

# Port of Morrow Annual Financial Report

Fiscal Year ended June 30, 2017



P. O. Box 200  
Boardman , Oregon 97818  
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## **INTRODUCTORY SECTION**

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**PORT OF MORROW  
Commissioners**

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<b>Name</b>	<b>Position</b>	<b>Term Expires</b>
Jerry Healy	President	June 30, 2021
Rick Stokoe	Vice President	June 30, 2021
Larry Lindsay	Secretary/Treasurer	June 30, 2019
Joe Taylor	Commissioner	June 30, 2021
Marvin Padberg	Commissioner	June 30, 2019

**Other Personnel**

Gary D. Neal	General Manager
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All Commissioners can receive mail at the following address:

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

**Registered Agent**

Sam Tucker, Attorney  
Milton Freewater, OR 97862

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## **FINANCIAL SECTION**

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

**Independent Auditors' Report**

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

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, 2017, 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. 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, 2017, 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 is the responsibility of management and was derived from, and, relate directly to, the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### **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 individual fund financial statements and other financial schedules 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 and other financial schedules 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.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 8, 2017, 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   
\_\_\_\_\_  
Michael R. Poe, CPA  
Owner/Member

La Grande, OR  
November 8, 2017

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

## PORT OF MORROW

### Management's Discussion and Analysis

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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, 2017. Please read it in conjunction with the Port's financial statements, which follow this section.

#### **Overview of the Financial Statements:**

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

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

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

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

**Business-type activities** – The Port's freshwater, discharge water, east beach utility, freezer warehouse, site development 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**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 630,844	\$ 813,999	\$13,927,849	\$24,637,082	\$14,558,693	\$25,451,081
Capital assets	398,002	303,198	124,345,416	100,567,344	124,743,418	100,870,542
Total assets	<u>1,028,846</u>	<u>1,117,197</u>	<u>138,273,265</u>	<u>125,204,426</u>	<u>139,302,111</u>	<u>126,321,623</u>
Deferred outflows of resources	-	-	91,762	140,215	91,762	140,215
Long-term liabilities outstanding	-	-	57,942,478	51,187,457	57,942,478	51,187,457
Other liabilities	49,782	59,640	4,502,544	6,228,159	4,552,326	6,287,799
Total liabilities	<u>49,782</u>	<u>59,640</u>	<u>62,445,022</u>	<u>57,415,616</u>	<u>62,494,804</u>	<u>57,475,256</u>
Deferred inflows of resources	-	-	-	-	-	-
Net position:						
Net investment in capital assets	398,002	303,198	64,418,264	49,037,844	64,816,266	49,341,042
Restricted	-	-	913,989	10,354,464	913,989	10,354,464
Unrestricted	581,062	754,359	10,587,752	8,536,717	11,168,814	9,291,076
Total net position	<u>\$ 979,064</u>	<u>\$ 1,057,557</u>	<u>\$75,920,005</u>	<u>\$67,929,025</u>	<u>\$76,899,069</u>	<u>\$68,986,582</u>

The Port's total net position remained stable with an eleven percent increase.

**Table 2**  
**Changes in Net Position**

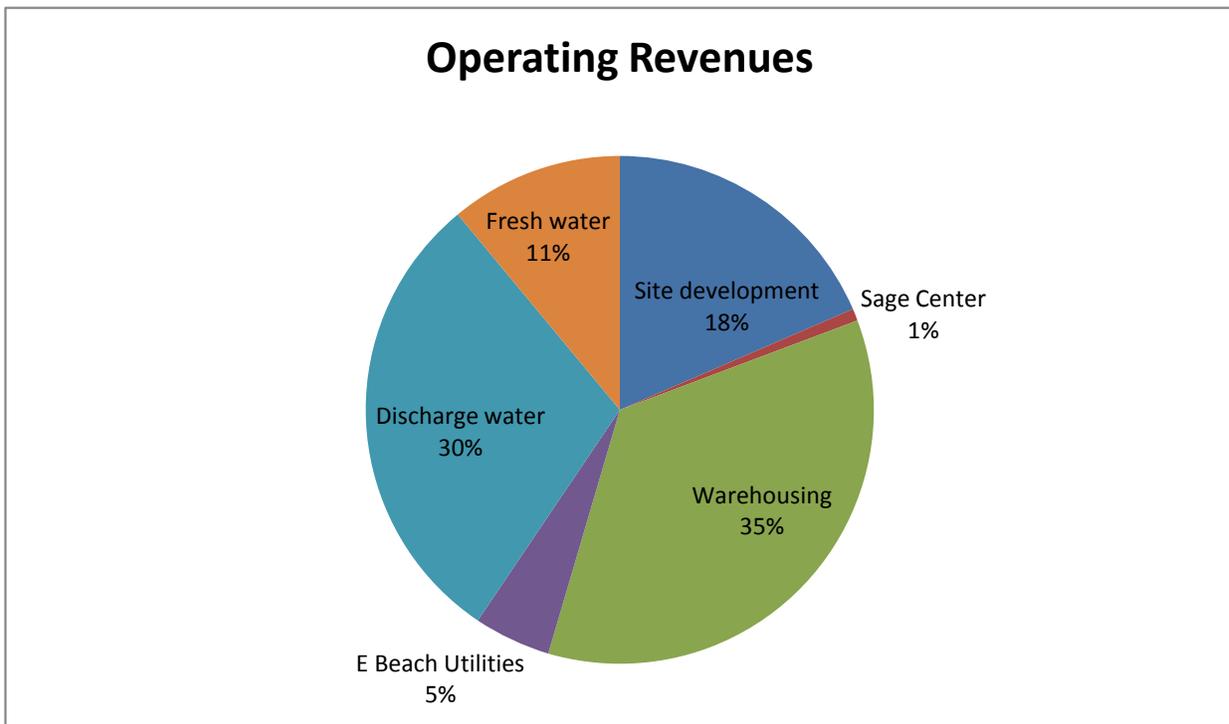
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues:						
General governmental revenues	\$ 590,636	\$ 660,478	\$ -	\$ -	\$ 590,636	\$ 660,478
Operating revenues						
Site Development	-	-	3,813,595	4,068,346	3,813,595	4,068,346
Sage Center	-	-	160,044	178,789	160,044	178,789
Warehousing	-	-	7,276,570	4,137,497	7,276,570	4,137,497
E. Beach Utilities	-	-	1,008,174	883,469	1,008,174	883,469
Discharge Water	-	-	6,094,151	6,207,432	6,094,151	6,207,432
Freshwater	-	-	2,271,328	2,537,861	2,271,328	2,537,861
NonOperating revenues						
Interest Income	4,386	5,733	93,823	80,165	98,209	85,898
Gain (loss) on sale of assets	-	-	2,391,206	75,162	2,391,206	75,162
Total revenues	<u>595,022</u>	<u>666,211</u>	<u>23,108,891</u>	<u>18,168,721</u>	<u>23,703,913</u>	<u>18,834,932</u>

