, OR recognized lease revenue of \$24,143.42 during the fiscal year. The lessee has 1 extension option(s), each for 12 months.

PORT OF MORROW
Notes to Basic Financial Statements

Principal and Interest Expected to Maturity

| Fiscal Year | Business-Type Activities | | |
|-------------|--------------------------|-------------------|----------------|
| | Principal Payments | Interest Payments | Total Payments |
| 2023 | \$ 2,001,202 | \$ 1,106,827 | \$ 3,108,028 |
| 2024 | 2,026,878 | 1,074,230 | 3,101,108 |
| 2025 | 1,932,443 | 1,040,688 | 2,973,131 |
| 2026 | 1,571,012 | 1,009,647 | 2,580,659 |
| 2027 | 1,380,586 | 979,987 | 2,360,573 |
| 2028 - 2032 | 5,179,394 | 4,532,771 | 9,712,165 |
| 2033 - 2037 | 5,368,125 | 3,887,881 | 9,256,005 |
| 2038 - 2042 | 5,666,580 | 3,192,896 | 8,859,476 |
| 2043 - 2047 | 4,616,675 | 2,399,311 | 7,015,987 |
| 2048 - 2052 | 1,387,256 | 2,041,971 | 3,429,228 |
| 2053 - 2057 | 1,574,735 | 1,840,742 | 3,415,478 |
| 2058 - 2062 | 1,579,775 | 1,619,703 | 3,199,478 |
| 2063 - 2067 | 1,643,275 | 1,406,202 | 3,049,478 |
| 2068 - 2072 | 1,880,367 | 1,166,568 | 3,046,935 |
| 2073 - 2077 | 2,040,066 | 894,595 | 2,934,661 |
| 2078 - 2082 | 1,792,704 | 635,104 | 2,427,808 |
| 2083 - 2087 | 1,989,949 | 381,275 | 2,371,224 |
| 2088 - 2092 | 683,523 | 187,701 | 871,224 |
| 2093 - 2097 | 782,478 | 88,746 | 871,224 |
| 2098 - 2100 | 169,596 | 4,649 | 174,245 |

PORT OF MORROW
Notes to Basic Financial Statements

Note 7 - Capital Assets:

Capital asset activity for the twelve months ended June 30, 2022, was as follows:

| | Balance at July 1, 2021 | Increases | Decreases | Balance at June 30, 2022 |
|---|----------------------------|---------------------|---------------------|-----------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 36,750 | \$ - | \$ - | \$ 36,750 |
| Capital assets being depreciated: | | | | |
| Buildings | 186,828 | 621,249 | - | 808,077 |
| Equipment & furniture | 444,329 | 162,844 | (61,675) | 545,498 |
| Total capital assets being depreciated | 631,157 | 784,093 | (61,675) | 1,353,575 |
| Less: accumulated depreciation: | | | | |
| Buildings | (101,830) | (12,080) | - | (113,910) |
| Equipment & furniture | (421,729) | (78,949) | 60,139 | (440,539) |
| Total accumulated depreciation | (523,559) | (91,029) | 60,139 | (554,449) |
| Net capital assets being depreciated | 107,598 | 693,064 | (1,536) | 799,126 |
| Net capital assets - Governmental Activities | <u>\$ 144,348</u> | <u>\$ 693,064</u> | <u>\$ (1,536)</u> | <u>\$ 835,876</u> |
| Business-type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 10,786,656 | \$ - | \$ 56,669 | \$ 10,729,987 |
| Construction in progress | 4,927,139 | 9,435,648 | 3,161,654 | 11,201,133 |
| Assets held for sale | - | - | - | - |
| Total capital assets not being depreciated | 15,713,795 | 9,435,648 | 3,218,323 | 21,931,120 |
| Capital assets being depreciated: | | | | |
| Buildings & land improvements | 137,104,780 | 21,414 | (1,200,288) | 135,925,906 |
| Equipment & furniture | 59,703,357 | 6,288,822 | - | 65,992,179 |
| Total capital assets being depreciated | 196,808,137 | 6,310,236 | (1,200,288) | 201,918,085 |
| Less: accumulated depreciation: | | | | |
| Buildings | (46,675,511) | (4,690,815) | 1,200,258 | (50,166,068) |
| Equipment & furniture | (28,087,060) | (2,480,175) | - | (30,567,235) |
| Total accumulated depreciation | (74,762,571) | (7,170,990) | 1,200,258 | (80,733,303) |
| Net capital assets being depreciated | 122,045,566 | (860,754) | 30 | 121,184,782 |
| Net capital assets - Business-type Activities | <u>\$ 137,759,361</u> | <u>\$ 8,574,894</u> | <u>\$ 3,218,353</u> | <u>\$ 143,115,902</u> |

Depreciation expense was charged to functions as follows:

| | |
|----------------------------|---------------------|
| Governmental activities: | |
| Unallocated | <u>\$ 91,029</u> |
| Business-type activities: | |
| Discharge Water | \$ 1,561,413 |
| Site Development | 3,793,135 |
| Warehousing | 1,260,868 |
| East Beach Utility | 351,198 |
| Fresh Water | 204,376 |
| Total depreciation expense | <u>\$ 7,170,990</u> |

PORT OF MORROW
Notes to Basic Financial Statements

Note 8 - Accounts Payable:

The accounts payable balance is partly composed of the following:

| | | |
|--|----|-----------|
| Trade payable - Umatilla Electric | \$ | 144,941 |
| Trade payable - Lamb Weston | | 53,513 |
| Trade payable - GSI Water Solutions | | 46,832 |
| Trade payable - IRZ Consulting, LLC | | 46,294 |
| Trade payable - Lockton Companies | | 96,423 |
| Capital Asset - Consolidated Supply | | 345,722 |
| Capital Asset - Delhur Industries Inc | | 345,723 |
| Capital Asset - Erosion Control Applications | | 430,112 |
| Capital Asset - Holt Services Inc | | 283,804 |
| Capital Asset - Superior Tank Company Inc | | 222,952 |
| Contingent Liability - DEQ | | 2,100,351 |

The Port has been assessed a penalty of \$2,100,351 by DEQ for over-applying process water under their land application permit during winter months. The Port has plans, and has begun construction of three digesters to alleviate any over application issues and provide excess capacity. They are currently in discussions with DEQ and related consultants regarding these issues. The Port may resolve up to 80% of the total civil penalty assessed in the Amended Notice by contributing to an approved Supplemental Environmental Project (SEP). DEQ encourages the Port to collaborate with local partners to complete a SEP that addresses high nitrate concentrations in drinking water.

Note 9 - Short-Term Debt:

The Port of Morrow had no short-term debt outstanding for the year ended June 30, 2022.

PORT OF MORROW
Notes to Basic Financial Statements

Note 10 - Long-Term Obligations:

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2022 are as follows:

