

Annual Financial Report

Fiscal Year ended June 30, 2015



www.portofmorrow.com

P.O. Box 200 | Two Marine Drive

Boardman, OR 97818

541 | 481-7678

**PORT OF MORROW
MORROW COUNTY, OREGON**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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PORT OF MORROW
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**PORT OF MORROW
Commissioners**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Joe Taylor, President 67505 Hwy 74 Ione, OR 97843	2	June 30, 2017
Marvin Padberg, Vice President 64746 Rhea Creek Rd Ione, OR 97843	4	June 30, 2019
Larry Lindsay, Secretary/Treasurer Lindsay Ranch Lexington, Oregon 97839	5	June 30, 2019
Jerry Healy 645 Hager Street Heppner, OR 97836	3	June 30, 2017
Rick Stokoe PO Box 1091 Boardman, OR 97818	1	June 30, 2017

Other Personnel As Of June 30, 2015

Gary D. Neal, General Manager Boardman, OR 97818

Registered Agent

Sam Tucker, Attorney Milton-Freewater, OR 97862

INTRODUCTORY SECTION

FINANCIAL SECTION

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

Independent Auditor's Report

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

Report of the Financial Statements

We have audited the accompanying 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, 2015, and the related notes to the financial statements which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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 Port of Morrow as of June 30, 2015, and the respective changes in financial position and cash flows

thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information be present to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management discussion and analysis 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 the 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Port of Morrow's basic financial statements. The introductory section, individual fund financial statements, and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund financial statements, other financial schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 statement, other financial schedules, and the schedule of expenditures of federal awards are stated fairly in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of 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 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 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 on 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 October 12, 2015, 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.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By 
H. Brent Lewis, CPA
Owner/Member

La Grande, OR
October 12, 2015

**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, 2015. 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, site development 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.

PORT OF MORROW
Management's Discussion and Analysis

Financial Results:

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

Table 1
Net Position

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 842,345	\$ 533,266	\$ 18,194,311	\$ 14,514,640	\$ 19,036,656	\$ 15,047,906
Capital assets	311,065	218,418	96,629,633	75,886,818	96,940,698	76,105,236
Total assets	1,153,410	751,684	114,823,944	90,401,458	115,977,354	91,153,142
Deferred outflows of resources	-	-	175,828	227,906	175,828	227,906
Long-term liabilities outstanding	-	-	40,794,395	31,964,944	40,794,395	31,964,944
Other liabilities	30,564	28,579	8,073,976	3,746,166	8,104,540	3,774,745
Total liabilities	30,564	28,579	48,868,371	35,711,110	48,898,935	35,739,689
Deferred inflows of resources	-	-	149,593	-	149,593	-
Net position:						
Net investment in capital assets	311,065	218,418	56,389,494	42,548,720	56,700,559	42,767,138
Restricted	-	-	1,906,910	2,079,067	1,906,910	2,079,067
Unrestricted	811,781	504,687	7,685,404	10,290,467	8,497,185	10,795,154
Total net position	\$ 1,122,846	\$ 723,105	\$ 65,981,808	\$ 54,918,254	\$ 67,104,654	\$ 55,641,359

The Port's total net position increased over \$11 million from the prior year, or 21 percent.

Table 2
Changes in Net Position

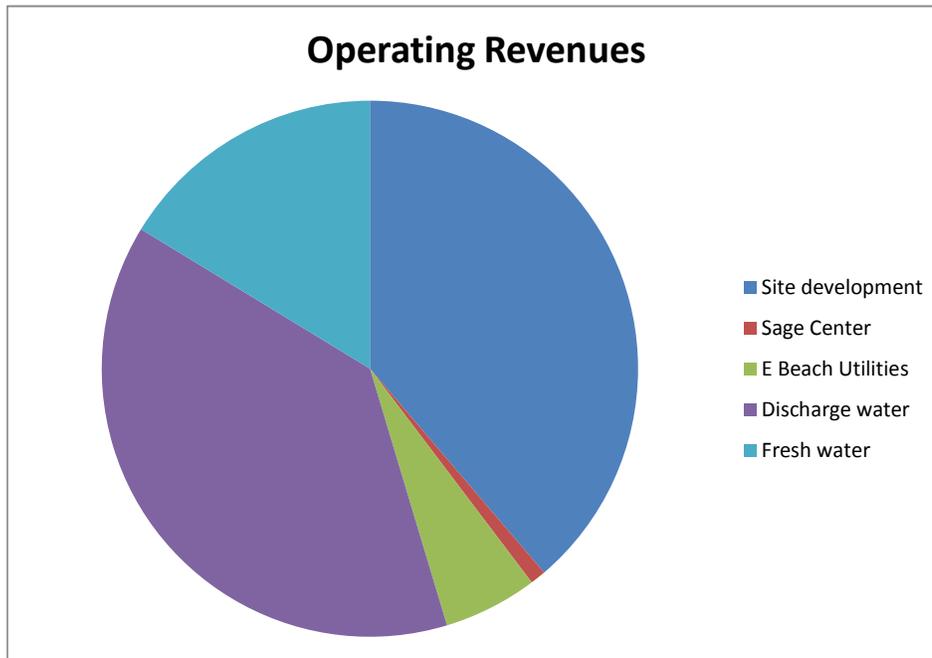
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
General governmental revenues	\$ 762,550	\$ 554,967	\$ -	\$ -	\$ 762,550	\$ 554,967
Operating revenues						
Site Development	-	-	5,362,763	5,095,534	5,362,763	5,095,534
Sage Center	-	-	127,584	105,926	127,584	105,926
E. Beach Utilities	-	-	777,068	736,407	777,068	736,407
Discharge Water	-	-	5,257,192	3,872,919	5,257,192	3,872,919
Freshwater	-	-	2,233,353	1,690,603	2,233,353	1,690,603
NonOperating revenues						
Interest Income	3,036	3,042	62,240	58,135	65,276	61,177
Gain (loss) on sale of assets	-	-	111,547	5,634,691	111,547	5,634,691
Total revenues	765,586	558,009	13,931,747	17,194,215	14,697,333	17,752,224

PORT OF MORROW
Management's Discussion and Analysis

Table 2 (continued)
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Expenses:						
Management and administration	449,845	554,628	-	-	449,845	554,628
Operating expense	-	-	12,810,023	10,117,232	12,810,023	10,117,232
Nonoperating expenses	-	-	-	1,357,269	-	1,357,269
Total expenses	449,845	554,628	12,810,023	11,474,501	13,259,868	12,029,129
Increase (decrease) in net position before transfers	315,741	3,381	1,121,724	5,719,714	1,437,465	5,723,095
Valuation adjustment	-	-	(1,500,000)	-	(1,500,000)	-
Grant income and contributions	-	-	11,525,830	4,592,872	11,525,830	4,592,872
Transfers	84,000	164,000	(84,000)	(164,000)	-	-
Increase (decrease) in net position	399,741	167,381	11,063,554	10,148,586	11,463,295	10,315,967
Net position-beginning	723,105	555,724	54,918,254	45,792,501	55,641,359	46,348,225
Prior period adjustment due to accounting principal change	-	-		(1,022,833)	-	(1,022,833)
Net position-ending	\$ 1,122,846	\$ 723,105	\$ 65,981,808	\$ 54,918,254	\$ 67,104,654	\$ 55,641,359

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

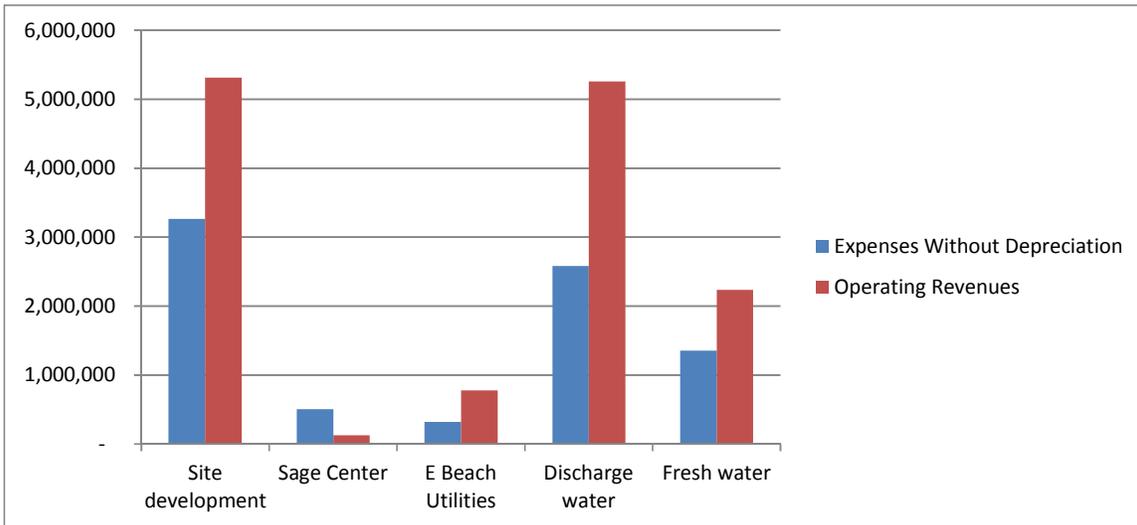


PORT OF MORROW
Management's Discussion and Analysis

The site segment of the enterprise fund includes the newly completed freezer warehouse facility. Operations began June 1. As of the financial statement date, the facility was approximately 80% full and revenues had exceeded monthly projections beginning August or the third month of operations. A third shift was added in September and operations have added 28 employees to total Port staff.