**PORT OF MORROW**  
**Management's Discussion and Analysis**

**Table 2 (continued)**  
**Changes in Net Position**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Expenses:						
Management and administration	719,947	741,068	-	-	719,947	741,068
Operating expense	-	-	18,657,527	17,034,996	18,657,527	17,034,996
Nonoperating expenses	-	-	-	934,812	-	934,812
<b>Total expenses</b>	<b>719,947</b>	<b>741,068</b>	<b>18,657,527</b>	<b>17,969,808</b>	<b>19,377,474</b>	<b>18,710,876</b>
Increase (decrease) in net position before transfers	(124,925)	(74,857)	4,451,364	198,913	4,326,439	124,056
Valuation adjustment	-	-	-	-	-	-
Grant income and contributions	9,432	15,568	3,576,616	1,742,304	3,586,048	1,757,872
Transfers	37,000	(6,000)	(37,000)	6,000	-	-
<b>Increase (decrease) in net position</b>	<b>(78,493)</b>	<b>(65,289)</b>	<b>7,990,980</b>	<b>1,947,217</b>	<b>7,912,487</b>	<b>1,881,928</b>
Net position-beginning	1,057,557	1,122,846	67,929,025	65,981,808	68,986,582	67,104,654
Prior period adjustment due to accounting principal change	-	-	-	-	-	-
<b>Net position-ending</b>	<b>\$ 979,064</b>	<b>\$ 1,057,557</b>	<b>\$75,920,005</b>	<b>\$67,929,025</b>	<b>\$76,899,069</b>	<b>\$68,986,582</b>

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

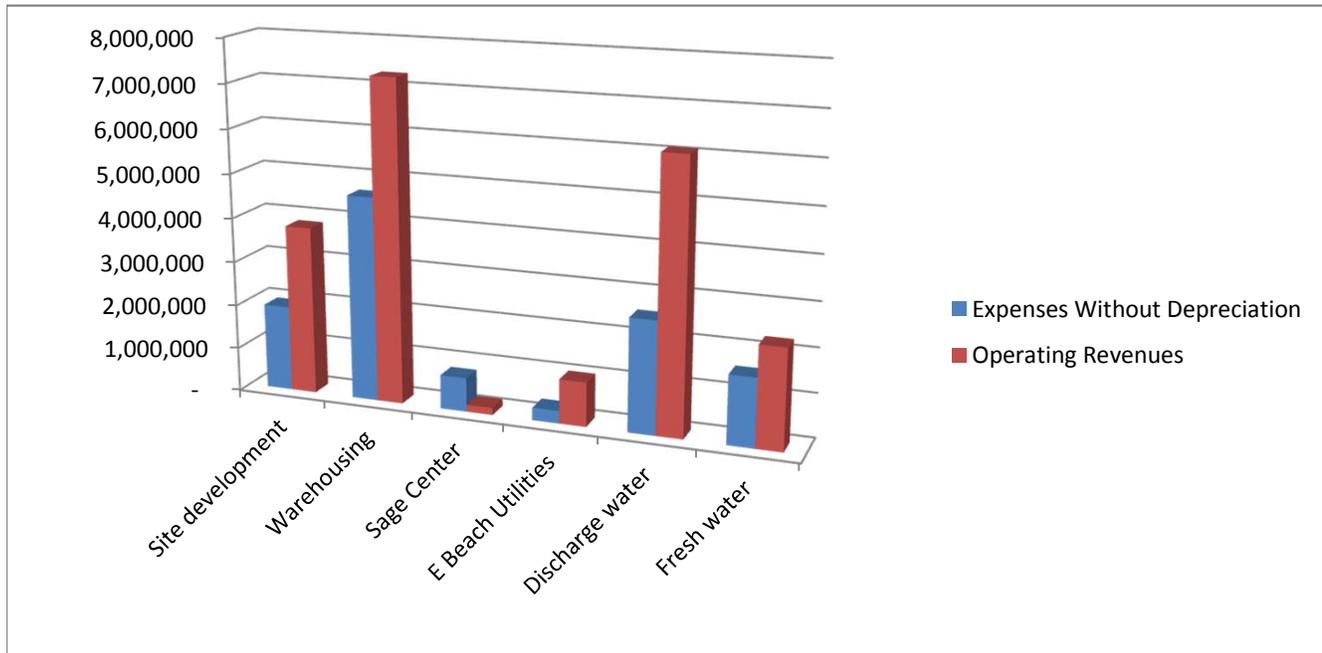


## PORT OF MORROW Management's Discussion and Analysis

In September 2016, the expansion of the freezer warehouse was completed approximately doubling capacity. The warehouse segment currently employs 58.

Water usage by existing Port tenants have resulted in an increase in water volumes in recent years. Currently, a utility improvement project is under construction to increase capacity. A loan of \$12.6 million was entered into to fund the majority of the project. It should be completed in the next year. Port requested major tenants to curtail water usage during the construction timeframe.

Depreciation accounts for 31% 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 planned \$13 million expansion, doubling the 137,500 square foot freezer warehouse facility. This was financed by a bond issue. The expansion was substantially complete and began use in mid September 2016. Project cost for the year was \$7.65 million.