| | Balance 6/30/2021 | Long-term Debt Incurred | Matured & Paid | Amort. | Called or Defeased | Balance 6/30/2022 | Due Within One Year |
|---|-------------------------|-------------------------------|----------------------|---------------------|-----------------------|-------------------------|------------------------|
| Industrial development bonds (no- commitment debt): | | | | | | | |
| Idaho Power | \$ 4,360,000 | \$ - | \$ - | \$ - | \$ - | \$ 4,360,000 | \$ - |
| Bonneville Power Administration | 84,740,000 | - | - | - | - | 84,740,000 | - |
| Bonneville Power Administration | 193,075,000 | - | - | - | - | 193,075,000 | - |
| Bonneville Power Administration | 67,100,000 | - | 20,000,000 | - | - | 47,100,000 | 22,100,000 |
| Bonneville Power Administration | 320,955,000 | - | - | - | - | 320,955,000 | 50,000,000 |
| Bonneville Power Administration | 98,200,000 | - | - | - | - | 98,200,000 | - |
| Bonneville Power Administration | 377,635,000 | - | - | - | - | 377,635,000 | - |
| Bonneville Power Administration | 202,315,000 | - | - | - | - | 202,315,000 | - |
| Total Industrial Development | <u>1,348,380,000</u> | <u>-</u> | <u>20,000,000</u> | <u>-</u> | <u>-</u> | <u>1,328,380,000</u> | <u>72,100,000</u> |
| Enterprise Notes Payable: | | | | | | | |
| Special public works #4 | 65,875 | - | 65,875 | - | - | - | - |
| Special public works #5 | 237,184 | - | 56,464 | - | - | 180,720 | 59,282 |
| Special public works #6 | 372,929 | - | 33,603 | - | - | 339,326 | 35,342 |
| Special public works #7 | 1,361,994 | - | 80,077 | - | - | 1,281,917 | 83,568 |
| Special public works #8 | 3,976,275 | - | 152,917 | - | - | 3,823,358 | 158,056 |
| Special public works #9 | 12,750,973 | - | 240,194 | - | - | 12,510,779 | 282,453 |
| Total Enterprise Notes Payable | <u>18,765,230</u> | <u>-</u> | <u>629,130</u> | <u>-</u> | <u>-</u> | <u>18,136,100</u> | <u>618,701</u> |
| Enterprise Port Revenue Bonds: | | | | | | | |
| 2011A Issue | 567,193 | - | 567,193 | - | - | - | - |
| 2016FFC Issue | 1,425,000 | - | 700,000 | - | - | 725,000 | 725,000 |
| 2017FFC Issue | 1,460,000 | - | 1,460,000 | - | - | - | - |
| 2021A Issue | 14,850,000 | - | 875,000 | - | - | 13,975,000 | 910,000 |
| 2021B Issue | 17,365,000 | - | 295,000 | - | - | 17,070,000 | 1,335,000 |
| 2021C Issue | 16,425,000 | - | 260,000 | - | - | 16,165,000 | 450,000 |
| 2021D Issue | 21,450,000 | - | 795,000 | - | - | 20,655,000 | 830,000 |
| Total Enterprise Port Revenue Bonds | <u>73,542,193</u> | <u>-</u> | <u>4,952,193</u> | <u>-</u> | <u>-</u> | <u>68,590,000</u> | <u>4,250,000</u> |
| Less: Bond (Discounts) Premiums | 7,675,169 | - | - | - | - | 7,675,169 | 489,519 |
| Amortization of Bond Discounts (Premiums) | (124,804) | - | - | (489,519) | - | (614,323) | - |
| Deferred outflow on Refunding | (641,257) | - | - | - | - | (641,257) | 21,109 |
| Amortization of Deferred outflow on Refunding | 294,444 | - | - | 31,933 | - | 326,377 | - |
| Deferred inflow on Refunding | 563,268 | - | - | - | - | 563,268 | 74,200 |
| Amortization of Deferred inflow on Refunding | (18,550) | - | - | (74,200) | - | (92,750) | - |
| | <u>81,290,463</u> | <u>-</u> | <u>4,952,193</u> | <u>(531,786)</u> | <u>-</u> | <u>75,806,484</u> | <u>4,834,828</u> |
| Total | <u>\$ 1,448,435,693</u> | <u>\$ -</u> | <u>\$ 25,581,323</u> | <u>\$ (531,786)</u> | <u>\$ -</u> | <u>\$ 1,422,322,584</u> | <u>\$ 77,553,529</u> |

PORT OF MORROW
Notes to Basic Financial Statements

Disclosure of Legal Debt Margin

Port of Morrow general obligation bonds are limited by Oregon Revised Statutes 777.410 to 2 ½% of true cash value of all taxable property within the Port district. Port of Morrow's district is all of Morrow County, Oregon. The Port's legal debt limit based on the above is \$203,218,569 at June 30, 2022. At that date, Port of Morrow had no general obligation bonds outstanding.

Port of Morrow has notes and bonds from direct borrowings and direct placements, they are identified in their descriptions.

Port of Morrow Revenue Bonds, Port of Morrow Industrial Development Revenue Bonds (direct financing type lease obligations), and installment notes payable are comprised of the following:

Revenue Bonds:

- 1) Series 2016 (issued 5-17-16, original issue of \$14,580,000) interest at various rates (2 - 4%), due serially to 6-01-2037. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service.
- \$ 725,000

Of these proceeds, \$2,395,000 par amount plus \$290,644 premium, were used to defease the 2010 issue (used originally to fund construction of a warehouse facility). The remaining funds are to be used to build the expansion of a freezer warehouse facility.

- 2) Series 2021A (issued 4-1-21, original issue of \$15,280,000) interest at various rates (2.5 – 4%), due serially to 6-1-2041. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service.
- \$ 13,975,000

The proceeds of these bonds were used to defease Full Faith and Credit bonds 2014 and 2019A. New money in the amount of \$4,000,000 will be used to construct a digester.

- 3) Series 2021B (issued 4-1-21, original issue of \$17,365,000) interest at various rates (0.45 – 3.25%), due serially to 12-1-2036. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service.
- \$ 17,070,000

The proceeds of these bonds were used to defease Full Faith and Credit bonds 2016 and 2017C.

- 4) Series 2021C (issued 4-1-21, original issue of \$16,555,000) interest at various rates (0.45 – 3.30%), due serially to 6-1-2037. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service.
- \$ 16,165,000

The proceeds of these bonds were used to defease Full Faith and Credit bonds 2017A and new project money of \$6,000,000 will be used to finance an expansion at Boardman Foods.

- 5) Series 2021D (issued 4-1-21, original issue of \$21,450,000) interest at 4%, due serially to 12-1-2039. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service.
- \$ 20,655,000

The proceeds of these bonds were used to defease Full Faith and Credit bonds 2019BC and 2020AB. Funds used to construct a pipeline for Columbia Improvement District.

PORT OF MORROW
Notes to Basic Financial Statements

Installment Notes Payable:

- 1) Special Public Works Fund Loan (originated 6-16-05 at \$840,000) interest at 4.99%, payable annually on December 1 through fiscal 2025. Unsecured. A direct borrowing. \$ 180,720

This loan financed a wastewater pretreatment facility.

- 2) Special Public Works Fund Loan (originated 2-1-05 at \$700,000) interest at 5.17%, payable annually on December 1 through fiscal 2030. Unsecured. A direct borrowing. \$ 339,326

This loan was used to finance part of the East Beach Industrial Park railroad spur addition.

- 3) Special Public Works Fund Loan (originated 6-8-07) interest at 4.36%, payable annually on December 1 through fiscal 2029. Unsecured. A direct borrowing. \$ 1,281,917

This loan is being used to finance part of the East Beach Industrial Park utility improvements.

- 4) Special Public Works Fund Loan (originated 3-12-14) interest at 3.36%, payable annually on December 1 through fiscal 2039. Unsecured. A direct borrowing. \$ 3,823,358

This loan financed a wastewater pretreatment facility.

- 5) Special Public Works Fund Loan (originated 4-13-16) Interest at 5%, payable annually on December 1 through fiscal 2046. The Special Public Works Fund refinanced this loan in 2021 and the principal was reduced. Unsecured. A direct borrowing. \$ 12,510,779

This loan financed wastewater pipelines and pond.

Industrial Revenue Bonds:

The Port of Morrow issues industrial development revenue bonds to finance construction of industrial facilities within the Port District which it leases to industrial users by direct financing type leases. The bonds are not a liability or contingent liability of the Port of Morrow, or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. The facilities and the related receipts from lease rentals are pledged for payment of the bonds. All monies are received and disbursed by designated trustees. Accordingly, the bond liability and related receivables are not reflected in the Port's financial statements.

- Idaho Power Company** (issued 8-1-78, original issue \$4,360,000, refunded 4-14-2000) variable interest, due fiscal 2027. \$ 4,360,000

This issue was used to finance the cost of acquiring and constructing a portion of the pollution control facilities for the PGE coal-fired generating plant referred to above. Idaho Power Company leased a portion of the facilities as of August 1, 1978.

PORT OF MORROW
Notes to Basic Financial Statements

Bonneville Power Administration Series 2012 (issued July 24, 2012) interest is 3.675%, payable semi-annually, due September 1, 2042. Under the terms of a Lease Agreement, Bonneville is required to make unconditional lease payments directly to the trustee equal to debt service on the bonds. Bonneville is also required to pay any additional taxes, charges or other reasonable costs and expenses of the Port in connection with the Lease Agreement. The Port has no control over, and no obligation with respect to, the project financed by the bonds, including the operation, maintenance, repair, replacement or use of the project.