Plant expansions of existing Port tenants have resulted in an increase in water volumes and related revenue of over 30%. Along with the welcomed revenue, this also creates challenges, and related utility improvements have been budgeted and planned for the coming year.

Depreciation accounts for 37% of the business-type activity expenses. The following is a representation of the segments without depreciation expense.



Capital Assets

The Port completed construction of a \$16.5 million, 137,500 square foot freezer warehouse facility including rail and loading docks. This was financed by a \$6 million connect Oregon grant, an \$8,170,000 bond issue, and operations. In addition, they financed \$483 thousand dollars of lift trucks and related equipment on a three year lease purchase.

The Port also completed the next segment of the Lewis and Clark road improvements for nearly \$4.4 million funded by a state of Oregon grant, connecting the Port area with Highway 730 and finished up the Columbia Avenue improvements. The Port purchased \$562,000 in construction equipment, installed over \$2 million in utility improvements and finished up the Connect IV rail project (\$800,000) and airport apron improvements (\$410,000).

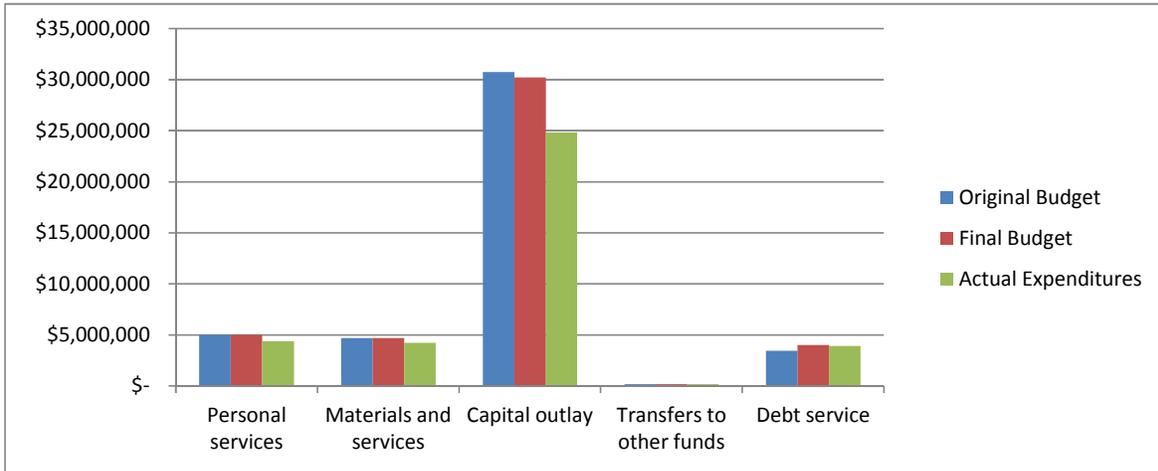
Debt

The Port financed \$8.170 million of the new freezer warehouse with a full faith and credit bond and purchased \$483,273 in warehouse equipment with a 36 month lease purchase. See note 8 for additional details regarding the Port's long-term debt.

PORT OF MORROW
Management's Discussion and Analysis

Budgetary

The Port's budget for the year ended June 30, 2015 was adopted by the Port Commission in June 2014. The Port transferred \$550,000 in appropriations by resolution in May 2015. 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. 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 the Port of Morrow's Controller's Office, PO Box 200, Boardman, OR 97818.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PORT OF MORROW
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Petty cash	\$ 200	\$ 900	\$ 1,100
Cash in bank	640,753	1,573,885	2,214,638
Local Government Investment Pool	-	6,490,937	6,490,937
Deposits with trustee	-	1,906,910	1,906,910
Total cash and cash equivalents	<u>640,953</u>	<u>9,972,632</u>	<u>10,613,585</u>
Accounts receivable - county treasurer	682	-	682
Accounts receivable	196,962	1,635,855	1,832,817
Allowance for doubtful accounts	-	(23,915)	(23,915)
Grants receivable	-	2,628,711	2,628,711
Deposits and prepaid expenses	-	133,278	133,278
Property taxes receivable	3,748	-	3,748
Total current assets	<u>842,345</u>	<u>14,346,561</u>	<u>15,188,906</u>
Noncurrent assets:			
Loan receivable	-	3,193,059	3,193,059
Patronage capital credits	-	654,691	654,691
Capital assets (net)	311,065	96,629,633	96,940,698
Total noncurrent assets	<u>311,065</u>	<u>100,477,383</u>	<u>100,788,448</u>
Total assets	<u>1,153,410</u>	<u>114,823,944</u>	<u>115,977,354</u>
Deferred outflows of resources:			
Unearned charges	-	175,828	175,828
Liabilities:			
Current liabilities:			
Accounts payable	16,473	4,813,967	4,830,440
Accrued payroll payable	14,091	560,783	574,874
Accrued interest payable	-	346,496	346,496
Customer deposits	-	6,986	6,986
Bonds payable (net)	-	2,065,855	2,065,855
Notes payable	-	279,889	279,889
Total current liabilities	<u>30,564</u>	<u>8,073,976</u>	<u>8,104,540</u>
Long-term liabilities:			
Bonds payable (net)	-	25,627,863	25,627,863
Notes payable	-	12,266,532	12,266,532
Unearned revenue	-	2,900,000	2,900,000
Total long-term liabilities	<u>-</u>	<u>40,794,395</u>	<u>40,794,395</u>
Total liabilities	<u>30,564</u>	<u>48,868,371</u>	<u>48,898,935</u>
Deferred inflows of resources:			
	-	149,593	149,593
Net Position:			
Net Investment in capital assets	311,065	56,389,494	56,700,559
Restricted for bond retirement	-	1,906,910	1,906,910
Unrestricted	811,781	7,685,404	8,497,185
Total net position	<u>\$ 1,122,846</u>	<u>\$ 65,981,808</u>	<u>\$ 67,104,654</u>

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

PORT OF MORROW
Statement of Activities
June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Governmental Activities:			
Management and administration	\$ 415,457	\$ -	\$ -
Depreciation - unallocated	34,389		
Total governmental	<u>449,846</u>	<u>-</u>	<u>-</u>
Business-Type Activities:			
Site development	6,445,568	4,842,604	520,160
Sage Center	805,648	42,742	84,842
E Beach Utilities	635,881	777,068	-
Discharge water	3,490,484	5,257,192	-
Fresh water	1,432,443	2,233,353	-
Total business-type activities	<u>12,810,024</u>	<u>13,152,959</u>	<u>605,002</u>
Total primary government	<u>\$ 13,259,870</u>	<u>\$ 13,152,959</u>	<u>\$ 605,002</u>

General revenues:

- Property taxes
- Payments in lieu of tax
- Interest income
- Bond handling charges
- Change in valuation
- Gain (loss) on disposition of assets
- Transfers

Total general revenues, transfers, and reconciling items

Change in net position

Net position-beginning

Net position-ending

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ -	\$ (415,457)	\$ -	\$ (415,457)
-	(34,389)	-	(34,389)
-	(449,846)	-	(449,846)
11,525,830	-	10,443,026	10,443,026
-	-	(678,064)	(678,064)
-	-	141,187	141,187
-	-	1,766,708	1,766,708
-	-	800,910	800,910
<u>11,525,830</u>	<u>-</u>	<u>12,473,767</u>	<u>12,473,767</u>
<u>\$ 11,525,830</u>	<u>(449,846)</u>	<u>12,473,767</u>	<u>12,023,921</u>
	138,377	-	138,377
	9,198	-	9,198
	3,036	62,240	65,276
	614,975	-	614,975
	-	(1,500,000)	(1,500,000)
	-	111,547	111,547
	84,000	(84,000)	-
	<u>849,586</u>	<u>(1,410,213)</u>	<u>(560,627)</u>
	399,740	11,063,554	11,463,294
	723,106	54,918,254	55,641,360
	<u>\$ 1,122,846</u>	<u>\$ 65,981,808</u>	<u>\$ 67,104,654</u>

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

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FUND FINANCIAL STATEMENTS

PORT OF MORROW
Balance Sheet - Governmental Funds
June 30, 2015

	General Fund
Assets:	
Petty cash	\$ 200
Cash in bank	640,753
Cash with county treasurer	682
Total cash and cash equivalents	641,635
Accounts receivable	196,962
Property taxes receivable	3,748
Total assets	842,345
Deferred outflows of resources:	
	-
Total assets and deferred outflows of resources	\$ 842,345
Liabilities:	
Accounts payable	\$ 16,473
Accrued payroll payable	14,091
Total liabilities	30,564
Deferred inflows of resources:	3,748
Fund Equity:	
Fund balances:	
Unassigned	808,033
Total liabilities, deferred inflows of resources and fund balance	\$ 842,345

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

PORT OF MORROW
Reconciliation of The Governmental Funds Balance Sheet
To The Statement of Net Position
For the Fiscal Year Ended June 30, 2015

Total fund balances for governmental funds \$ 808,033

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	\$ 740,576	
Accumulated Depreciation	<u>(429,511)</u>	
		311,065

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.