The Port is extending its wastewater distribution system and has obtained \$12.6 million in financing to extend process water lines. As of June 30, the Port had drawn \$11.35 million on the loan. Project cost for the year was \$13.5 million.

At June 30, the early learning center was under construction. Project cost for the fiscal year totaled \$1.36 million. It was finished and dedicated in August. The Port made three land purchases for a total of \$4.2 million.

### Debt

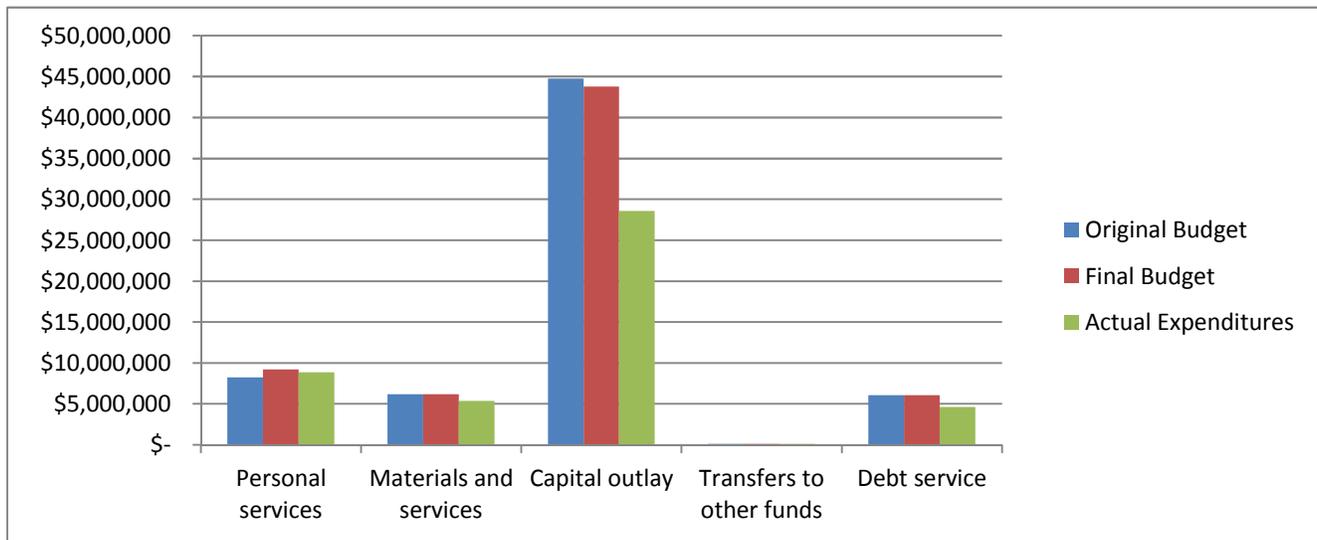
The Port obtained a loan from the Special Public Works Fund for \$12.6 million. At June 30, draws on the loan totaled \$11.35 million. Interest payments are due annually until the project is finished, subsequently principle and interest are due annually. See note 8 for additional details regarding the Port's long-term debt.

## PORT OF MORROW Management's Discussion and Analysis

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### Budgetary

The Port's budget for the year ended June 30, 2017 was adopted by the Port Commission in June 2016. The Port transferred \$1,000,000 in appropriations by resolution in June 2016. 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, 2017**

<b>Assets:</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Current assets:</b>			
Petty cash	\$ 200	\$ 850	\$ 1,050
Cash in bank	572,025	888,986	1,461,011
Local Government Investment Pool - Unreserved	-	2,594,988	2,594,988
Local Government Investment Pool - Grant Advance	-	86,638	86,638
Total cash and cash equivalents	<u>572,225</u>	<u>3,571,462</u>	<u>4,143,687</u>
Accounts receivable - county treasurer	430	-	430
Accounts receivable	52,663	1,524,375	1,577,038
Allowance for doubtful accounts	-	(48,772)	(48,772)
Grants receivable	-	1,467,536	1,467,536
Deposits and prepaid expenses	-	185,793	185,793
Inventory	-	8,869	8,869
Property taxes receivable	5,526	-	5,526
Total current assets	<u>630,844</u>	<u>6,709,263</u>	<u>7,340,107</u>
<b>Noncurrent assets:</b>			
Deposits with trustee	-	913,989	913,989
Loan receivable	-	5,561,644	5,561,644
Patronage capital credits	-	742,953	742,953
Capital assets (net)	398,002	124,345,416	124,743,418
Total noncurrent assets	<u>398,002</u>	<u>131,564,002</u>	<u>131,962,004</u>
Total assets	<u>1,028,846</u>	<u>138,273,265</u>	<u>139,302,111</u>
<b>Deferred outflows of resources:</b>			
Unearned charges	-	91,762	91,762
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	23,736	981,735	1,005,471
Accrued payroll payable	26,046	887,977	914,023
Accrued interest payable	-	430,263	430,263
Customer deposits	-	5,593	5,593
Unearned revenue	-	147,302	147,302
Bonds payable (net)	-	2,431,708	2,431,708
Notes payable	-	373,388	373,388
Total current liabilities	<u>49,782</u>	<u>5,257,966</u>	<u>5,307,748</u>
<b>Long-term liabilities:</b>			
Bonds payable (net)	-	34,845,483	34,845,483
Notes payable	-	22,276,573	22,276,573
Unearned revenue	-	65,000	65,000
Total long-term liabilities	<u>-</u>	<u>57,187,056</u>	<u>57,187,056</u>
Total liabilities	<u>49,782</u>	<u>62,445,022</u>	<u>62,494,804</u>
<b>Deferred inflows of resources:</b>			
	-	-	-
<b>Net Position:</b>			
Net Investment in capital assets	398,002	64,418,264	64,816,266
Restricted for bond retirement	-	913,989	913,989
Unrestricted	581,062	10,587,752	11,168,814
Total net position	<u>\$ 979,064</u>	<u>\$ 75,920,005</u>	<u>\$ 76,899,069</u>