\$ 84,740,000

This issue was used to refinance existing long-term debt on Pacific Northwest power transmission distribution system.

Bonneville Power Administration Series 2014 (issued December 18, 2014) interest is 3.221 to 3.521%, payable semi-annually, due September 1, 2027. Under the terms of a Lease Agreement, Bonneville is required to make unconditional lease payments directly to the trustee equal to debt service on the bonds. Bonneville is also required to pay any additional taxes, charges or other reasonable costs and expenses of the Port in connection with the Lease Agreement. The Port has no control over, and no obligation with respect to, the project financed by the bonds, including the operation, maintenance, repair, replacement or use of the project.

\$ 193,075,000

This issue was used to refinance existing long-term debt on Pacific Northwest power transmission distribution system.

Bonneville Power Administration Series 2015 (issued August 26, 2015) interest is 2.120 to 3.097%, payable semi-annually, due September 1, 2023. Under the terms of a Lease Agreement, Bonneville is required to make unconditional lease payments directly to the trustee equal to debt service on the bonds. Bonneville is also required to pay any additional taxes, charges or other reasonable costs and expenses of the Port in connection with the Lease Agreement. The Port has no control over, and no obligation with respect to, the project financed by the bonds, including the operation, maintenance, repair, replacement or use of the project.

\$ 47,100,000

Bonneville Power Administration Series 2016 (issued July 21, 2016) interest is 2.92%, payable semi-annually, due September 1, 2036. Under the terms of a Lease Agreement, Bonneville is required to make unconditional lease payments directly to the trustee equal to debt service on the bonds. Bonneville is also required to pay any additional taxes, charges or other reasonable costs and expenses of the Port in connection with the Lease Agreement. The Port has no control over, and no obligation with respect to, the project financed by the bonds, including the operation, maintenance, repair, replacement or use of the project.

\$ 320,955,000

This issue was used to refinance existing long-term debt on Pacific Northwest power transmission distribution system.

PORT OF MORROW
Notes to Basic Financial Statements

Bonneville Power Administration Series 2019 (issued July 10, 2019) interest is between 2.179 - 2.402 %, payable semi-annually, due September 1, 2024 - 2026. Under the terms of a Lease Agreement, Bonneville is required to make unconditional lease payments directly to the trustee equal to debt service on the bonds. Bonneville is also required to pay any additional taxes, charges or other reasonable costs and expenses of the Port in connection with the Lease Agreement. The Port has no control over, and no obligation with respect to, the project financed by the bonds, including the operation, maintenance, repair, replacement or use of the project.

\$ 98,200,000

This issue was used to refinance and existing line of credit conduit financing between the Port and Bonneville.

Bonneville Power Administration Series 2020-1 (issued June 25, 2020) interest is 2.543%, payable semi-annually, due September 1, 2040. Under the terms of a Lease Agreement, Bonneville is required to make unconditional lease payments directly to the trustee equal to debt service on the bonds. Bonneville is also required to pay any additional taxes, charges or other reasonable costs and expenses of the Port in connection with the Lease Agreement. The Port has no control over, and no obligation with respect to, the project financed by the bonds, including the operation, maintenance, repair, replacement or use of the project.

\$ 377,635,000

This issue was used to refinance two existing lines of credit conduit financing between the Port and Bonneville.

Bonneville Power Administration Series 2021-1 (issued June 23, 2021) interest is 2.533%, payable semi-annually, due September 1, 2043. Under the terms of a Lease Agreement, Bonneville is required to make unconditional lease payments directly to the trustee equal to debt service on the bonds. Bonneville is also required to pay any additional taxes, charges or other reasonable costs and expenses of the Port in connection with the Lease Agreement. The Port has no control over, and no obligation with respect to, the project financed by the bonds, including the operation, maintenance, repair, replacement or use of the project.

\$ 202,315,000

This issue was used to refinance two existing lines of credit conduit financing between the Port and Bonneville.

Minimum debt service requirements of the revenue bonds and loans (exclusive of internal loans and no-commitment debt) are as follows for the next 5 years:

| Enterprise Fund | Principal | Interest | Total |
|-----------------|--------------|--------------|--------------|
| 2022-2023 | \$ 4,868,701 | \$ 2,902,666 | \$ 7,771,367 |
| 2023-2024 | 4,994,813 | 2,775,985 | 7,770,798 |
| 2024-2025 | 5,120,475 | 2,650,899 | 7,771,374 |
| 2025-2026 | 4,525,556 | 2,516,882 | 7,042,438 |
| 2026-2027 | 4,370,433 | 2,380,571 | 6,751,004 |
| 2027-2032 | 25,144,424 | 9,539,976 | 34,684,400 |
| 2032-2037 | 25,195,000 | 4,878,902 | 30,073,902 |
| 2037-2042 | 9,409,987 | 1,281,574 | 10,691,561 |
| 2042-2047 | 3,096,711 | 235,827 | 3,332,538 |

PORT OF MORROW
Notes to Basic Financial Statements

Note 11 - Federal and State Grants:

In the normal course of operations, the Port received grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, to ensure compliance with conditions of the grant. Any liability for reimbursement which may arise as the result of a grantor audit is not believed to be material.

Note 12 - Pension Plan:

The Port of Morrow Commissioners adopted the Port of Morrow Pension Plan effective July 1, 1995. This is a single employer defined contribution plan and the trustee is Empower Retirement. An employee is eligible upon becoming a full-time permanent employee. The Plan provides retirement benefits and covers 156 participants.

All eligible employees participate at the start of the pay period after reaching age 18, and will continue to participate during each plan year in which they have 1,000 hours of service. Port of Morrow contributed the required contribution of 9% of straight time compensation for employees active in the plan on a fiscal year end June 30 basis.

If there is a break in service of the employee, that is, employment has been terminated with no more than 500 hours in the employment year, the employee loses the employer contribution not vested. Employer contributions become vested as follows:

| <u>Years of Service</u> | <u>Percent Vested</u> |
|-------------------------|-----------------------|
| Less than 3 | 0% |
| 3 | 25% |
| 4 | 50% |
| 5 | 75% |
| 6 or More | 100% |

The employee contribution will always be fully vested. Employees are 100% vested on retirement, death, or disability. The vesting schedule applies only if employment terminates before one of these events occurs.

Total payroll paid during the fiscal year was \$10,765,688 (100%).

Total payroll subject to the pension plan for fiscal year ended June 30, 2022 was \$10,113,985 (94%).

Total employer and employee contributions in fiscal year ended June 30, 2022, were \$759,028 and \$524,425, respectively. The amount that was forfeited by employees due to leaving employment with the Port prior to vesting was \$10,693.

Note 13 - Deferred Compensation Plan (Under Internal Revenue Code Section 457):

The Port has adopted the United States Conference of Mayors deferred compensation program. This offers employees a regular and long-term savings pattern through a payroll deduction feature. Employee contributions and earnings on the plan assets are tax deferred until withdrawn from the plan by the employee.

The plan is administered by Nationwide Retirement Solutions and AIG Valic. Administrative duties include tracking fund assets by employee participant. The Port's fiduciary responsibility ends when it transfers funds to Nationwide Retirement Solutions or AIG Valic equal to the amount deducted from the employee's wage.

Note 14 - Interfund Transactions - Major Funds:

Transfers between major funds during fiscal year ended June 30, 2022, consisted of the following:

Transfer from Enterprise Fund to General Fund \$165,000

Transfers were used to reimburse the General Fund for an allocation of salaries, benefits, insurance, etc.

PORT OF MORROW
Notes to Basic Financial Statements

Note 15 - Risk Management:

Port of Morrow is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which Port of Morrow carries commercial insurance, subject to customary deductibles and total coverage limits recommended by Port of Morrow's insurance agent of record. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past three years.

Workers compensation insurance is purchased from a commercial carrier. Premiums are determined based on payroll paid at various employment classification rates. Loss prevention services are available from the carrier and Port of Morrow has no potential liability beyond the premium paid.

Note 16 - Related Party Transactions:

Jerry Healy and Marv Padberg, Port Commissioners, serve on the Board of Directors and have ownership interest in Windwave Communications, Inc. The Port paid Windwave \$34,280 for repairs and utility relocation and \$17,753 for internet service. They also leased a building and land for \$110,449, were billed \$11,044 for utilities and billed \$17,393 for site repairs.