3,748

Total net position of governmental activities **\$ 1,122,846**

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

PORT OF MORROW
Statement of Revenues, Expenditures, and Changes in
Fund Balances - All Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund
Revenues:	
Taxes:	
Property taxes	\$ 138,615
Payments in lieu of tax	9,198
Miscellaneous:	
Interest income	3,036
Bond handling charges	614,975
Total revenues	765,824
Expenditures:	
Current:	
Management and administration	415,457
Capital outlay	127,035
Total expenditures	542,492
Excess of revenues over (under) expenditures	223,332
Other Financing Sources (Uses):	
Transfers (to) from other funds	84,000
Change in fund balance	307,332
Fund balance, beginning of year	500,701
Fund balance, end of year	\$ 808,033

(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
Balances of Governmental Funds To The Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 307,332

The change in net assets 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 depreciation (\$ 34,388) was exceeded by capital outlay (\$ 127,034) in the current period. 92,646

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 decreased (3,986 - 3,748) during the current period. (238)

Change in net position of governmental activities \$ 399,740

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

PORT OF MORROW
Statement of Fund Net Position
June 30, 2015

	Business-Type Activities
Assets:	
Current assets:	
Petty cash	\$ 900
Cash in bank	1,573,885
Local government investment pool	6,490,937
Deposits with trustee	1,906,910
Total cash and cash equivalents	9,972,632
Accounts receivable	1,635,855
Allowance for doubtful accounts	(23,915)
Grants receivable	2,628,711
Deposits and prepaid expenses	133,278
Total current assets	14,346,561
Noncurrent assets:	
Loan receivable	3,193,059
Patronage capital credits	654,691
Capital assets:	
Property and equipment	137,964,715
Less: accumulated depreciation	(41,335,082)
Total capital assets, net of depreciation	96,629,633
Total noncurrent assets	100,477,383
Total assets	114,823,944
Deferred outflows of resources:	
Unearned charges	175,828
Liabilities:	
Current liabilities:	
Accounts payable	4,813,967
Accrued payroll payable	560,783
Accrued interest payable	346,496
Customer deposits	6,986
Bonds payable (net)	2,065,855
Notes payable	279,889
Total current liabilities	8,073,976
Long-term liabilities:	
Bonds payable (net)	25,627,863
Notes payable	12,266,532
Unearned revenue	2,900,000
Total long-term liabilities	40,794,395
Total liabilities	48,868,371
Deferred inflows of resources:	
	149,593
Net Position:	
Net Investment in capital assets	56,389,494
Restricted for bond retirement	1,906,910
Unrestricted	7,685,404
Total net position	\$ 65,981,808

(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 Funds
For the Fiscal Year Ended June 30, 2015

Operating Revenues	
Discharge water segment	\$ 5,257,192
Site development segment	4,457,201
Fresh water segment	2,233,353
Sage center	127,585
Motor pool segment	905,562
East beach utility	777,068
Total operating revenues	<u>13,757,961</u>
Operating Expenses:	
Labor	3,163,982
Contract	583,697
Utilities	760,768
Insurance	176,576
Repairs	1,512,867
Fuel and oil	153,742
Testing and permits	260,270
Legal fees	96,979
Property taxes / Lease Expense	31,319
Miscellaneous	217,266
SAGE Marketing	100,992
LRA Activities	318,324
Depreciation	4,131,471
Overhead - other funds	164,000
Community projects	4,183
Total operating expenses	<u>11,676,436</u>
Operating income (loss)	<u>2,081,525</u>
Non-Operating Revenues (Expenses):	
Interest income	62,240
Gain (loss) on sale of assets	64,804
Insurance Reimbursement	46,743
Transfer from other funds	80,000
Interest expense	(1,293,088)
Trustee fees	(4,500)
Total non-operating revenues (expenses)	<u>(1,043,801)</u>
Special Items:	
Valuation adjustment	(1,500,000)
Grant income	11,525,830
Total special items	<u>10,025,830</u>
Change in net position	11,063,554
Net position, beginning on year	<u>54,918,254</u>
Net position, end of year	<u>\$ 65,981,808</u>

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

PORT OF MORROW
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2015

Cash Flows From Operating Activities:

Cash received from customers	\$ 12,240,581
Cash payments to supplies for goods and services	(3,982,084)
Cash payments for personal services	(3,090,638)
Cash payments for quasi-external operating transactions	<u>(84,000)</u>
Net cash provided by operating activities	<u>5,083,859</u>

Cash Flows From Capital and Related Financing Activities:

Principal paid on revenue bond maturities, loans, and contracts	(2,292,020)
Proceeds from bonds and loans	8,264,874
Interest paid on bonds and loans	(1,199,131)
Interest income on bond reserves	11,423
Capital related trustee fees on bonds	(4,500)
Acquisition and construction of capital assets	(21,490,958)
Receipts from sale of capital assets	184,430
Capital grants received	<u>14,562,970</u>
Net cash used by capital and related financing activities	<u>(1,962,912)</u>

Cash Flows From Investing Activities:

Interest on investments	50,817
Receipts on loans receivable	13,556
Net cash used in investing activities	<u>64,373</u>
Net increase (decrease) in cash	3,185,320
Cash and cash equivalents at July 1, 2014	<u>6,787,312</u>
Cash and cash equivalents at June 30, 2015	<u><u>\$ 9,972,632</u></u>

Noncash disclosure:

Equipment in the amount of \$483,273 was purchased using a capital lease.

continued on next page

PORT OF MORROW
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2015

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

Operating income	\$ 2,081,525
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	4,131,471
Internal service revenue charged to capital assets	(854,989)
Net increase in trade accounts and notes receivable	(567,320)
Transfer from General Fund	80,000
Increase in prepaid expense	(44,652)
Increase in patronage capital credits	(33,075)
Increase in trade accounts payable	228,978
Increase in customer deposits	2,036
Increase in accrued payroll	73,344
Decrease in unearned revenue	(13,459)
Total adjustments	3,002,334
Net cash provided by operating activities	\$ 5,083,859

Summary of Cash and Cash Equivalents:

	June 30, 2015
Petty cash	\$ 900
Cash in bank	1,573,885
Deposits with trustee	1,906,910
Local government investment pool	6,490,937
Total cash and cash equivalents	\$ 9,972,632

(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 sewer 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.

The Port has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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.

PORT OF MORROW
Notes to Basic Financial Statements

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 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, 2015 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.

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 uncollectibles is not considered necessary or recorded.

Accounts receivable is partly composed of amounts due Port of Morrow at June 30, 2015 for fresh water and discharge services, land leases 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.

The Enterprise Fund has financed certain road and utility improvements for a local community and has entered into a new leverage loan associated with their new market tax credit transaction. Loan Receivable tracks the aggregate outstanding balances of these transactions.

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 deferred outflows are bond refunding costs which are amortized over the life of the refunding.

PORT OF MORROW
Notes to Basic Financial Statements

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.

Included in deferred inflows in the governmental funds balance sheet is property taxes receivable. Included in the business-type activities statement of net position are non-cancelable lease revenues received in advance.

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.

Prepaid Items

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

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. During the fiscal year ended June 30, 2015, \$1,643,516 of interest was incurred, of which \$350,428 was capitalized.

Compensated Absences

Paid vacation benefits are provided to all regular full-time and regular 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 General Manager. All unused vacation time must be converted to cash upon termination of regular 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	120 hours/15 days
5-9	160 hours/20 days
10-24	200 hours/25 days
25+	240 hours/30 days

Years of employment begin with the date of hire.

PORT OF MORROW
Notes to Basic Financial Statements

Sick leave is provided to full-time and part-time regular employees. Sick leave is accumulated in proportion to hours worked per pay period. The regular employees who work 80 hours per pay period receive 2 hours sick leave per pay period or 52 hours per year. Those who work 40 hours per pay period receive 1 hour sick leave per pay period or 26 hours per year. Sick leave can be used as soon as it is accumulated.

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. 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 of 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 assets, 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.

Unearned Charges

These are bond issue costs which are amortized over the term of the issue.