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

**PORT OF MORROW**  
**Statement of Activities**  
**June 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Management and administration	\$ 658,182	\$ -	\$ -
Depreciation - unallocated	61,765	-	-
Total governmental	<u>719,947</u>	<u>-</u>	<u>-</u>
<b>Business-Type Activities:</b>			
Site development	5,720,117	3,497,077	316,518
Sage Center	771,428	46,889	113,155
Warehousing	4,632,582	7,276,570	-
E Beach Utilities	617,907	1,008,174	-
Discharge water	3,566,544	6,094,151	-
Fresh water	1,596,081	2,271,328	-
Total business-type activities	<u>16,904,659</u>	<u>20,194,189</u>	<u>429,673</u>
Total primary government	<u>\$ 17,624,606</u>	<u>\$ 20,194,189</u>	<u>\$ 429,673</u>

General revenues:

- Property taxes
- Payments in lieu of tax
- Interest income
- Bond handling charges
- Gain (loss) on disposition of assets
- Interest expense
- Trustee Fees

Transfers

Total general revenues, transfers, and special items

Change in net position

Net position-beginning

Net position-ending

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

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ 9,432	\$ (648,748)	\$ -	\$ (648,748)
-	(61,765)	-	(61,765)
<u>9,432</u>	<u>(710,513)</u>	<u>-</u>	<u>(710,513)</u>
3,576,616	-	1,670,094	1,670,094
-	-	(611,384)	(611,384)
-	-	2,643,988	2,643,988
-	-	390,267	390,267
-	-	2,527,607	2,527,607
-	-	675,247	675,247
<u>3,576,616</u>	<u>-</u>	<u>7,295,819</u>	<u>7,295,819</u>
<u>\$ 3,586,048</u>	<u>(710,513)</u>	<u>7,295,819</u>	<u>6,585,306</u>
	177,944	-	177,944
	6,349	-	6,349
	4,386	93,823	98,209
	409,975	-	409,975
	(3,634)	2,391,206	2,387,572
	-	(1,748,633)	(1,748,633)
	-	(4,235)	(4,235)
	37,000	(37,000)	-
	<u>632,020</u>	<u>695,161</u>	<u>1,327,181</u>
	(78,493)	7,990,980	7,912,487
	<u>1,057,557</u>	<u>67,929,025</u>	<u>68,986,582</u>
	<u>\$ 979,064</u>	<u>\$ 75,920,005</u>	<u>\$ 76,899,069</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, 2017**

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	<b>General Fund</b>
<b>Assets:</b>	
Petty cash	\$ 200
Cash in bank	572,025
Total cash and cash equivalents	572,225
Accounts receivable - county treasurer	430
Accounts receivable	52,663
Property taxes receivable	5,526
Total assets	630,844
<b>Deferred outflows of resources:</b>	
	-
Total assets and deferred outflows of resources	\$ 630,844
<b>Liabilities:</b>	
Accounts payable	\$ 23,736
Accrued payroll payable	26,046
Total liabilities	49,782
<b>Deferred inflows of resources:</b>	
Unavailable property tax revenue	5,526
<b>Fund Balances:</b>	
Unassigned	575,536
Total liabilities, deferred inflows of resources and fund balance	\$ 630,844

*(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, 2017**

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**Total fund balances for governmental funds** \$ 575,536

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	\$ 839,302	
Accumulated Depreciation	<u>(441,300)</u>	
		398,002

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.

5,526

**Total net position of governmental activities** **\$ 979,064**

*(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, 2017**

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	<b>General Fund</b>
<b>Revenues:</b>	
Taxes:	
Property taxes	\$ 176,538
Payments in lieu of tax	6,349
Miscellaneous:	
Interest income	4,386
Bond handling charges	409,975
Total revenues	597,248
<b>Expenditures:</b>	
Current:	
Management and administration	658,182
Capital outlay	160,203
Total expenditures	818,385
Excess of revenues over (under) expenditures	(221,137)
<b>Other Financing Sources (Uses):</b>	
Grant Revenue	9,432
Transfers (to) from other funds	37,000
Change in fund balance	(174,705)
Fund balance, beginning of year	750,241
Fund balance, end of year	\$ 575,536

*(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, 2017**

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**Net change in fund balances - total governmental funds** \$ (174,705)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$160,203) exceeded depreciation (\$61,765) and loss on disposals (\$3,634) in the current period. 94,804

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 increased (5,526 - 4,118) during the current period. 1,408

**Change in net position of governmental activities** \$ (78,493)

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

**PORT OF MORROW**  
**Statement of Fund Net Position**  
**June 30, 2017**

	<b>Business-Type Activities</b>
<b>Assets:</b>	
Current assets:	
Petty cash	\$ 850
Cash in bank	888,986
Local government investment pool	2,681,626
Total cash and cash equivalents	3,571,462
Accounts receivable	1,524,375
Allowance for doubtful accounts	(48,772)
Grants receivable	1,467,536
Deposits and prepaid expenses	185,793
Inventory	8,869
Total current assets	6,709,263
Noncurrent assets:	
Deposits with trustee	913,989
Loan receivable	5,561,644
Patronage capital credits	742,953
Capital assets:	
Assets held for sale	500,000
Property and equipment	174,853,980
Less: accumulated depreciation	(51,008,564)
Total capital assets, net of depreciation	124,345,416
Total noncurrent assets	131,564,002
Total assets	138,273,265
<b>Deferred outflows of resources:</b>	
Unearned charges	91,762
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	981,735
Accrued payroll payable	887,977
Accrued interest payable	430,263
Customer deposits	5,593
Unearned revenue	147,302
Bonds payable (net)	1,676,286
Notes payable	373,388
Total current liabilities	4,502,544
Long-term liabilities:	
Bonds payable (net)	35,600,905
Notes payable	22,276,573
Unearned revenue	65,000
Total long-term liabilities	57,942,478
Total liabilities	62,445,022
<b>Deferred inflows of resources:</b>	
	-
<b>Net Position:</b>	
Net Investment in capital assets	64,418,264
Restricted for bond retirement	913,989
Unrestricted	10,587,752
Total net position	\$ 75,920,005