Note 17 - Economic Dependency:

A material part of Port of Morrow's total revenues is dependent upon one customer, the loss of which would have a materially adverse effect on the Port. During the year ended June 30, 2022, this customer accounted for \$15,150,096 equaling approximately 50% of Port operating revenues. Port of Morrow has done business with this customer for over twenty years.

Note 18 - Commitments and Contingencies:

City of Boardman Water Use:

The Port is party to an intergovernmental agreement with the City of Boardman wherein the Port agrees to purchase 648 million gallons of potable water each year from the City. The Port has agreed to pay for the water purchased from the City at the wholesale rate of \$.48 per thousand gallons. This equates to \$311,040 annually.

DEQ Contingency

As further described in Note 8, the Port is contingently liable for a DEQ fine estimated at \$2,100,351. This liability is expected to be paid in full during the next fiscal year.

Note 19 - Tax Abatements:

Morrow County enters into property tax abatement agreements with businesses in an Enterprise Zone and through a Strategic Investment Program.

In exchange for investing and hiring in an Enterprise Zone, businesses receive exemption from local property taxes on new plant and equipment for at least three years (but up to five years) in the standard program. In addition, many zones can offer special incentives for investments in qualifying rural facilities or in electronic commerce operations.

The Strategic Investment Program offers a 15-year property tax exemption on a portion of large capital investments and was created to induce large, capital-intensive facilities to locate and grow in Oregon.

For the fiscal year ended June 30, 2022, the Port of Morrow allocation of property tax abatements from the Enterprise Zone amounted to \$304,422 and from the Strategic Investment Program amounted to \$103,443.

Note 20 - Subsequent Events:

The Port incurred debt financing subsequent to year end. Series 2022 (issued 10-19-22, original issue of \$31,725,000) interest at %4.99, due serially to 6-1-2042, Full Faith and Credit bonds secured by a pledge of net revenues available for debt service. \$27,345,000 will be used for Wastewater improvements and \$4,380,000 will be used for the Sage Center Expansion. Subsequent events have been evaluated through November 2, 2022.

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PORT OF MORROW
Notes to Basic Financial Statements

Note 21 - Segment Information:

The Port maintains six business segments within its Enterprise Funds as follows:

Fresh Water: This segment accounts for revenue and costs of production and delivery of fresh water to industrial consumers.

Discharge Water: This segment accounts for revenue and costs of disposal of water used by industrial consumers.

East Beach Utility: This segment accounts for revenue and costs of the utility system (freshwater, disposal of water, and sanitary sewer) in the east beach industrial area.

SAGE Center: This segment accounts for revenue and costs of the SAGE center, an interactive visitor's center operated by the Port.

Site Development Operations: This segment accounts for revenue and costs associated with farming Port land, rental of industrial land, irrigated farm land, grazing land, and commercial buildings, an electricity generating plant, and economic development efforts to expand existing industries and site new industries.

Warehousing: This segment accounts for revenue and costs associated with operation of a cold storage facility opened May 2015.

Segment information for the fiscal year ended June 30, 2022 is as follows:

| | Fresh Water | Discharge | East Beach Utility | SAGE Center | Site Development | Warehousing | Totals |
|---|---------------------|----------------------|-----------------------|---------------------|----------------------|---------------------|----------------------|
| Assets | | | | | | | |
| Current Assets | \$ 5,885,151 | \$ 4,943,620 | \$ 716,934 | \$ 69,137 | \$ 7,887,322 | \$ 1,887,016 | \$ 21,389,180 |
| Noncurrent Assets | 18,491,244 | 4,103,433 | 211,512 | 60,432 | 58,433,617 | 151,080 | 81,451,318 |
| Capital Assets | 6,123,406 | 29,912,959 | 4,686,105 | 6,922,179 | 64,097,642 | 31,373,611 | 143,115,902 |
| Total Assets | 30,499,801 | 38,960,012 | 5,614,551 | 7,051,748 | 130,418,581 | 33,411,707 | 245,956,400 |
| Deferred Outflow of Resources | - | - | - | - | 105,485 | - | 105,485 |
| Liabilities | | | | | | | |
| Current Liabilities | 2,744,519 | 4,602,075 | 115,878 | 52,200 | 5,988,410 | 2,037,763 | 15,540,845 |
| Long-term Liabilities | 22,016,467 | 22,738,466 | 1,198,349 | - | 20,574,954 | 22,094,924 | 88,623,160 |
| Total Liabilities | 24,760,986 | 27,340,541 | 1,314,227 | 52,200 | 26,563,364 | 24,132,687 | 104,164,005 |
| Deferred Inflow of Resources | - | 11,625 | - | - | 42,328,384 | 301,505 | 42,641,514 |
| Net Position | | | | | | | |
| Unrestricted | (384,589) | 2,956,816 | 896,136 | 77,369 | 2,772,637 | 956,270 | 7,274,639 |
| Restricted for Capital and Debt Service | 1,682,854 | 2,052,768 | - | - | 2,869,523 | - | 6,605,145 |
| Net Investment in Capital Assets | 4,440,550 | 6,598,262 | 3,404,188 | 6,922,179 | 55,990,158 | 8,021,245 | 85,376,582 |
| Total Net Position | \$ 5,738,815 | \$ 11,607,846 | \$ 4,300,324 | \$ 6,999,548 | \$ 61,632,318 | \$ 8,977,515 | \$ 99,256,366 |

PORT OF MORROW
Notes to Basic Financial Statements

| | Fresh Water | Discharge | East Beach Utility | SAGE Center | Site Development | Warehousing | Totals |
|--|---------------------|----------------------|-----------------------|---------------------|----------------------|---------------------|----------------------|
| Operating Revenues | | | | | | | |
| Water Usage | \$ 2,850,458 | \$ - | \$ 342,997 | \$ - | \$ - | \$ - | \$ 3,193,455 |
| Water Discharge | - | 6,566,122 | 884,192 | - | - | - | 7,450,314 |
| Operating Interest Income | 830,102 | 162,255 | - | - | 1,576,426 | - | 2,568,783 |
| Building & Land Leases | - | - | - | - | 3,474,633 | - | 3,474,633 |
| Other Operating Revenue | 179,094 | 251,723 | 98,510 | 34,251 | 3,290,540 | 12,953,985 | 16,808,103 |
| Total Operating Revenue | 3,859,654 | 6,980,100 | 1,325,699 | 34,251 | 8,341,599 | 12,953,985 | 33,495,288 |
| Operating Expenses | | | | | | | |
| Labor | 949,619 | 2,162,853 | 140,391 | 228,779 | 3,043,664 | 8,015,575 | 14,540,881 |
| Depreciation | 204,376 | 1,561,413 | 351,198 | - | 3,793,135 | 1,260,868 | 7,170,990 |
| Other Operating Expenses | 1,154,647 | 2,330,953 | 459,351 | 277,218 | 2,035,774 | 1,873,878 | 8,131,821 |
| Total Operating Expenses | 2,308,642 | 6,055,219 | 950,940 | 505,997 | 8,872,573 | 11,150,321 | 29,843,692 |
| Operating Income | 1,551,012 | 924,881 | 374,759 | (471,746) | (530,974) | 1,803,664 | 3,651,596 |
| Nonoperating Revenues | | | | | | | |
| | 11,478 | 19,852 | - | - | 5,014,749 | - | 5,046,079 |
| Nonoperating Expenses | | | | | | | |
| Interest Expense | (678,549) | (597,457) | (57,365) | - | (604,310) | (503,337) | (2,441,018) |
| Other Nonoperating Expense | (20,000) | (65,000) | (15,000) | - | (67,600) | (550) | (168,150) |
| Total Nonoperating Income (Expense) | (687,071) | (642,605) | (72,365) | - | 4,342,839 | (503,887) | 2,436,911 |
| Special Items | | | | | | | |
| Contribution from Others | - | - | - | 180,510 | - | - | 180,510 |
| System Development Charges | 2,512,903 | - | - | - | - | - | 2,512,903 |
| Valuation Adjustment | - | (1,950,351) | - | - | - | - | (1,950,351) |
| Grant Revenue | - | - | - | - | 711,388 | - | 711,388 |
| Total Special Items | 2,512,903 | (1,950,351) | - | 180,510 | 711,388 | - | 1,454,450 |
| Change in Net Position | 3,376,844 | (1,668,075) | 302,394 | (291,236) | 4,523,253 | 1,299,777 | 7,542,957 |
| Beginning Net Position | 13,204,818 | 16,312,573 | 2,054,511 | 6,834,609 | 55,505,613 | 9,765,720 | 103,677,844 |
| GASB 87 Restatement | (12,167,128) | (24,289) | - | - | 226,982 | - | (11,964,435) |
| Reclassification - Other Segment | 1,324,281 | (3,012,363) | 1,943,419 | 456,175 | 1,376,470 | (2,087,982) | - |
| Ending Net Position | \$ 5,738,815 | \$ 11,607,846 | \$ 4,300,324 | \$ 6,999,548 | \$ 61,632,318 | \$ 8,977,515 | \$ 99,256,366 |
| Cash Provided By: | | | | | | | |
| Operating Activities | \$ 2,617,207 | \$ 2,528,641 | \$ 250,640 | \$ (485,415) | \$ (3,796,120) | \$ 2,483,012 | \$ 3,597,965 |
| Capital | (4,022,583) | (4,042,081) | (2,156,191) | 32,212 | (113,038) | (2,110,138) | (12,411,819) |
| Non Capital Financing | 1,230,494 | (3,281,152) | 1,928,419 | 456,175 | 1,237,683 | (1,736,619) | (165,000) |
| Investing Activities | - | - | - | - | 36,904 | - | 36,904 |
| Beginning Cash & Cash Equivalents | 377,876 | 8,562,012 | 77,374 | 43,745 | 8,680,986 | 1,701,595 | 19,443,588 |
| Ending Cash & Cash Equivalents | \$ 202,994 | \$ 3,767,420 | \$ 100,242 | \$ 46,717 | \$ 6,046,415 | \$ 337,850 | \$ 10,501,638 |