Discount on Port Revenue Bonds

Bond discounts for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective-interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable.

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 bonds outstanding method which approximates the effective-interest 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 Deferred Revenue accounts have been subject to estimation.

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, 2015:

Petty Cash	\$ 1,100
Deposits with financial institutions	2,214,638
Deposits with trustee	1,906,910
Local Government Investment Pool	6,490,937
	<u>\$ 10,613,585</u>

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

Cash and cash equivalents	<u>\$ 10,613,585</u>
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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.

PORT OF MORROW
Notes to Basic Financial Statements

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 \$2,463,507 at June 30, 2015. 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.

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.

PORT OF MORROW
Notes to Basic Financial Statements

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.

Investment Type	Maturities	Concentration % of Portfolio	Actual Amount
Local Government Investment Pool	Avg 6-18 months	100%	<u>\$ 6,490,937</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.

Note 4 - Property Taxes Receivable

Property taxes receivable included in revenues are \$3,748, which are all past due and accruing interest.

Note 5 - Capital Assets:

Capital asset activity for the twelve months ended June 30, 2015, was as follows:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 36,750	\$ -	\$ -	\$ 36,750
Capital assets being depreciated:				
Buildings	186,828	-	-	186,828
Equipment & furniture	389,964	127,034	-	516,998
Total capital assets being depreciated	<u>576,792</u>	<u>127,034</u>	<u>-</u>	<u>703,826</u>
Less: accumulated depreciation:				
Buildings	(94,595)	(5,008)	-	(99,603)
Equipment & furniture	(300,529)	(29,379)	-	(329,908)
Total accumulated depreciation	<u>(395,124)</u>	<u>(34,387)</u>	<u>-</u>	<u>(429,511)</u>
Net capital assets being depreciated	<u>181,668</u>	<u>92,647</u>	<u>-</u>	<u>274,315</u>
Net capital assets - Governmental Activities	<u>\$ 218,418</u>	<u>\$ 92,647</u>	<u>\$ -</u>	<u>\$ 311,065</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 5,113,018	-	\$ -	\$ 5,113,018
Construction in progress	2,923,546	520,655	2,923,546	520,655
Assets held for sale	2,000,000	-	1,500,000 *	500,000
Total capital assets not being depreciated	<u>10,036,564</u>	<u>520,655</u>	<u>4,423,546</u>	<u>6,133,673</u>
Capital assets being depreciated:				
Buildings & land improvements	73,844,676	15,604,458	-	89,449,134
Equipment & furniture	29,282,071	13,172,719	72,882	42,381,908
Total capital assets being depreciated	<u>103,126,747</u>	<u>28,777,177</u>	<u>72,882</u>	<u>131,831,042</u>
Less: accumulated depreciation:				
Buildings	(20,809,333)	(1,509,717)	-	(22,319,050)
Equipment & furniture	(16,467,160)	(2,621,754)	(72,882)	(19,016,032)
Total accumulated depreciation	<u>(37,276,493)</u>	<u>(4,131,471)</u>	<u>-</u>	<u>(41,335,082)</u>
Net capital assets being depreciated	<u>65,850,254</u>	<u>24,645,706</u>	<u>72,882</u>	<u>90,495,960</u>
Net capital assets - Business-type Activities	<u>\$75,886,818</u>	<u>\$ 25,166,361</u>	<u>\$ 4,496,428</u>	<u>\$ 96,629,633</u>

* Valuation Adjustment

PORT OF MORROW
Notes to Basic Financial Statements

Depreciation expense was charged to functions as follows:

Governmental activities:	
Unallocated	<u>\$ 34,387</u>
Business-type activities:	
Discharge Water	\$ 909,988
Site Development	2,829,933
East Beach Utility	314,869
Fresh Water	<u>76,681</u>
Total depreciation expense	<u>\$ 4,131,471</u>

Note 6 - Accounts Payable:

The accounts payable balance is partly composed of the following:

Construction in Progress Capital Asset - Fisher & Sons, Inc.	\$ 2,891,981
Construction in Progress Capital Asset - Granite Construction	507,781
Construction in Progress Capital Asset - H & H Engineering	259,712
Construction in Progress Capital Asset - Oregon Mainline Paving	209,720
Construction in Progress Capital Asset - Bagley Landscape Construction	77,689
Construction in Progress Capital Asset - Eastside Electric	65,535
Trade receivable - Umatilla Electric	98,732
Trade receivable - Shadybrook Lumber Product	53,014
Trade receivable - City of Boardman	49,743

Note 7 - Short-Term Debt:

The Port had no short-term debt outstanding at year ended June 30, 2015.

	Beginning Balance	Increases	Decreases	Ending Balance
Short-Term Debt	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>

PORT OF MORROW
Notes to Basic Financial Statements

Note 8 - Long-Term Obligations:

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015 are as follows:

	Balance 6/30/2014	Long-term Debt Incurred	Matured and Paid	Amortization	Cancelled, Called or Defeased	Balance 6/30/2015
Industrial development bonds (no- commitment debt):						
Idaho Power bond fund	\$ 4,360,000	\$ -	\$ -	\$ -	\$ -	\$ 4,360,000
PGE 1996A		-	-	-	-	-
PGE 1998A	23,600,000	-	-	-	-	23,600,000
Threemile Canyon	10,000,000	-	-	-	-	10,000,000
Threemile Canyon	10,000,000	-	-	-	-	10,000,000
Bonneville Power	84,740,000	-	-	-	-	84,740,000
Bonneville Power	-	193,075,000	-	-	-	193,075,000
Total Industrial development	<u>132,700,000</u>	<u>193,075,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,775,000</u>
Enterprise notes payable:						
Special public works #2	134,269	-	65,179	-	-	69,090
Special public works #3	161,535	-	36,926	-	-	124,609
Special public works #4	439,064	-	47,818	-	-	391,246
Special public works #5	564,027	-	40,155	-	-	523,872
Special public works #6	566,185	-	23,613	-	-	542,572
Special public works #7	1,836,287	-	59,397	-	-	1,776,890
Special public works #8	4,794,868	-	-	-	-	4,794,868
NMHG Financial Services		483,273	-	-	-	483,273
Enhanced Capital A	3,131,000	-	-	-	-	3,131,000
Enhanced Capital B	709,000	-	-	-	-	709,000
Total Enterprise notes payable	<u>12,336,235</u>	<u>483,273</u>	<u>273,088</u>	<u>-</u>	<u>-</u>	<u>12,546,420</u>
Enterprise port revenue bonds:						
2010A Issue	3,375,000	-	220,000	-	-	3,155,000
2011A Issue	3,984,131	-	433,932	-	-	3,550,199
2013A Issue	7,335,000	-	650,000	-	-	6,685,000
2013FFC Issue	6,655,000	-	415,000	-	-	6,240,000
2014FFC Issue	-	8,170,000	300,000	-	-	7,870,000
Total Enterprise Port revenue bonds	<u>21,349,131</u>	<u>8,170,000</u>	<u>2,018,932</u>	<u>-</u>	<u>-</u>	<u>27,500,199</u>
Less: bond (discounts) premiums	105,999	94,875	-	-	-	200,874
Amortization of bond discounts (premiums)	2,543	-	-	(9,898)	-	(7,355)
Unearned amount on refunding	(292,707)	-	-	-	-	(292,707)
Amortization of unearned amount	64,802	-	-	52,078	-	116,880
	<u>21,229,768</u>	<u>8,264,875</u>	<u>2,018,932</u>	<u>42,180</u>	<u>-</u>	<u>27,517,891</u>
Total	<u>\$ 166,266,003</u>	<u>\$ 201,823,148</u>	<u>\$ 2,292,020</u>	<u>\$ 42,180</u>	<u>\$ -</u>	<u>\$ 365,839,311</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 \$71,925,489 at June 30, 2015. At that date, Port of Morrow had no general obligation bonds outstanding.

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 2010 (issued 12-13-2010, original issue of \$4,000,000) interest at various rates (2 – 6%), due serially to fiscal 2025. Parity bonds secured by a pledge of net revenues available for debt service. \$ 3,155,000

The proceeds of these bonds were used to construct a warehouse facility.
- 2) Series 2011 (issued 11-22-11, original issue of \$4,799,300) interest at 3.9%, due annually to 12-01-2021. Parity bonds secured by a pledge of net revenues available for debt service. \$ 3,550,199

The proceeds of these bonds were used to defease Port of Morrow Revenue Bond Series 2001A.
- 3) Series 2013A (issued 4-2-2013, original issue of \$8,665,000) interest at various rates (1.75 – 5.35%), due serially to fiscal 2025. Parity bonds secured by a pledge of net revenues available for debt service. \$ 6,685,000

The proceeds of these bonds were used to defease Port of Morrow Revenue Bond Series 2007.
- 4) Series 2013 (issued 5-29-13, original issue of \$7,060,000) interest at various rates (2 - 4%), due serially to 6-01-2032. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service. \$ 6,240,000

The proceeds of these bonds were used to defease Port of Morrow Full Faith and Credit Issue 2009, Flexleases 1997 and 2007, and wastewater storage improvements.
- 5) Series 2014 (issued 9-30-14, original issue of \$8,170,000) interest at various rates (2 - 4%), due serially to 6-01-2029. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service. \$ 7,870,000

The proceeds of these bonds were used to partially fund the construction of a freezer warehouse facility.