*(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, 2017**

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<b>Operating Revenues</b>	
Discharge water segment	\$ 6,094,151
Site development segment	3,813,595
Fresh water segment	2,271,328
Sage center	160,044
Warehousing segment	7,276,570
East beach utility	1,008,174
Total operating revenues	<u>20,623,862</u>
<b>Operating Expenses:</b>	
Labor	7,480,212
Contract	620,823
Utilities	1,165,148
Insurance	244,193
Repairs	642,235
Fuel and oil	145,894
Testing and permits	371,916
Legal fees	169,843
Property taxes / Lease Expense	236,714
Supplies	411,433
Marketing	139,816
LRA Activities	97,415
Depreciation	5,160,122
Community projects	18,895
Total operating expenses	<u>16,904,659</u>
Operating income (loss)	<u>3,719,203</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	93,823
Gain (loss) on sale of assets	2,391,206
Transfers (to) from other funds	(37,000)
Interest expense	(1,748,633)
Trustee fees	(4,235)
Total non-operating revenues (expenses)	<u>695,161</u>
<b>Special Items:</b>	
Grant income	<u>3,576,616</u>
Change in net position	7,990,980
Net position, beginning on year	<u>67,929,025</u>
Net position, end of year	<u><u>\$ 75,920,005</u></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, 2017**

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**Cash Flows From Operating Activities:**

Cash received from customers	\$ 19,468,125
Cash payments to supplies for goods and services	(3,399,206)
Cash payments for personal services	<u>(7,400,254)</u>
Net cash provided by operating activities	<u>8,668,665</u>

**Cash Flows From Non Capital Financing Activities:**

Cash payments for quasi-external operating transactions	<u>(37,000)</u>
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**Cash Flows From Capital and Related Financing Activities:**

Principal paid on revenue bond maturities, loans, and contracts	(2,524,603)
Proceeds from bonds and loans	11,352,375
Interest paid on bonds and loans	(1,686,713)
Interest income on bond reserves	7,386
Capital related trustee fees on bonds	(4,235)
Acquisition and construction of capital assets	(31,081,949)
Restricted for capital projects	8,179,382
Restricted for debt service	879,425
Receipts from sale of capital assets	3,391,037
Capital grants received	<u>78,578</u>
Net cash used by capital and related financing activities	<u>(11,409,317)</u>

**Cash Flows From Investing Activities:**

Interest on investments	86,437
Receipts on loans receivable	5,850
Pass through contributions to subrecipients	<u>(2,010,000)</u>
Net cash used in investing activities	<u>(1,917,713)</u>

Net increase (decrease) in cash	(4,695,365)
Cash and cash equivalents at July 1, 2016	<u>8,266,827</u>
Cash and cash equivalents at June 30, 2017	<u>\$ 3,571,462</u>

*continued on next page*

**PORT OF MORROW**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2017**

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

Operating income	\$ 3,719,203
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	5,160,122
Internal service revenue charged to capital assets	(567,378)
Net increase in trade accounts and notes receivable	(3,277)
Decrease in prepaid expense	10,641
Increase in patronage capital credits	(38,339)
Decrease in trade accounts payable	309,191
Decrease in customer deposits	(1,457)
Increase in accrued payroll	79,959
Total adjustments	4,949,462
Net cash provided by operating activities	\$ 8,668,665

**Summary of Cash and Cash Equivalents:**

	<b>June 30, 2017</b>
Petty cash	\$ 850
Cash in Bank	888,986
Local government investment pool	2,681,626
Total cash and cash equivalents	\$ 3,571,462

*(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**

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**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 Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*.

**Basis of Presentation, Basis of Accounting**

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

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

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

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

**Measurement Focus, Basis of Accounting**

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Port considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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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, 2017 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 uncollectables is not considered necessary or recorded.

Accounts receivable is partly composed of amounts due Port of Morrow at June 30, 2017 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which arises under the accrual and modified accrual basis of

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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accounting that qualify for reporting in this category. Accordingly, the item, grants paid in advance, is reported in the governmental activities statement of net position and the governmental funds balance sheet. The governmental funds also report unavailable property tax revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Property Tax Calendar**

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

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

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

**Inventory and Prepaid Items**

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

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

**Capital Assets**

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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, 2017, \$1,966,964 of interest was incurred, of which \$218,331 was capitalized.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Compensated Absences**

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

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

Years of employment begin with the date of hire.

Sick leave is provided to all employees. Sick leave is accumulated at the rate of one hour per 30 regular hours worked, up until a maximum of 52 hours earned per year. Sick leave can be used as soon as it is accumulated. Sick leave is not paid out upon termination.

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 or resources related to those assets, with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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

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

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

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

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

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 is not 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.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**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, 2017:

Petty Cash	\$ 1,050
Deposits with financial institutions	1,461,011
Deposits with trustee	913,989
Local Government Investment Pool	<u>2,681,626</u>
	<u>\$ 5,057,676</u>

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

Cash and cash equivalents	\$ 4,143,687
Deposits with trustee	<u>913,989</u>
	<u>\$ 5,057,676</u>

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

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

**Deposits**

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$2,031,458 at June 30, 2017. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

**Custodial Credit Risk - Deposits**

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

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

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Investments**

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

**Credit Risk - Investments**

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

**Custodial Credit Risk - Investments**

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

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

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

**Concentration Risk**

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Concentration % of Portfolio</u>	<u>Actual Amount</u>
Local Government Investment Pool	Avg 6-18 months	100%	<u>\$ 2,681,626</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 \$5,526, which are all past due and accruing interest.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