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**REQUIRED SUPPLEMENTARY
INFORMATION**

PORT OF MORROW
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance - Positive (Negative) |
|---|-------------------------|--------------------|---------------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 225,439 | \$ 225,439 | \$ 233,114 | \$ 7,675 |
| Payments in lieu of taxes | 23,800 | 23,800 | 1,491,606 | 1,467,806 |
| Interest income | 3,000 | 3,000 | 13,192 | 10,192 |
| Bond handling charges | 110,000 | 110,000 | 75,475 | (34,525) |
| Contribution | 85,000 | 85,000 | - | (85,000) |
| Sale of assets | 100 | 100 | - | (100) |
| Miscellaneous | 100 | 100 | - | (100) |
| Total revenues | <u>447,439</u> | <u>447,439</u> | <u>1,813,387</u> | <u>1,365,948</u> |
| Expenditures: | | | | |
| Personnel services | 1,113,000 | 1,113,000 | 819,867 | 293,133 |
| Materials and services | 565,000 | 565,000 | 325,466 | 239,534 |
| Capital outlay | 885,000 | 885,000 | 775,469 | 109,531 |
| General operating contingency | 501,439 | 501,439 | - | 501,439 |
| Total expenditures | <u>3,064,439</u> | <u>3,064,439</u> | <u>1,920,802</u> | <u>1,143,637</u> |
| Excess of revenues over (under) expenditures | <u>(2,617,000)</u> | <u>(2,617,000)</u> | <u>(107,415)</u> | <u>2,509,585</u> |
| Other Financing Sources (Uses): | | | | |
| Grant income | 50,000 | 50,000 | 113,450 | 63,450 |
| Transfer to/from enterprise fund | 165,000 | 165,000 | 165,000 | - |
| Total other financing sources (uses) | <u>215,000</u> | <u>215,000</u> | <u>278,450</u> | <u>63,450</u> |
| Change in fund balance | (2,402,000) | (2,402,000) | 171,035 | 2,573,035 |
| Fund balance, beginning of year | <u>2,502,000</u> | <u>2,502,000</u> | <u>2,543,695</u> | <u>41,695</u> |
| Fund balance, end of year | <u>\$ 100,000</u> | <u>\$ 100,000</u> | <u>\$ 2,714,730</u> | <u>\$ 2,614,730</u> |

PORT OF MORROW
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

| | Budgeted Amounts | | Actual |
|--------------------------------------|----------------------------|----------------------------|----------------------------|
| | Original | Final | Amounts |
| Personnel Services: | | | |
| Payroll | \$ 700,000 | \$ 700,000 | \$ 547,056 |
| Payroll overhead | 413,000 | 413,000 | 272,811 |
| Total personnel services | <u>1,113,000</u> | <u>1,113,000</u> | <u>819,867</u> |
| Materials and Services: | | | |
| Office supplies | 40,000 | 40,000 | 33,242 |
| IT Licensing | 40,000 | 40,000 | 12,414 |
| Legal | 10,000 | 10,000 | 2,698 |
| Audit and accounting | 45,000 | 45,000 | 40,180 |
| Notices and publications | 5,000 | 5,000 | 224 |
| Dues and subscriptions | 60,000 | 60,000 | 105,650 |
| Insurance and bonds | 40,000 | 40,000 | 40,000 |
| Utilities | 15,000 | 15,000 | - |
| Phone System | 25,000 | 25,000 | - |
| Marketing | 70,000 | 70,000 | 25,572 |
| Commissioner expenses | 35,000 | 35,000 | 6,954 |
| Staff travel | 40,000 | 40,000 | 1,112 |
| Economic development / Vocational | 80,000 | 80,000 | 50,446 |
| Planning/repair & maintenance | 45,000 | 45,000 | 3,425 |
| Education | 15,000 | 15,000 | 3,549 |
| Total materials and services | <u>565,000</u> | <u>565,000</u> | <u>325,466</u> |
| Capital Outlay: | | | |
| Community room remodel | 625,000 | 625,000 | 609,125 |
| Network refresh | 160,000 | 160,000 | 166,344 |
| Equipment | 100,000 | 100,000 | - |
| | <u>885,000</u> | <u>885,000</u> | <u>775,469</u> |
| General Operating Contingency | <u>501,439</u> | <u>501,439</u> | <u>-</u> |
| Total expenditures | <u><u>\$ 3,064,439</u></u> | <u><u>\$ 3,064,439</u></u> | <u><u>\$ 1,920,802</u></u> |

PORT OF MORROW
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2022

Post Employment Benefits Other than Pensions (OPEB)

The other post employment benefits for the Port consists of one plan. The Port provides an implicit rate subsidy for retiree health insurance premiums. The Port's multi-employer defined benefit postemployment healthcare plan is administered by Special Districts Insurance Services (SDIS). No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates paid by the Port and offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2021, the following employees were covered by the benefit terms:

| | |
|--------------------------------|-----|
| Actives | 112 |
| Retirees | 1 |
| Spouses of Ineligible Retirees | 1 |
| Total | 114 |

Schedule of Changes in the Port's Total OPEB Liability and Related Ratios

| | <u>Valuation Date</u> July 1, 2021 |
|--|---------------------------------------|
| Present Value of Benefits | |
| Actives | \$ 600,479 |
| Retirees | 45,502 |
| Total | \$ 645,981 |
| Total OPEB Liability | |
| Actives | \$ 148,933 |
| Retirees | 45,502 |
| Total | \$ 194,435 |
| Service Cost | |
| As of Valuation Date | \$ 27,842 |
| Discount Rate | 2.16% |
| Changes in Total OPEB Liability | Increase (Decrease) |
| June 30, 2021 to June 30, 2022 | Total OPEB Liability |
| Balance as of June 30, 2021 | \$ 199,085 |
| Changes for the year: | |
| Service cost | 26,060 |
| Interest on total OPEB liability | 4,629 |
| Effect of changes to benefit terms | - |
| Effect of economic/demographic gains or losses | (1,427) |
| Effect of assumptions changes or inputs | (2,375) |
| Benefit payments | (31,537) |
| | \$ 194,435 |