PORT OF MORROW
Notes to Basic Financial Statements

Installment Notes Payable:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 1) Special Public Works Fund Loan (originated 4-15-96 at \$840,000) interest at 6%, payable annually . Unsecured. | <u>\$ 69,090</u> |
| This loan helped fund an effluent pipeline to the South Farm (#2). | |
| 2) Special Public Works Fund Loan (originated 7-31-97 at \$534,700) interest at 6%, payable annually on December 1 through fiscal 2013. Unsecured. | <u>\$ 124,609</u> |
| This loan was used to fund the construction of a steam line in the Port industrial area. | |
| 3) Special Public Works Fund Loan (originated 1-23-02 at \$862,000) interest at various rates from 3 to 5%, payable annually on December 1 through fiscal 2021. Unsecured. | <u>\$ 391,246</u> |
| This loan financed a new crane. | |
| 4) 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. | <u>\$ 523,872</u> |
| This loan financed a wastewater pretreatment facility. | |
| 5) 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. | <u>\$ 542,572</u> |
| This loan was used to finance part of the East Beach Industrial Park railroad spur addition. | |
| 6) Special Public Works Fund Loan (originated 6-8-07) interest at 4.36%, payable annually on December 1 through fiscal 2029. Unsecured. | <u>\$ 1,776,890</u> |
| This loan is being used to finance part of the East Beach Industrial Park utility improvements. | |
| 7) Special Public Works Fund Loan (originated 3-12-14) interest at 3.36%, payable annually on December 1 through fiscal 2039. Unsecured. | <u>\$ 4,794,868</u> |
| This loan financed a wastewater pretreatment facility. | |
| 8) NMHG Financial Services Lease Payable. Originated 4-27-15, 36 equal monthly payments beginning July 1 with an ending bargain purchase. | <u>\$ 483,273</u> |
| This loan financed forklifts and related equipment at the freezer warehouse. | |

PORT OF MORROW
Notes to Basic Financial Statements

- 9) Enhanced Capital New Market Development Fund XIV, LLC - A (originated 7-3-13) interest at 1.1020%, payable annually, interest only through December 1, 2020 then equal annual principal payments through 2040.

\$ 3,131,000

Enhanced Capital New Market Development Fund XIV, LLC - B (originated 7-3-13) interest at 1.1020%, payable annually, interest only through December 1, 2020 then equal annual principal payments through 2040.

\$ 709,000

These two loans relate to the New Market Tax Credit transaction used to provide additional funding for construction of the SAGE Center.

Related Put/Call Agreement:

Under the NMTC structure, the Company is party to two agreements that, upon expiration of the NMTC compliance period, allow the Company to effectively acquire the owner of the Lender at a contractually-stipulated price. Under the terms of those agreements, the current owner of the owner of the Lender has the option to sell its interest to the Company for a fixed price of \$1,000. Conversely, should that option not be exercised, the Company has the right to acquire that interest for fair market value, as determined by an appraisal or other valuation technique. As the options outlined above do not vest until future periods, no adjustment has been made to the accompanying financial statements to reflect the effect of these agreements

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 2017.

\$ 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.

Portland General Electric Company Series A (issued 3-11-88, original issue \$23,600,000, refunded 1998, remarketed 5/1/08) interest on its outstanding principal balance fixed at 5.0% through 2033, the remaining life. This issue was used to refund Portland General Electric Company Series A, B, and C issued 7-1-81. These bonds financed solid waste disposal facilities, pollution control facilities, and power facilities at the PGE coal-fired generating plant near Boardman, Oregon.

\$ 23,600,000

PORT OF MORROW
Notes to Basic Financial Statements

Threemile Canyon Farms LLC Series 2001A & C (issued July 10, 2001) interest is variable, adjusted weekly and paid quarterly. Principal is due in full in 2021.

\$ 20,000,000

This issue was used for constructing a solid waste disposal located at a dairy west of Boardman, Oregon.

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

Additionally, the Port had closed five lines of credit conduit financing for Bonneville as of October 7, 2015. The Port has no control over the projects to be financed and no obligation to make any payments due under the lines of credit.

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:

<u>Enterprise Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-2016	2,634,882	1,468,386	4,103,268
2016-2017	2,990,563	1,643,623	4,634,186
2017-2018	2,653,806	1,304,344	3,958,150
2018-2019	2,541,718	1,207,024	3,748,742
2019-2020	2,628,555	1,114,551	3,743,106
2020-2025	12,293,801	4,029,408	16,323,209
2025-2030	6,996,756	1,787,015	8,783,771
2030-2035	4,725,623	732,026	5,457,649
2035-2040	2,178,387	203,826	2,382,213
2040-2045	402,529	9,474	412,003

PORT OF MORROW
Notes to Basic Financial Statements

Interest expense on long-term debt has been charged as a direct activity expense on the Statement of Activities as follows:

Discharge Water	\$ 222,427
East Beach Utility	78,565
Site Development	949,779
SAGE Center	42,317
Fresh Water	-
	\$ 1,293,088

Interest expense on long-term debt in the amount of \$350,428 was capitalized into the cost of the freezer warehouse.

Note 9 - 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 10 - Pension Plan:

The Port of Morrow Commissioners adopted the Port of Morrow Pension Plan effective July 1, 1995. This is a single employer plan and the trustee has been United States National Bank of Oregon. Effective July 25, 2007, the assets in this plan were transferred to Great West Retirement Services. An employee is eligible upon becoming a full-time permanent employee.

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 9% of straight time compensation for employees active in the plan on a fiscal year end June 30 basis. This is a defined contribution plan.

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:

Years of Service	Percent Vested
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 \$3,348,845 (100%).

Total payroll subject to the pension plan for fiscal year ended June 30, 2015 was \$2,947,470 (88%).

Total employer and employee contributions in fiscal year ended June 30, 2015, were \$237,529 and \$156,839, respectively.

Note 11 - 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.

PORT OF MORROW
Notes to Basic Financial Statements

Note 12 - Operating Leases:

The Port of Morrow is lessee of certain land. In most cases, management expects, in the normal course of business, leases will be renewed or replaced by other leases enabling the Port to retain use of facilities in desirable operating areas.

Port of Morrow is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Port's balance sheet.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015:

2015-2016	\$ 380
2016-2017	380
2017-2018	380
2018-2019	380
2019-2024	1,900
2024-2029	1,900
2029-2034	1,900
2034-2039	380
	<hr/>
Total minimum payments required	<u>\$ 7,600</u>

The Port operations also involve the Port as lessor of various types of land with lease terms ranging from one (1) to fifty (50) years. The investment in property on operating leases is presented by type of land and by acreage leased:

Commercial	Buildings & Land	8	acres
Industrial	Waterfront Land	73	acres
Irrigated	Farm Land	1,542	acres
Industrial	Land	188	acres

The following is a schedule by years of minimum future rental receipts on noncancelable operating leases as of June 30, 2015:

2015-2016	\$ 2,706,787
2016-2017	2,222,697
2017-2018	2,156,814
2018-2019	1,800,268
2019-2020	1,489,704
2020-2025	7,412,591
2025-2030	6,321,746
2030-2035	5,448,398
2035-2040	4,151,665
2040-2045	897,780
	<hr/>
	<u>\$ 34,608,450</u>

The following property and equipment subject to noncancelable operating leases, classified by nature, is as follows:

	Cost	Accum Depr 6/30/2014	Depreciation 14-15	Accum Depr 6/30/2015	Book Value
Industrial Waterfront					
Land/Terminal Equipment	\$ 10,577,988	\$ 4,538,459	\$ 303,234	\$ 4,841,693	\$ 5,736,295
Industrial Land	21,968,430	3,765,961	730,492	4,496,453	17,471,977
Irrigated Farm Land	3,330,162	1,055,166	5,973	1,061,139	2,269,023
Wastewater Pretreatment Facilities	6,495,126	839,001	118,845	957,846	5,537,280
Commercial Buildings & Land	691,487	461,987	22,720	484,707	206,780
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 43,063,193</u>	<u>\$ 10,660,574</u>	<u>\$ 1,181,264</u>	<u>\$ 11,841,838</u>	<u>\$ 31,221,355</u>

PORT OF MORROW
Notes to Basic Financial Statements

Note 13 - Interfund Transactions - Major Funds:

Transfers between major funds during fiscal year ended June 30, 2015, consisted of the following:

Transfer from Enterprise Fund to General Fund \$164,000

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

Transfer from General Fund to Enterprise Fund \$80,000

Transfers were used to help fund the SAGE Center activities

Note 14 - 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 15 - Segment Information:

The Port maintains five 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.