**Note 5 - Capital Assets:**

Capital asset activity for the twelve months ended June 30, 2017, was as follows:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 36,750	\$ -	\$ -	\$ 36,750
Capital assets being depreciated:				
Buildings	186,828		-	186,828
Equipment & furniture	559,939	160,203	(104,419)	615,723
Total capital assets being depreciated	703,826	160,203	(104,419)	802,551
Less: accumulated depreciation:				
Buildings	(100,372)	(769)	-	(101,141)
Equipment & furniture	(379,947)	(60,996)	100,785	(340,158)
Total accumulated depreciation	(480,319)	(61,765)	100,785	(441,299)
Net capital assets being depreciated	223,507	98,438	(3,634)	361,252
Net capital assets - Governmental Activities	<u>\$ 260,257</u>	<u>\$ 98,438</u>	<u>\$ (3,634)</u>	<u>\$ 398,002</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,113,018	\$ 4,242,209	\$ (999,831)	\$ 10,355,058
Construction in progress	5,345,836	10,012,519		15,358,355
Assets held for sale	500,000	-		500,000
Total capital assets not being depreciated	10,958,854	14,254,728	(999,831)	26,213,413
Capital assets being depreciated:				
Buildings & land improvements	91,072,235	12,750,767	-	103,823,002
Equipment & furniture	44,418,221	932,868	(33,523)	45,317,566
Total capital assets being depreciated	135,490,456	13,683,635	(33,523)	149,140,568
Less: accumulated depreciation:				
Buildings	(25,839,700)	(3,971,858)	-	(29,811,558)
Equipment & furniture	(20,042,266)	(1,188,264)	33,523	(21,197,007)
Total accumulated depreciation	(45,881,966)	(5,160,122)	33,523	(51,008,565)
Net capital assets being depreciated	89,608,490	8,523,513	-	98,132,003
Net capital assets - Business-type Activities	<u>\$ 100,567,344</u>	<u>\$ 22,778,241</u>	<u>\$ (999,831)</u>	<u>\$ 124,345,416</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Unallocated	<u>\$ 61,765</u>
Business-type activities:	
Discharge Water	\$ 1,011,878
Site Development	3,131,912
Warehousing	645,242
East Beach Utility	330,595
Fresh Water	40,495
Total depreciation expense	<u>\$ 5,160,122</u>

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Note 6 - Accounts Payable:**

The accounts payable balance is partly composed of the following:

Construction in Progress Capital Asset - Roof Toppers, Inc.	\$ 130,118
Trade payable - Umatilla Electric	107,251
Construction in Progress Capital Asset - Perfection Glass	100,854
Construction in Progress Capital Asset - Horizon Construction Systems, Inc.	78,515
Trade payable - City of Boardman	57,891
Construction in Progress Capital Asset - Josh Bray Plumbing LLC	52,800
Construction in Progress Capital Asset - All Wall Contracting, Inc.	50,370
Contingent Liability - DEQ	50,000

The Port has been notified by DEQ of potential penalties for over-applying process water under their land application permit. The Port has plans, an agreement with a land owner, and has obtained financing to extend process water lines to expand their water application area over the next year and a half to alleviate any over application issues and provide excess capacity. They are currently in discussions with DEQ and related consultants regarding these issues. The Port believes it is likely they will be required to pay some amount and while the penalties could be as high as \$340,000, they believe they have sufficient justification to support an estimate of \$50,000.

**Note 7 - Short-Term Debt:**

The Port of Morrow had no short-term debt arrangements for the year ended June 30, 2017.

**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, 2017 are as follows:

	Balance 6/30/2016	Long-term Debt Incurred	Matured & Paid	Amort. Amort.	Called or Defeased	Balance 6/30/2017
Industrial development bonds (no- commitment debt):						
Idaho Power bond fund	\$ 4,360,000	\$ -	\$ -	\$ -	\$ -	\$ 4,360,000
PGE 1998A	23,600,000	-	-	-	-	23,600,000
Threemile Canyon farms 2001A	10,000,000	-	-	-	-	10,000,000
Threemile Canyon farms 2001A	10,000,000	-	-	-	-	10,000,000
Bonneville Power Administration	84,740,000	-	-	-	-	84,740,000
Bonneville Power Administration	193,075,000	-	-	-	-	193,075,000
Bonneville Power Administration	97,790,000	-	-	-	-	97,790,000
Kodiak Carbonic	4,685,000	-	-	-	-	4,685,000
Bonneville Power Administration	-	320,955,000	-	-	-	320,955,000
Bonneville Power Administration	115,085,000	-	-	-	-	115,085,000
Total Industrial Development	<u>543,335,000</u>	<u>320,955,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>864,290,000</u>
Enterprise Notes Payable:						
Special public works #3	85,468	-	41,489	-	-	43,979
Special public works #4	343,065	-	48,570	-	-	294,495
Special public works #5	481,714	-	44,263	-	-	437,451
Special public works #6	517,738	-	26,118	-	-	491,620
Special public works #7	1,714,903	-	64,690	-	-	1,650,213
Special public works #8	4,669,455	-	129,627	-	-	4,539,828
Special public works #9	-	11,352,375	-	-	-	11,352,375
NMHG Financial Services	476,320	-	476,320	-	-	-
Enhanced Capital A	3,131,000	-	-	-	-	3,131,000
Enhanced Capital B	709,000	-	-	-	-	709,000
Total Enterprise Notes Payable	<u>12,128,663</u>	<u>11,352,375</u>	<u>831,077</u>	<u>-</u>	<u>-</u>	<u>22,649,961</u>
Enterprise Port Revenue Bonds:						
2011A Issue	3,099,343	-	468,439	-	-	2,630,904
2013A Issue	6,020,000	-	685,000	-	-	5,335,000
2013FFC Issue	5,825,000	-	430,000	-	-	5,395,000
2014FFC Issue	7,560,000	-	315,000	-	-	7,245,000
2016FFC Issue	14,580,000	-	200,000	-	-	14,380,000
Total Enterprise Port Revenue Bonds	<u>37,084,343</u>	<u>-</u>	<u>2,098,439</u>	<u>-</u>	<u>-</u>	<u>34,985,904</u>
Less: Bond (Discounts) Premiums	2,359,084	-	-	-	-	2,359,084
Amortization of Bond Discounts (Premiums)	(42,592)	-	-	(25,205)	-	(67,797)
Unearned Amount on Refunding	(310,766)	-	-	-	-	(310,766)
Amortization of Unearned Amount	170,552	-	-	48,453	-	219,005
	<u>39,260,621</u>	<u>-</u>	<u>2,098,439</u>	<u>23,248</u>	<u>-</u>	<u>37,185,430</u>
<b>Total</b>	<u><b>\$ 594,724,284</b></u>	<u><b>\$ 332,307,375</b></u>	<u><b>\$ 2,929,516</b></u>	<u><b>\$ 23,248</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 924,125,391</b></u>

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**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 \$56,542,782 at June 30, 2017. 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 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. \$ 2,630,904

The proceeds of these bonds were used to defease Port of Morrow Revenue Bond Series 2001A.