PORT OF MORROW
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2022

| OPEB Expense | July 1, 2021 to June 30, 2022 |
|---|--|
| Service cost | \$ 26,060 |
| Interest on total OPEB liability | 4,629 |
| Effect of plan changes | - |
| Recognition of Deferred (Inflows)/Outflows of Resources | |
| Recognition of economic/demographic (gains) or losses | 6,331 |
| Recognition of assumption changes | 1,885 |
| Administrative Expense | n/a |
| OPEB Expense | \$ 38,905 |

Deferred outflows of resources related to OPEB of \$20,329 resulting from the Port's contributions

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 59,296 | \$ (1,313) |
| Changes of assumptions or inputs | 25,860 | (6,190) |
| Benefit Payments | 20,329 | - |
| Total as of June 30, 2022 | \$ 105,485 | \$ (7,503) |

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

| Year ended June 30: | Annual Recognition |
|---------------------|--------------------|
| 2023 | \$ 8,216 |
| 2024 | 8,216 |
| 2025 | 8,216 |
| 2026 | 8,216 |
| 2027 | 8,216 |
| Thereafter | 36,753 |
| Total | \$ 77,833 |

The total OPEB liability in the July 1, 2021 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 Actuarial Cost |
| Inflation | 2.4% per year, used to develop other economic assumptions |
| Salary increases | 3.4% based on general inflation and the likelihood of raises throughout participants careers |
| Healthy mortality | Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees. Future mortality improvement is not projected as it would be immaterial to the valuation. |
| Discount rate | 2.16% as of June 30, 2021 measurement date. These rates reflect the BondBuyer 20-Year General Obligation Bond Index. Reporting dates follow measurement dates by one full year. |

PORT OF MORROW
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2022

| | | |
|----------------------------|------------------------|--------------|
| Healthcare cost trend rate | Medical and vision: | |
| | Year | Pre-65 Trend |
| | 2021 | 2.75% |
| | 2022 | 5.50% |
| | 2023-2024 | 5.00% |
| | 2025-2027 | 4.75% |
| | 2028-2038 | 4.50% |
| | 2039-2066 | 4.25% |
| | 2067-2071 | 4.00% |
| | 2072+ | 3.75% |
| | Dental: 4.00% per year | |

Health care cost trend affects both the projected health care costs as well as the projected health care premiums. Health trend prior to the valuation date uses the ultimate trend rates shown above.

Sensitivity Analysis

The following presents the total OPEB liability of the Plan, calculated using the disclosure discount rate as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------|----------------|--------------------------|----------------|
| Discount Rate: | | | |
| Total OPEB liability | \$ 213,044 | \$ 194,435 | \$ 177,417 |
| Healthcare Cost Trend | | | |
| Total OPEB liability | \$ 167,920 | \$ 194,435 | \$ 227,792 |

PORT OF MORROW
Notes to Required Supplementary Information

Budgets and Budgetary Accounting

The Port budgets all funds which are subject to budget requirements of state law. The Board of Commissioners legally adopts the budget by resolution before July 1. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control (total personal services, materials and services, capital outlay, and other expenditures) is established by resolution for all funds.

The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. A supplemental budget that differs by 10 percent or more of any one of the individual funds contained in the original budget for that fiscal year requires hearings before the public, publications in newspapers, and approval by the Port. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the Board of Commissioners. Appropriations that have not been expended at year-end lapse and subsequent actual expenditures are then charged against ensuing year's appropriations.

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SUPPLEMENTARY INFORMATION

PORT OF MORROW
Statement of Revenues, Expenses, and Fund Net Position and Reconciliation To
Net Position - Budget and Actual (Budgetary Basis)
Enterprise Fund
For the Fiscal Year Ended June 30, 2022

| | Budgeted Amounts | | Actual Amounts |
|---|-------------------------|----------------|---------------------------|
| | Original | Final | |
| Revenues | \$ 36,708,505 | \$ 36,708,505 | \$ 37,000,865 |
| Expenses | (80,584,912) | (80,584,912) | (45,912,699) |
| Excess of revenues over (under) expenses | (43,876,407) | (43,876,407) | (8,911,834) |
| Other Financing Sources (Uses): | | | |
| Interest income | 120,000 | 120,000 | 91,746 |
| Operating interest income | - | - | 2,568,783 |
| Transfer from other funds | 4,000,000 | 4,000,000 | - |
| Sale of assets | 9,000,000 | 9,000,000 | 5,023,406 |
| Grant income | 14,802,585 | 14,802,585 | 711,387 |
| Total other financing sources (uses) | 27,922,585 | 27,922,585 | 8,395,322 |
| Excess (deficiency) of revenues and other financing sources over expenses and other uses | (15,953,822) | (15,953,822) | (516,512) |
| Reconciliation to GAAP Basis: | | | |
| Principal paid on long-term debt | - | - | 5,581,324 |
| Depreciation | - | - | (7,170,990) |
| Amortization | - | - | 42,266 |
| Capital assets - capitalized | - | - | 11,361,497 |
| Sale of assets | - | - | (69,075) |
| Lease receivables | - | - | (3,060,149) |
| Labor capitalized | - | - | 1,374,596 |
| Total reconciliation items | - | - | 8,059,469 |
| Change in net position | (15,953,822) | (15,953,822) | 7,542,957 |
| Net position-beginning | 3,840,000 | 3,840,000 | 103,677,844 |
| Effect of change for GASB 87 implementation | - | - | (11,964,435) |
| Net position-beginning as restated | 3,840,000 | 3,840,000 | 91,713,409 |
| Net position, end of year | \$ (8,273,822) | \$ (8,273,822) | \$ 99,256,366 |

PORT OF MORROW
Statement of Revenues - Budget and Actual (Budgetary Basis)
Enterprise Fund
For the Fiscal Year Ended June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> |
|---|-------------------------|----------------------|---------------------------|
| | <u>Original</u> | <u>Final</u> | |
| Discharge Water Segment: | | | |
| Water discharge | \$ 6,645,790 | \$ 6,645,790 | \$ 6,881,295 |
| Miscellaneous and reimbursable services | 34,000 | 34,000 | 46,036 |
| Co-generation fixed fee | 50,000 | 50,000 | 50,000 |
| Patronage dividend | 25,000 | 25,000 | 155,687 |
| Total revenues - Discharge Water Segment | <u>6,754,790</u> | <u>6,754,790</u> | <u>7,133,018</u> |
| Site Development Segment: | | | |
| Land leases | 1,806,351 | 1,806,351 | 1,352,496 |
| Mining royalties | 350,000 | 350,000 | 361,596 |
| Building leases | 3,551,737 | 3,551,737 | 3,230,040 |
| T-3 lease | 221,482 | 221,482 | 214,885 |
| Rail tariff | 150,000 | 150,000 | 158,092 |
| Miscellaneous & reimbursements | 212,160 | 212,160 | 199,871 |
| Operating grant - LRA | 602,585 | 602,585 | 691,433 |
| Farm lease | 295,804 | 295,804 | 232,924 |
| Steam revenue | 260,000 | 260,000 | 403,909 |
| Patronage dividend | 8,000 | 8,000 | 25,948 |
| Total revenues - Site Development Segment | <u>7,458,119</u> | <u>7,458,119</u> | <u>6,871,194</u> |
| Fresh Water Segment: | | | |
| Water usage | 2,761,396 | 2,761,396 | 2,850,458 |
| CID lease | 1,637,100 | 1,637,100 | 1,637,073 |
| System development charges | 2,600,000 | 2,600,000 | 2,512,903 |
| Patronage dividend & miscellaneous | 20,100 | 20,100 | 104,094 |
| Co-generation fixed fee | 75,000 | 75,000 | 75,000 |
| Total revenues - Fresh Water Segment | <u>7,093,596</u> | <u>7,093,596</u> | <u>7,179,528</u> |
| Warehousing | | | |
| Warehouse Storage & Handling Revenue | 11,600,000 | 11,600,000 | 12,102,796 |
| Patronage dividend & miscellaneous | 750,000 | 750,000 | 851,189 |
| | <u>12,350,000</u> | <u>12,350,000</u> | <u>12,953,985</u> |
| Motor Pool Segment: | | | |
| Equipment rents | <u>2,011,000</u> | <u>2,011,000</u> | <u>1,322,681</u> |
| SAGE Center: | | | |
| Admission and facility use | 112,000 | 112,000 | 34,251 |
| Sponsorships (donations) | 83,000 | 83,000 | 180,510 |
| Total revenues - Sage Center | <u>195,000</u> | <u>195,000</u> | <u>214,761</u> |
| East Beach Utility: | | | |
| Utility fees - freshwater | 200,000 | 200,000 | 342,997 |
| Utility fees - discharge | 600,000 | 600,000 | 884,192 |
| Miscellaneous & reimbursements | 46,000 | 46,000 | 98,509 |
| Total revenues - East Beach Utility | <u>846,000</u> | <u>846,000</u> | <u>1,325,698</u> |
| Total revenues - enterprise fund | <u>\$ 36,708,505</u> | <u>\$ 36,708,505</u> | <u>\$ 37,000,865</u> |