PORT OF MORROW
Notes to Basic Financial Statements

Segment information for the fiscal year ended June 30, 2015 is as follows:

	Fresh Water	Discharge	East Beach Utility	SAGE Center	Site Development	Totals
Assets						
Current Assets	\$ 1,614,673	\$ 2,229,690	\$ 175,549	\$ 44,293	\$ 10,282,356	\$ 14,346,561
Noncurrent Assets	196,407	261,876	130,938	3,138,000	120,529	3,847,750
Capital Assets	400,453	12,954,651	3,975,286	8,029,513	71,269,730	96,629,633
Total Assets	2,211,533	15,446,217	4,281,773	11,211,806	81,672,615	114,823,944
Deferred outflow of resources	-	-	-	-	175,828	175,828
Liabilities						
Current Liabilities	123,533	785,950	132,292	20,517	7,011,684	8,073,976
Long-term Liabilities	-	5,922,134	1,714,903	3,840,000	29,317,358	40,794,395
Total Liabilities	123,533	6,708,084	1,847,195	3,860,517	36,329,042	48,868,371
Deferred inflow of resources	-	-	-	-	149,593	149,593
Net Position						
Unrestricted	1,687,547	1,923,518	236,182	3,161,776	676,381	7,685,404
Restricted for Bond Retirement	-	-	-	-	1,906,910	1,906,910
Net Investment in Capital Assets	400,453	6,814,615	2,198,396	4,189,513	42,786,517	56,389,494
Total Net Position	\$ 2,088,000	\$ 8,738,133	\$ 2,434,578	\$ 7,351,289	\$ 45,369,808	\$ 65,981,808

PORT OF MORROW
Notes to Basic Financial Statements

	Fresh Water	Discharge	East Beach Utility	SAGE Center	Site Development	Totals
Operating Revenues						
Water Usage	\$ 2,142,573	\$ -	\$ 203,522		\$ -	\$ 2,346,095
Water Discharge	-	5,155,455	522,347		-	5,677,802
Building & Land Leases	-	-	-		2,604,455	2,604,455
Other Operating Revenue	90,780	101,737	51,199	127,585	2,758,308	3,129,609
Total Operating Revenue	2,233,353	5,257,192	777,068	127,585	5,362,763	13,757,961
Operating Expenses						
Labor	480,033	1,105,916	20,872	238,842	1,318,319	3,163,982
Depreciation	76,681	909,988	314,869	298,480	2,531,453	4,131,471
Other Operating Expenses	934,852	1,305,746	236,575	226,009	1,677,801	4,380,983
Total Operating Expenses	1,491,566	3,321,650	572,316	763,331	5,527,573	11,676,436
Operating Income	741,787	1,935,542	204,752	(635,746)	(164,810)	2,081,525
Nonoperating Revenues						
	12,707	17,635	-	80,000	143,445	253,787
Nonoperating Expenses						
Interest Expense	-	(222,427)	(78,565)	(42,317)	(949,779)	(1,293,088)
Other Nonoperating Expense	-	-	-	-	(4,500)	(4,500)
Total Nonoperating income (expense)	12,707	(204,792)	(78,565)	37,683	(810,834)	(1,043,801)
Special Items						
Change in Valuation	-	-	-	-	(1,500,000)	(1,500,000)
Grant Revenue	-	-	-	-	11,525,830	11,525,830
Change in Net Position	754,494	1,730,750	126,187	(598,063)	9,050,186	11,063,554
Beginning Net Position	1,333,506	7,007,383	2,188,391	7,869,352	36,519,622	54,918,254
Reclassification - other Segment	-	-	120,000	80,000	(200,000)	-
Ending Net Position	\$ 2,088,000	\$ 8,738,133	\$ 2,434,578	\$ 7,351,289	\$ 45,369,808	\$ 65,981,808
Cash Provided By:						
Operating Activities	\$ 722,362	\$ 2,849,412	\$ 482,919	\$ (254,705)	\$ 1,283,871	\$ 5,083,859
Capital	(11,925)	(1,626,450)	(549,980)	(31,804)	257,247	(1,962,912)
Investing Activities	12,707	17,635	-		34,031	64,373
Beginning Cash & Cash Equivalents	596,540	470,653	125,124	330,802	5,264,193	6,787,312
Ending Cash & Cash Equivalents	\$ 1,319,684	\$ 1,711,250	\$ 58,063	\$ 44,293	\$ 6,839,342	\$ 9,972,632

PORT OF MORROW
Notes to Basic Financial Statements

Note 16 - Related Party Transactions:

Jerry Healy, Commissioner of Port of Morrow, is President of the Board of Directors of Morrow Development Corporation (MDC), an Oregon nonprofit corporation [501(c)(4)]. Port of Morrow donates the use of land to MDC on which a commercial building owned by MDC is located and rented to Barenbrug/Tidewater. Use of this land is valued at \$7,500 per year.

Joe Taylor, Commissioner, is also the operator of Bedrock Farms, LLC. Bedrock Farms, LLC participated in a sealed bid and leased farm land from the Port for the 2009 through 2014 crop seasons. Due to water issues, the number of acres was reduced. Lease amounts relating to this fiscal year were \$39,750. The lease has now terminated.

Don Russell, former Commissioner, and Gary Neal, General Manager, also serve on the Board of Directors of Windwave Communications, Inc. The Port paid Windwave \$8,521 for utility installation and \$350 for internet service. They also leased an outside storage area from the Port for \$2,400. Windwave is a wholly owned subsidiary of Inland Development Corporation, a non-profit organization. Marvin Padberg and Jerry Healy, Commissioners, are on the Board of Inland Development. Inland provides internet services to the Port. Fees paid for these services totaled \$4,263 for the year.

Gary Neal is also on the Board of Bank of Eastern Oregon (Bank). The Port maintains cash deposits with the Bank. Additionally, the Bank purchased the Port's 2011 Bond issue in the amount of approximately \$4.8 million.

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, 2015, this customer accounted for \$5,067,910 equally approximately 35% of Port operating revenues. Port of Morrow has done business with this customer for over twenty years.

Note 18 - Commitments:

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 \$.35 per thousand gallons. This equates to \$226,800 annually.

Loan Agreements - Enhanced Capital

During fiscal year ended June 30, 2014, the Port secured additional financing for its SAGE Center by using New Markets Tax Credits (NMTC) in accordance with Section 45D of the Internal Revenue Code of 1986. The NMTC is the result of a federal program designed to stimulate capital investments in low income communities by providing a credit against Federal income taxes for investors that make Qualified Equity Investments (QEI's) into Community Development Entities (CDE's). In order to facilitate the transactions, the Port entered into loan agreements with Enhanced Capital. The Loans are intended to constitute qualified low-income community investment under the NMTC program, and, for such purpose, the SAGE Center must be and maintain its status as a qualified active low-income community business, as such terms are defined in Section 45D of the Internal Revenue Code, for the entire duration of the Loan. Violation of those covenants would result in the Loan becoming immediately due and payable.

PORT OF MORROW
Notes to Basic Financial Statements

Note 19 - Subsequent Events:

Subsequent events have been evaluated through October 12, 2015.

On August 26, 2015, the Port entered into additional conduit financing with BPA in the amount of \$97,790,000. 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 will not be reflected in the Port's financial statements.

On September 29, 2015, the Port entered into conduit financing with Kodiak Carbonic in the amount of \$4,685,000. 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 will not be reflected in the Port's financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

PORT OF MORROW
General Fund
Statement of Revenues and Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 133,927	\$ 133,927	\$ 138,615	\$ 4,688
Payments in lieu of taxes	6,400	6,400	9,198	2,798
Interest income	400	400	3,036	2,636
Bond handling charges	569,750	569,750	614,975	45,225
Sale of assets	100	100	-	(100)
Miscellaneous	100	100	-	(100)
Total revenues	<u>710,677</u>	<u>710,677</u>	<u>765,824</u>	<u>55,147</u>
Expenditures:				
Personal services	303,400	303,400	197,761	105,639
Materials and services	494,000	494,000	217,696	276,304
Capital outlay	155,000	155,000	127,035	27,965
General operating contingency	179,777	179,777	-	179,777
Total expenditures	<u>1,132,177</u>	<u>1,132,177</u>	<u>542,492</u>	<u>589,685</u>
Excess of revenues over (under) expenditures	<u>(421,500)</u>	<u>(421,500)</u>	<u>223,332</u>	<u>644,832</u>
Other Financing Sources (Uses):				
Transfer to/from enterprise fund	84,000	84,000	84,000	-
Grants	37,500	37,500	-	(37,500)
Total other financing sources (uses)	<u>121,500</u>	<u>121,500</u>	<u>84,000</u>	<u>(37,500)</u>
Change in fund balance	(300,000)	(300,000)	307,332	607,332
Fund balance, beginning of year	440,000	440,000	500,701	60,701
Fund balance, end of year	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 808,033</u>	<u>\$ 668,033</u>