- 2) 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. \$ 5,335,000

The proceeds of these bonds were used to defease Port of Morrow Revenue Bond Series 2007.

- 3) 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. \$ 5,395,000

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.

- 4) 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. \$ 7,245,000

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

- 5) Series 2016 (issued 5-17-16, original issue of \$14,580,000) interest at various rates (2 - 4%), due serially to 6-01-2037. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service. \$ 14,380,000

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

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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Refunding Savings Summary:

PV of savings from cash flow @1.6746905%	\$	836,601
Less: Prior funds on hand		(293,000)
Plus: Refunding funds on hand		(181)
Net PV Savings		\$ 543,420

**Installment Notes Payable:**

- |  |   |
|--|---|
| <p>1) Special Public Works Fund Loan (originated 7-31-97 at \$534,700) interest at 6%, payable annually on December 1 through fiscal 2013. Unsecured.</p> <p style="margin-left: 20px;">This loan was used to fund the construction of a steam line in the Port industrial area.</p>       | <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 43,979</p>     |
| <p>2) 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.</p> <p style="margin-left: 20px;">This loan financed a new crane.</p>  | <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 294,495</p>    |
| <p>3) 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.</p> <p style="margin-left: 20px;">This loan financed a wastewater pretreatment facility.</p>                                      | <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 437,451</p>    |
| <p>4) 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.</p> <p style="margin-left: 20px;">This loan was used to finance part of the East Beach Industrial Park railroad spur addition.</p> | <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 491,620</p>    |
| <p>5) Special Public Works Fund Loan (originated 6-8-07) interest at 4.36%, payable annually on December 1 through fiscal 2029. Unsecured.</p> <p style="margin-left: 20px;">This loan is being used to finance part of the East Beach Industrial Park utility improvements.</p>           | <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,650,213</p>  |
| <p>6) Special Public Works Fund Loan (originated 3-12-14) interest at 3.36%, payable annually on December 1 through fiscal 2039. Unsecured.</p> <p style="margin-left: 20px;">This loan financed a wastewater pretreatment facility.</p>   | <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 4,539,828</p>  |
| <p>7) Special Public Works Fund Loan (originated 4-13-16) Interest at 3.41%, payable annually on December 1 through fiscal 2042. Unsecured.</p> <p style="margin-left: 20px;">This loan financed wastewater pipelines and pond.</p>  | <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 11,352,375</p> |
| <p>8) 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.</p>   | <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,131,000</p>  |

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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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.

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

\$ 709,000

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

**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.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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

\$ 84,740,000

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

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

\$ 193,075,000

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

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

\$ 97,790,000

**Kodiak Carbonic, LLC Series 2015** (issued September 29, 2015) interest is variable at the LIBOR Index Rate, and paid monthly. Principal is due in full in 2020.

\$ 4,685,000

This issue was used for constructing a facility to process raw carbon dioxide gas currently vented as a waste product by Pacific Ethanol Inc. east of Boardman, Oregon.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Bonneville Power Administration Series 2016** (issued January 29, 2016) 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.

\$ 115,085,000

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

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

\$ 320,955,000

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

Additionally, the Port had closed five lines of credit conduit financing for Bonneville as of November 8, 2017. 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>
2017-2018	\$ 3,230,096	\$ 3,482,338	\$ 6,712,434
2018-2019	3,709,810	2,389,997	6,099,807
2019-2020	3,808,516	2,286,336	6,094,852
2020-2021	3,733,908	2,167,819	5,901,727
2021-2022	3,861,061	2,040,708	5,901,769
2022-2027	16,138,497	8,217,094	24,355,591
2027-2032	13,714,424	5,379,052	19,093,476
2032-2037	13,477,459	2,289,945	15,767,404
2037-2042	8,168,285	423,340	8,591,625

Interest expense on long-term debt in the amount of \$129,531 was capitalized into the cost of the freezer warehouse and \$88,800 was capitalized into the cost of the pipeline to Madison Farms.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**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 defined contribution plan and the trustee is Empower Retirement. An employee is eligible upon becoming a full-time permanent employee. The Plan provides retirement benefits and covers 87 participants.

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

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

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

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

Total payroll paid during the fiscal year was \$6,464,725 (100%).

Total payroll subject to the pension plan for fiscal year ended June 30, 2017 was \$4,848,472 (75%).

Total employer and employee contributions in fiscal year ended June 30, 2017, were \$439,963 and \$304,233, 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.

**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.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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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, 2017:

2017-2018	\$	380
2018-2019		380
2019-2020		380
2020-2021		380
2021-2022		380
2022-2027		1,900
2027-2032		1,900
2032-2037		1,140
Total minimum payments required		\$ 6,840

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	1,148	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, 2017:

2017-2018	\$	2,558,394
2017-2018		1,833,341
2019-2020		1,579,777
2020-2021		1,559,980
2021-2022		1,526,946
2022-2027		7,227,666
2027-2032		5,945,587
2032-2037		5,327,342
2037-2042		3,132,717
2042-2047		286,733
Total		\$ 30,978,483

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

	Cost	Accum Depr 6/30/2016	Depreciation 16-17	Accum Depr 6/30/2017	Book Value
Industrial Waterfront					
Land/Terminal Equipment	\$ 10,590,426	\$ 5,144,573	\$ 295,104	\$ 5,439,677	\$ 5,150,749
Industrial Land	22,834,342	5,253,889	781,535	6,035,424	16,798,918
Irrigated Farm Land	3,113,615	1,064,969	597	1,065,566	2,048,049
Wastewater Pretreatment Facilities	6,495,126	1,312,019	236,509	1,548,528	4,946,598
Commercial Buildings & Land	691,487	506,905	21,630	528,535	162,952
	\$ 43,724,996	\$ 13,282,355	\$ 1,335,375	\$ 14,617,730	\$ 29,107,266

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Note 13 - Interfund Transactions - Major Funds:**

Transfers between major funds during fiscal year ended June 30, 2017, consisted of the following:

Transfer from Enterprise Fund to General Fund \$117,000

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 - 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 previously donated the use of land to MDC on which a commercial building owned by MDC was located and rented to Barenbrug/Tidewater. In July 2015 MDC sold the building to the Port at a bargain price of \$7,635. A contribution of \$382,005 was recorded to bring the value up to fair market.