PORT OF MORROW
Statement of Expenses - Budget and Actual (Budgetary Basis)
Enterprise Fund
For the Fiscal Year Ended June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance - Positive (Negative)</u> |
|--------------------------|-------------------------|----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Expenses: | | | | |
| Personnel services | \$ 19,489,901 | \$ 19,489,901 | \$ 15,915,477 | \$ 3,574,424 |
| Materials and services | 8,636,175 | 11,136,175 | 10,402,967 | 733,208 |
| Capital outlay | 41,669,780 | 39,169,780 | 11,361,497 | 27,808,283 |
| Transfers to other funds | 165,000 | 165,000 | 165,000 | - |
| Debt service | 8,638,291 | 8,638,291 | 8,067,758 | 570,533 |
| Contingency | 1,985,765 | 1,985,765 | - | 1,985,765 |
| Total expenses | <u>\$ 80,584,912</u> | <u>\$ 80,584,912</u> | <u>\$ 45,912,699</u> | <u>\$ 34,672,213</u> |
| By Program: | | | | |
| Fresh Water | \$ 8,822,596 | \$ 8,822,596 | \$ 8,394,423 | \$ 428,173 |
| Discharge Water | 13,094,790 | 15,094,790 | 12,127,566 | 2,967,224 |
| E Beach Utilities | 2,298,122 | 2,298,122 | 1,102,089 | 1,196,033 |
| Site Development | 39,108,119 | 36,108,119 | 10,306,347 | 25,801,772 |
| Motorpool | 2,086,000 | 2,586,000 | 1,935,268 | 650,732 |
| Sage Center | 1,325,285 | 1,325,285 | 578,707 | 746,578 |
| Warehousing | 13,850,000 | 14,350,000 | 11,468,299 | 2,881,701 |
| | <u>\$ 80,584,912</u> | <u>\$ 80,584,912</u> | <u>\$ 45,912,699</u> | <u>\$ 34,672,213</u> |

OTHER FINANCIAL SCHEDULES

PORT OF MORROW
Schedule of Future Requirements For Retirement of
Bonded and Long-Term Debt
For the Fiscal Year Ended June 30, 2022

| | 2022-2023 | | 2023-2024 | | 2024-2025 | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| Industrial Development Bonds | | | | | | |
| (No-Commitment Debt) : | | | | | | |
| Idaho Power Series 2000 | \$ - | \$ 26,596 | \$ - | \$ 26,596 | \$ - | \$ 26,596 |
| Bonneville Power Administration Series 2012 | - | 3,114,195 | - | 3,114,195 | - | 3,114,195 |
| Bonneville Power Administration Series 2014 | - | 6,236,323 | - | 6,236,323 | - | 6,236,323 |
| Bonneville Power Administration Series 2015 | 22,100,000 | 882,430 | 25,000,000 | 129,042 | - | - |
| Bonneville Power Administration Series 2016-1 | 50,000,000 | 8,093,656 | 20,955,000 | 7,567,508 | - | 7,467,500 |
| Bonneville Power Administration Series 2019 | - | 2,271,186 | - | 2,271,186 | 22,490,000 | 1,862,805 |
| Bonneville Power Administration Series 2020-1 | - | 9,603,258 | - | 9,603,258 | - | 9,603,258 |
| Bonneville Power Administration Series 2021-1 | - | 5,124,639 | - | 5,124,639 | - | 5,124,639 |
| Total no commitment debt | <u>72,100,000</u> | <u>35,325,687</u> | <u>45,955,000</u> | <u>34,046,151</u> | <u>22,490,000</u> | <u>33,408,720</u> |
| Enterprise Fund: | | | | | | |
| Full Faith & Credit Bond, Series 2021 A | 910,000 | 541,000 | 945,000 | 504,600 | 980,000 | 466,800 |
| Full Faith & Credit Bond, Series 2021 B | 1,335,000 | 329,636 | 2,085,000 | 318,667 | 2,115,000 | 300,477 |
| Full Faith & Credit Bond, Series 2021 C | 450,000 | 447,807 | 455,000 | 444,657 | 460,000 | 439,970 |
| Full Faith & Credit Bond, Series 2021 D | 830,000 | 809,600 | 860,000 | 775,800 | 895,000 | 740,700 |
| Full Faith & Credit Bond, Series 2016 | 725,000 | 14,500 | - | - | - | - |
| Special Public Works Fund #5 | 59,282 | 9,018 | 62,240 | 6,060 | 59,197 | 2,954 |
| Special Public Works Fund #6 | 35,342 | 17,543 | 37,169 | 15,716 | 39,091 | 13,794 |
| Special Public Works Fund #7 | 83,568 | 55,891 | 87,211 | 52,248 | 91,014 | 48,446 |
| Special Public Works Fund #8 | 158,056 | 128,465 | 163,367 | 123,154 | 168,856 | 117,665 |
| Special Public Works Fund #9 | 282,453 | 549,207 | 299,825 | 535,084 | 312,317 | 520,093 |
| Total commitment debt | <u>4,868,701</u> | <u>2,902,666</u> | <u>4,994,813</u> | <u>2,775,985</u> | <u>5,120,475</u> | <u>2,650,899</u> |
| Total debt | <u>\$ 76,968,701</u> | <u>\$ 38,228,353</u> | <u>\$ 50,949,813</u> | <u>\$ 36,822,136</u> | <u>\$ 27,610,475</u> | <u>\$ 36,059,619</u> |

| 2025-2026 | | 2026-2027 | | All Subsequent Years | | Total | |
|----------------------|----------------------|-----------------------|----------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| \$ - | \$ 26,596 | \$ 4,360,000 | \$ 15,514 | \$ - | \$ - | \$ 4,360,000 | \$ 121,898 |
| - | 3,114,195 | - | 3,114,195 | 84,740,000 | 46,712,927 | 84,740,000 | 62,283,902 |
| 37,015,000 | 6,236,323 | 70,345,000 | 5,306,040 | 85,715,000 | 3,018,027 | 193,075,000 | 33,269,359 |
| - | - | - | - | - | - | 47,100,000 | 1,011,472 |
| - | 7,467,500 | - | 7,467,500 | 250,000,000 | 57,873,126 | 320,955,000 | 95,936,790 |
| 37,425,000 | 1,063,193 | 38,285,000 | 153,268 | - | - | 98,200,000 | 7,621,638 |
| - | 9,603,258 | - | 9,603,258 | 377,635,000 | 103,235,016 | 377,635,000 | 151,251,306 |
| - | 5,124,639 | - | 5,124,639 | 202,315,000 | 77,458,855 | 202,315,000 | 103,082,050 |
| <u>74,440,000</u> | <u>32,609,108</u> | <u>108,630,000</u> | <u>30,768,900</u> | <u>1,000,405,000</u> | <u>288,297,951</u> | <u>1,328,380,000</u> | <u>454,578,415</u> |
| 1,030,000 | 427,600 | 1,070,000 | 386,400 | 9,040,000 | 1,612,050 | 13,975,000 | 3,938,450 |
| 1,465,000 | 278,964 | 1,195,000 | 258,185 | 8,875,000 | 1,312,300 | 17,070,000 | 2,798,229 |
| 465,000 | 433,300 | 470,000 | 425,395 | 13,865,000 | 2,700,750 | 16,165,000 | 4,891,878 |
| 925,000 | 704,300 | 965,000 | 666,500 | 16,180,000 | 4,497,200 | 20,655,000 | 8,194,100 |
| - | - | - | - | - | - | 725,000 | 14,500 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 180,720 | 18,032 |
| 41,112 | 11,773 | 43,237 | 9,648 | 143,375 | 15,062 | 339,326 | 83,536 |
| 94,982 | 44,477 | 99,123 | 40,336 | 826,019 | 150,194 | 1,281,917 | 391,592 |
| 174,530 | 111,991 | 180,394 | 106,127 | 2,978,155 | 746,618 | 3,823,358 | 1,334,020 |
| 329,932 | 504,477 | 347,679 | 487,980 | 10,938,573 | 4,902,104 | 12,510,779 | 7,498,945 |
| <u>4,525,556</u> | <u>2,516,882</u> | <u>4,370,433</u> | <u>2,380,571</u> | <u>62,846,122</u> | <u>15,936,279</u> | <u>86,726,100</u> | <u>29,163,282</u> |
| <u>\$ 78,965,556</u> | <u>\$ 35,125,990</u> | <u>\$ 113,000,433</u> | <u>\$ 33,149,471</u> | <u>\$ 1,063,251,122</u> | <u>\$ 304,234,230</u> | <u>\$ 1,415,106,100</u> | <u>\$ 483,741,697</u> |