PORT OF MORROW
General Fund
Statement of Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Personal Services:			
Payroll	\$ 205,000	\$ 205,000	\$ 141,284
Payroll overhead	98,400	98,400	56,477
Total personal services	<u>303,400</u>	<u>303,400</u>	<u>197,761</u>
Materials and Services:			
Office supplies	20,000	20,000	26,021
Legal	10,000	10,000	5,349
Audit and accounting	40,000	40,000	24,863
Notices and publications	5,000	5,000	1,291
Dues and subscriptions	50,000	50,000	51,800
Insurance and bonds	4,000	4,000	4,000
Utilities	15,000	15,000	14,060
Marketing	100,000	100,000	32,549
Commissioner expenses	35,000	35,000	14,102
Staff travel	40,000	40,000	12,399
Economic development	80,000	80,000	4,690
Planning/repair & maintenance	80,000	80,000	21,425
Education	15,000	15,000	5,147
Total materials and services	<u>494,000</u>	<u>494,000</u>	<u>217,696</u>
Capital Outlay:			
Equipment	155,000	155,000	127,035
General Operating Contingency			
	<u>179,777</u>	<u>179,777</u>	<u>-</u>
Total expenditures	<u>\$ 1,132,177</u>	<u>\$ 1,132,177</u>	<u>\$ 542,492</u>

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.

SUPPLEMENTARY INFORMATION

PORT OF MORROW
Enterprise Fund
Statement of Revenues, Expenses, and Fund Net Position and Reconciliation To
Net Position - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues	\$ 13,392,093	\$ 13,392,093	\$ 13,757,961
Expenses	<u>(44,962,615)</u>	<u>(44,962,615)</u>	<u>(37,466,679)</u>
Excess of revenues over (under) expenses	<u>(31,570,522)</u>	<u>(31,570,522)</u>	<u>(23,708,718)</u>
Other Financing Sources (Uses):			
Loan proceeds	6,000,000	6,000,000	8,653,273
Interest income	158,400	158,400	62,240
Transfer from other funds	80,000	80,000	80,000
Sale of assets	4,575,000	4,575,000	64,804
Insurance reimbursement	-	-	46,743
Grant income	<u>16,679,000</u>	<u>16,679,000</u>	<u>11,525,830</u>
Total other financing sources (uses)	<u>27,492,400</u>	<u>27,492,400</u>	<u>20,432,890</u>
Excess (deficiency) of revenues and other financing sources over expenses and other uses	<u>(4,078,122)</u>	<u>(4,078,122)</u>	<u>(3,275,828)</u>
Reconciliation to GAAP Basis:			
Loan proceeds	-	-	(8,653,273)
Principal paid on long-term debt	-	-	2,292,020
Depreciation	-	-	(4,131,471)
Valuation change on assets held for resale	-	-	(1,500,000)
Amortization	-	-	(42,180)
Fixed assets - capitalized	-	-	24,809,651
Interest capitalized	-	-	350,428
Labor capitalized	<u>-</u>	<u>-</u>	<u>1,214,207</u>
Total reconciliation items	<u>-</u>	<u>-</u>	<u>14,339,382</u>
Change in net position	(4,078,122)	(4,078,122)	11,063,554
Net position, beginning of year	4,250,000	4,250,000	54,918,254
Prior period adjustment due to accounting principle change	<u>-</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 171,878</u>	<u>\$ 171,878</u>	<u>\$ 65,981,808</u>

PORT OF MORROW
Enterprise Fund
Statement of Revenues - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Discharge Water Segment:			
Water discharge	\$ 4,442,537	\$ 4,442,537	\$ 5,155,455
Miscellaneous and reimbursable services	34,000	34,000	23,333
Co-generation fixed fee	50,000	50,000	50,000
Patronage dividend	9,000	9,000	28,404
Total revenues - Discharge Water Segment	<u>4,535,537</u>	<u>4,535,537</u>	<u>5,257,192</u>
Site Development Segment:			
Land leases	917,152	917,152	1,012,658
Mining royalties	150,000	150,000	190,685
Building leases	1,618,237	1,618,237	1,591,797
T-3 lease	192,000	192,000	200,250
Rail tariff	88,000	88,000	91,977
Miscellaneous & reimbursements	8,000	8,000	10,872
Operating grant - LRA	125,000	125,000	520,160
Warehouse handling & storage			128,476
Farm lease	423,417	423,417	288,416
Steam revenue	522,000	522,000	409,286
Patronage dividend	16,000	16,000	12,624
Total revenues - Site Development Segment	<u>4,059,806</u>	<u>4,059,806</u>	<u>4,457,201</u>
Fresh Water Segment:			
Water usage	1,805,491	1,805,491	2,142,573
Patronage dividend & miscellaneous	6,100	6,100	15,780
Co-generation fixed fee	75,000	75,000	75,000
Total revenues - Fresh Water Segment	<u>1,886,591</u>	<u>1,886,591</u>	<u>2,233,353</u>
Motor Pool Segment:			
Equipment rents	<u>1,977,000</u>	<u>1,977,000</u>	<u>905,562</u>
SAGE Center:			
Admission and facility use	148,000	148,000	40,376
Sponsorships (donations)	50,000	50,000	84,842
Patronage dividend			2,367
Total revenues - Sage Center	<u>198,000</u>	<u>198,000</u>	<u>127,585</u>
East Beach Utility:			
Utility fees - freshwater	199,704	199,704	203,522
Utility fees - discharge	534,455	534,455	522,347
Miscellaneous & reimbursements	1,000	1,000	31,474
Patronage dividend		-	19,725
Total revenues - East Beach Utility	<u>735,159</u>	<u>735,159</u>	<u>777,068</u>
Total revenues - enterprise fund	<u>\$ 13,392,093</u>	<u>\$ 13,392,093</u>	<u>\$ 13,757,961</u>

PORT OF MORROW
Enterprise Fund
Statement of Expenses - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenses:				
Personal services	\$ 4,986,576	\$ 4,986,576	\$ 4,378,189	\$ 608,387
Materials and services	4,670,390	4,670,390	4,216,983	453,407
Capital outlay	30,753,704	30,203,704	24,809,651	5,394,053
Transfers to other funds	164,000	164,000	164,000	-
Debt service	3,433,190	3,983,190	3,897,856	85,334
Contingency	954,755	954,755	-	954,755
Total expenses	<u>\$ 44,962,615</u>	<u>\$ 44,962,615</u>	<u>\$ 37,466,679</u>	<u>\$ 7,495,936</u>

OTHER FINANCIAL SCHEDULES

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PORT OF MORROW
Schedule of Property Taxes
June 30, 2015

<u>Fiscal Year</u>	<u>Property Tax Receivable 6/30/2014</u>	<u>Current Levy</u>	<u>Cash Collections</u>	<u>Discounts & Adjustments</u>	<u>Property Tax Receivable 6/30/2015</u>
2014-15	\$ -	\$ 143,559	\$ (137,087)	\$ (4,795)	\$ 1,677
2013-14	1,927		(624)	(283)	1,020
2012-13	1,066		(378)	(15)	673
2011-12	654		(330)	(2)	322
2010-11	288		(262)	(2)	24
2009-10	51		(17)	(2)	32
	<u>\$ 3,986</u>	<u>\$ 143,559</u>	<u>\$ (138,698)</u>	<u>\$ (5,099)</u>	<u>\$ 3,748</u>

Cash collections	\$ 138,698
Community service fee/pilot	9,198
Other (interest, etc)	13
	<u>\$ 147,909</u>

Reconciliation to Tax Revenues:

	<u>General Fund</u>
Current Tax Collections	\$ 137,087
Delinquent Tax Collections	1,528
Community Service Fee/PILOT	9,198
Other	96
Total Tax Revenues	<u>\$ 147,909</u>

PORT OF MORROW
Schedule of Future Requirements For Retirement of
Bonded and Long-Term Debt
For the Fiscal Year Ended June 30, 2015

	2015-2016		2016-2017		2017-2018	
	Principal	interest	Principle	interest	Principle	interest
Industrial Development Bonds						
(No-Commitment Debt) :						
Idaho Power Bond Fund	\$ -	\$ 174,400	\$ -	\$ 174,400	\$ -	\$ 174,400
PGE 1998A	-	1,227,200	-	1,227,200	-	1,227,200
Threemile Canyon Farms	-	407,000	-	407,000	-	407,000
Threemile Canyon Farms	-	407,000	-	407,000	-	407,000
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	-	2,234,463	-	2,681,355	-	2,681,355
Kodiak Carbonic 2015	305,000	27,515	420,000	35,597	420,000	32,027
Total no commitment debt	<u>305,000</u>	<u>13,828,096</u>	<u>420,000</u>	<u>14,283,070</u>	<u>420,000</u>	<u>14,279,500</u>
Full Faith & Credit Bond, Series 2014	310,000	282,850	315,000	276,650	320,000	270,350
Full Faith & Credit Bond, Series 2013	415,000	225,150	430,000	216,850	370,000	208,250
Revenue Bond, Series 2013	665,000	276,585	685,000	257,965	700,000	237,072
Revenue Bond, Series 2010	225,000	165,007	235,000	156,082	240,000	145,835
Revenue Bond, Series 2011	450,855	138,458	468,439	120,874	486,708	102,605
Special Public Works Fund #2	69,090	4,145	-	-	-	-
Special Public Works Fund #3	39,141	7,477	41,489	5,128	43,980	2,639
Special Public Works Fund #4	48,181	19,125	48,570	16,837	53,977	14,530
Special Public Works Fund #5	42,159	26,141	44,263	24,038	46,471	21,829
Special Public Works Fund #6	24,834	28,051	26,118	26,767	27,468	25,417
Special Public Works Fund #7	61,987	77,472	64,689	74,770	67,510	71,949
Special Public Works Fund #8	125,413	161,108	129,627	156,894	133,983	152,538
NMHG Financial Services	158,222	14,500	161,342	11,380	163,709	9,013
Enhanced Capital	-	34,504	-	34,504	-	34,504
Enhanced Capital	-	7,813	-	7,813	-	7,813
Total commitment debt	<u>2,634,882</u>	<u>1,468,386</u>	<u>2,649,537</u>	<u>1,386,552</u>	<u>2,653,806</u>	<u>1,304,344</u>
Total debt	<u>\$ 2,939,882</u>	<u>\$ 15,296,482</u>	<u>\$ 3,069,537</u>	<u>\$ 15,669,622</u>	<u>\$ 3,073,806</u>	<u>\$ 15,583,844</u>

2018-2019		2019-2020		All Subsequent Years		Total	
Principle	interest	Principle	interest	Principal	interest	Principal	interest
\$ -	\$ 174,400	\$ -	\$ 174,400	\$ 4,360,000	\$ 1,918,800	\$ 4,360,000	\$ 2,790,800
-	1,227,200	-	1,227,200	23,600,000	20,862,400	23,600,000	26,998,400
-	407,000	-	407,000	10,000,000	1,221,000	10,000,000	3,256,000
-	407,000	-	407,000	10,000,000	1,221,000	10,000,000	3,256,000
-	3,114,195	-	3,114,195	84,740,000	77,854,875	84,740,000	93,425,850
-	6,236,323	-	6,236,323	193,075,000	39,505,680	193,075,000	70,687,295
-	2,681,355	10,690,000	2,492,498	87,100,000	4,577,426	97,790,000	17,348,452
425,000	28,446	460,000	24,807	2,655,000	3,743	4,685,000	152,135
425,000	14,275,919	11,150,000	14,083,423	415,530,000	147,164,924	428,250,000	217,914,932
325,000	263,950	335,000	257,450	6,265,000	2,000,474	7,870,000	3,351,724
385,000	197,150	385,000	185,600	4,255,000	942,600	6,240,000	1,975,600
730,000	213,272	760,000	185,898	3,145,000	525,822	6,685,000	1,696,614
255,000	134,251	265,000	121,244	1,935,000	366,510	3,155,000	1,088,929
505,690	83,624	525,411	63,902	1,113,096	86,023	3,550,199	595,486
-	-	-	-	-	-	69,090	4,145
-	-	-	-	-	-	124,610	15,244
54,412	11,911	59,874	9,245	126,232	9,606	391,246	81,254
48,790	19,510	51,225	17,075	290,964	44,387	523,872	152,980
28,888	23,997	30,382	22,503	404,882	123,748	542,572	250,483
70,453	69,006	73,525	65,934	1,438,726	513,703	1,776,890	872,834
138,485	148,036	143,138	143,383	4,124,222	1,606,170	4,794,868	2,368,129
-	-	-	-	-	-	483,273	34,893
-	34,504	-	34,504	3,131,000	450,236	3,131,000	622,756
-	7,813	-	7,813	709,000	101,784	709,000	140,849
2,541,718	1,207,024	2,628,555	1,114,551	26,938,122	6,771,063	40,046,620	13,251,920
<u>\$ 2,966,718</u>	<u>\$ 15,482,943</u>	<u>\$ 13,778,555</u>	<u>\$ 15,197,974</u>	<u>\$ 442,468,122</u>	<u>\$ 153,935,987</u>	<u>\$ 468,296,620</u>	<u>\$ 231,166,852</u>

PORT OF MORROW
Schedule of insurance Coverage
For the Fiscal Year Ended June 30, 2015

	<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 - \$ 100 Deductible - Comprehensive \$ 500 Deductible - Collision	30P16391-202	12/31/2015	\$ 5,000,000
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	30P16391-202	12/31/2015	\$ 63,092,112
Boiler and Machinery			
Special Districts insurance Services \$ 1,000 Deductible	30P16391-202	12/31/2015	\$ 50,000,000
Crime Coverage			
Special Districts insurance Services	30P16391-202	12/31/2015	\$ 1,000,000
Workers' Compensation			
Special Districts insurance Services	29W16391-83	6/30/2015	\$ 3,000,000
Erisa Bond			
Old Republic Surety Company	W180013325	7/25/2015	\$ 350,000
Group insurance			
Regence BlueCross BlueShield	68000661	5/31/2016	Health
MODA Health	G0020636	5/31/2016	Dental

**INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS**

**Independent Auditor's 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, 2015, and have issued our report thereon dated October 12, 2015. 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 Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port of Morrow's internal control over financial reporting to determine the audit procedures that are appropriate in the 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 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.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By 
H. Brent Lewis, CPA
Owner/Member

La Grande, OR
October 12, 2015

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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, 2015

<u>Program Title</u>	<u>Grant I.D. No.</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>			
Airport Improvement Program	3-41-0090-006	20.106	\$ 15,435
Airport Improvement Program	3-41-0090-007-2013	20.106	320,858
<u>U.S. Department of Defense:</u>			
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	HQ0051410042	12.607	236,909
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	HQ0051310110	12.607	222,593
<u>U.S. General Service Administration:</u>			
Donation of Federal Surplus Personal Property		39.003	10,893
Total Expenditures of Federal Awards			<u>\$ 806,688</u>

(The accompanying notes are an integral part of the schedule of expenditures of federal awards)

Port of Morrow
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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 Port of Morrow, it is not intended to and does not present either the financial position, results of operations, or changes in fund balances of Port of Morrow.

Note B - Significant Accounting Policies:

Reporting Entity

The reporting entity is fully described in Note 1 to Port of Morrow's basic financial statements. The Schedule includes all federal programs administered by Port of Morrow for the year ended June 30, 2015.

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133.

Federal Financial Assistance

Pursuant to the Single Audit Act and OMB Circular A-133, 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 OMB Circular A-133 establish criteria to be used in defining major programs. Major programs for 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 OMB Circular A-133. 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 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.

Insurance Coverage

For the fiscal year ended June 30, 2015, the Port had insurance coverage in effect comparable to other entities of similar size and circumstance.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
CERTIFIED PUBLIC ACCOUNTANTS
1121 ADAMS AVENUE • P.O. BOX 1024
LA GRANDE, OREGON 97850-1024

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

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, 2015, and the related notes to the financial statements, which collectively comprise Port of Morrow's basic financial statements, and have issued our report thereon October 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Port of Morrow's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By H. Brent Lewis CPA
H. Brent Lewis, CPA
Owner/Member

La Grande, OR
October 12, 2015

**Independent Auditor's Report on Compliance For Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Port of Morrow's compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Port of Morrow's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Port of Morrow's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Port of Morrow's compliance.

Opinion on Each Major Federal Program

In our opinion, Port of Morrow complied, in all material respects, with the 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, 2015.

Report on Internal Control Over Compliance

Management of Port of Morrow is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Port of Morrow's internal control over compliance with the types of

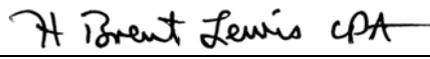
requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Port of Morrow's 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By 
H. Brent Lewis, CPA
Owner/Member

La Grande, OR
October 12, 2015

PORT OF MORROW
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

A. Summary of Audit Results

	Results
Financial Statements Audit	
1. Type of auditor's report issued	Unqualified
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 programs:</u>	
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation - CFDA 12.607	Unqualified
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 section 510(a) of OMB Circular A-133?	
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 \$10,000 for a type of compliance requirement for a major program?	No
Known questioned costs which are greater than \$10,000 for a federal program which is not audited as a major program?	No
4. The threshold for distinguishing Types A and B programs	\$ 300,000
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.

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, 2015

None noted as a result of our audit procedures.