PORT OF MORROW
Schedule of Insurance Coverage
For the Fiscal Year Ended June 30, 2022

| | <u>Policy Number</u> | <u>Expiration Date</u> | <u>Amount</u> |
|--|--------------------------|----------------------------|----------------|
| Liability | | | |
| Special Districts insurance Services General Liability (single limit) automobile insurance on various automobiles. Auto physical damage - \$ 0 Deductible - Comprehensive \$ 0 Deductible - Collision | 37P16391-202 | 12/31/2022 | \$ 10,000,000 |
| Property | | | |
| Special Districts insurance Services All property, real and personal, including inland Marine \$ 1,000 Deductible on property coverage \$ 500 Deductible - inland Marine coverage \$ 1,000,000 Business interruption \$ 50,000 EDP | 37P16391-202 | 12/31/2022 | \$ 132,076,629 |
| Boiler and Machinery | | | |
| Special Districts insurance Services \$ 1,000 Deductible | 37P16391-202 | 12/31/2022 | \$ 50,000,000 |
| Crime Coverage | | | |
| Special Districts insurance Services | 37P16391-202 | 12/31/2022 | \$ 1,000,000 |
| Workers' Compensation | | | |
| Special Districts insurance Services | 36W16391-83 | 6/30/2022 | \$ 3,000,000 |
| Erisa Bond | | | |
| Old Republic Surety Company | W180013325 | 7/25/2022 | \$ 500,000 |
| Group Insurance | | | |
| Regence BlueCross BlueShield | 68000661 | 6/30/2022 | Health |
| MODA Health | G0020636 | 6/30/2022 | Dental |

**INDEPENDENT AUDITORS'
REPORT ON COMPLIANCE AND
INTERNAL CONTROL REQUIRED
BY OREGON STATE
REGULATIONS**

Independent Auditors' Report on Compliance and Internal Control Required by Oregon State Regulations

Commissioners
Port of Morrow
P.O. Box 200
Boardman, OR 97818

We have audited the basic financial statements of Port of Morrow as of and for the year ended June 30, 2022, and have issued our report thereon dated November 2, 2022. 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.

Compliance and Other Matters

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

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

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

The independently elected officials of Port of Morrow do not collect or receive money and are, therefore, not subject to the requirements of OAR 162-10-140.

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

OAR 162-10-0230 Internal Control

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


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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

By 

Chelsea A. Hewitt, CPA
Owner/Member

La Grande, OR
November 2, 2022

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**AUDIT DELIVERABLES REQUIRED
BY THE SINGLE AUDIT ACT OF
1996**

PORT OF MORROW
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal Assistance Number</u> | <u>Grant Number</u> | <u>Expenditures</u> |
|---|----------------------------------|---------------------|----------------------------|
| U.S. Department of Defense: | | | |
| <u>Direct Programs:</u> | | | |
| Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation | 12.607 | HQ00052210008 | \$ 192,986 |
| Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation | 12.607 | HQ0052110021 | <u>442,002</u> |
| Total U.S. Department of Defense | | | <u>634,988</u> |
| U.S. General Service Administration: | | | |
| <u>Direct Programs:</u> | | | |
| Donation of Federal Surplus Property | 39.003 | | 23,748 |
| U.S. Department of Transportation: | | | |
| <u>Direct Programs:</u> | | | |
| National Infrastructure Investments | 20.933 | 693JF71910010 | <u>687,640</u> |
| Total expenditures of federal awards | | | <u><u>\$ 1,346,376</u></u> |

PORT OF MORROW
Notes to Schedule of Expenditures of Federal Awards

Note A - Purpose of the Schedule:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is a supplementary schedule to Port of Morrow's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the Port, it is not intended to and does not present either the financial position, results of operations, or changes in fund balances/equity of the Port of Morrow.

Note B - Significant Accounting Policies:

Reporting Entity

The reporting entity is fully described in Note 1 to the Port's basic financial statements. The Schedule includes all federal programs administered by the Port for the year ended June 30, 2022.

Basis of Presentation

The accompanying Schedule includes the federal award activity of the Port under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Port.

Federal Financial Assistance

Pursuant to the Single Audit Act and the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the Port and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act and the Uniform Guidance establish criteria to be used in defining major programs. Major programs for the Port of Morrow are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

The receipt and expenditure of federal awards are accounted for under the same basis of accounting as the fund in which they are recorded. Federal awards recorded in proprietary funds are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Federal awards recorded in governmental funds are reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Expenditures are recorded when the related liability is incurred.

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Insurance Coverage

For fiscal year ended June 30, 2022, the Port had insurance coverage in effect comparable to other entities of similar size and circumstance.

Indirect Cost Rate

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

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Commissioners
Port of Morrow
P.O. Box 200
Boardman, OR 97818

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Port of Morrow, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Port of Morrow's basic financial statements, and have issued our report thereon dated November 2, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port of Morrow's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port of Morrow's internal control. Accordingly, we do not express an opinion on the effectiveness of Port of Morrow's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

By Chelsea A. Hewitt
Chelsea A. Hewitt, CPA
Owner/Member

La Grande, OR
November 2, 2022

Independent Auditors' Report on Compliance for Each Major Program And on Internal Control over Compliance Required by the Uniform Guidance

Commissioners
Port of Morrow
P.O. Box 200
Boardman, OR 97818

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Port of Morrow's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial

likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Port of Morrow's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Port of Morrow's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Port of Morrow's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Port of Morrow's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants



By _____
Chelsea A. Hewitt, CPA
Owner/Member

La Grande, OR
November 2, 2022

PORT OF MORROW
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

A. Summary of Audit Results:

| | Results |
|--|----------------|
| Financial Statements Audit | |
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| Were significant deficiencies disclosed? | No |
| Of the significant deficiencies disclosed were any material weaknesses? | N/A |
| 3. Did the audit disclose any noncompliance material to the financial statements? | No |
| Federal Awards | |
| 1. Type of auditor's report issued: | |
| <u>Major program:</u> Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation CFDA Number 12.607 | Unmodified |
| 2. Internal control over major programs: | |
| Were significant deficiencies disclosed? | No |
| Of the significant deficiencies disclosed were any material weaknesses? | N/A |
| 3. Were any of the following disclosed in accordance with 2 CFR Section 200.516(a)? | |
| Significant deficiencies in internal control over major programs? | No |
| Material Noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to major programs? | No |
| Known questioned costs which are greater than \$25,000 for a type of compliance requirement for a major program? | No |
| Known questioned costs which are greater than \$25,000 for a federal program which is not audited as a major program? | No |
| 4. The threshold for distinguishing Types A and B programs: | \$ 750,000 |
| 5. Auditee qualified as a low-risk auditee | No |

B. Findings and Questioned Costs - Financial Statement Audit:

None noted as a result of our audit procedures

Questioned Costs

None noted as a result of our audit procedures

C. Federal Awards Findings and Questioned Costs:

None noted as a result of our audit procedures.

PORT OF MORROW
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Financial Statement Finding:

None noted as a result of our audit procedures