Gary Neal, General Manager, serves on the Board of Directors of Windwave Communications, Inc. The Port paid Windwave \$150,697 for utility installation and \$2,100 for internet service. They also leased an outside storage area from the Port for \$2,400, and a building for \$21,600. 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 \$9,594 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 16 - 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, 2017, this customer accounted for \$12,021,962 equaling approximately 60% of Port operating revenues. Port of Morrow has done business with this customer for over twenty years.

**Note 17 - Commitments and Contingencies:**

**City of Boardman Water Use:**

The Port is party to an intergovernmental agreement with the City of Boardman wherein the Port agrees to purchase 648 million gallons of potable water each year from the City. The Port has agreed to pay for the water purchased from the City at the wholesale rate of \$.35 per thousand gallons. This equates to \$226,800 annually.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**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.

**DEQ Contingency**

As further described in Note 6, the Port is contingently liable for a DEQ fine estimated at \$50,000. This liability is expected to be paid in full during the next fiscal year.

**Note 18 - Tax Abatements:**

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

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

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

For the fiscal year ended June 30, 2017, the Port of Morrow allocation of property tax abatements from the Enterprise Zone amounted to \$129,257 and from the Strategic Investment Program amounted to \$24,370.

**Note 19 - Subsequent Events:**

Subsequent events have been evaluated through November 8, 2017.

The Port of Morrow issued bonds in the amount of \$10,940,000 for an expansion at Boardman Foods and in the amount of \$9,315,000 to refinance the 2013 Revenue and Full Faith and Credit bonds.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

**Note 20 - 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.

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

Segment information for the fiscal year ended June 30, 2017 is as follows:

	Fresh Water	Discharge	East Beach Utility	SAGE Center	Site Development	Warehousing	Totals
<b>Assets</b>							
Current Assets	\$ 1,887,495	\$ 1,863,742	\$ 964,967	\$ (155,761)	\$ 773,662	\$ 1,375,188	\$ 6,709,293
Noncurrent Assets	74,295	222,856	74,295	3,175,148	3,634,814	37,148	7,218,556
Capital Assets	642,589	26,446,524	3,565,262	7,590,709	57,467,550	28,632,782	124,345,416
<b>Total Assets</b>	<b>2,604,379</b>	<b>28,533,122</b>	<b>4,604,524</b>	<b>10,610,096</b>	<b>61,876,026</b>	<b>30,045,118</b>	<b>138,273,265</b>
Deferred Outflow of Resources	-	-	-	-	91,762	-	91,762
<b>Liabilities</b>							
Current Liabilities	197,599	898,945	213,590	49,517	2,302,484	840,409	4,502,544
Long-term Liabilities	-	16,709,877	1,582,703	3,840,000	12,445,002	23,364,896	57,942,478
<b>Total Liabilities</b>	<b>197,599</b>	<b>17,608,822</b>	<b>1,796,293</b>	<b>3,889,517</b>	<b>14,747,486</b>	<b>24,205,305</b>	<b>62,445,022</b>
Deferred Inflow of Resources	-	-	-	-	-	-	-
<b>Net Position</b>							
Unrestricted	1,764,191	1,448,718	893,182	2,969,870	2,474,864	1,101,927	10,652,752
Restricted for Capital Project	-	-	-	-	-	-	-
Restricted for Bond Retirement	-	-	-	-	913,989	-	913,989
Net Investment in Capital Assets	642,589	9,475,582	1,915,049	3,750,709	43,831,449	4,737,886	64,353,264
<b>Total Net Position</b>	<b>\$ 2,406,780</b>	<b>\$ 10,924,300</b>	<b>\$ 2,808,231</b>	<b>\$ 6,720,579</b>	<b>\$ 47,220,302</b>	<b>\$ 5,839,813</b>	<b>\$ 75,920,005</b>

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

	Fresh Water	Discharge	East Beach Utility	SAGE Center	Site Development	Warehousing	Totals
<b>Operating Revenues</b>							
Water Usage	\$ 2,175,279	\$ -	\$ 255,042		\$ -	\$ -	\$ 2,430,321
Water Discharge	-	5,870,146	739,717		-	-	6,609,863
Building & Land Leases	-	-	-		3,000,022		3,000,022
Other Operating Revenue	96,049	224,005	13,415	160,044	813,573	7,276,570	8,583,656
<b>Total Operating Revenue</b>	<b>2,271,328</b>	<b>6,094,151</b>	<b>1,008,174</b>	<b>160,044</b>	<b>3,813,595</b>	<b>7,276,570</b>	<b>20,623,862</b>
<b>Operating Expenses</b>							
Labor	510,067	993,843	40,690	433,468	1,580,108	3,922,036	7,480,212
Depreciation	40,495	1,011,878	330,595	315,612	2,696,822	764,720	5,160,122
Other Operating Expenses	1,045,518	1,560,823	246,622	337,960	362,857	710,545	4,264,325
<b>Total Operating Expenses</b>	<b>1,596,080</b>	<b>3,566,544</b>	<b>617,907</b>	<b>1,087,040</b>	<b>4,639,787</b>	<b>5,397,301</b>	<b>16,904,659</b>
<b>Operating Income</b>	<b>675,248</b>	<b>2,527,607</b>	<b>390,267</b>	<b>(926,996)</b>	<b>(826,192)</b>	<b>1,879,269</b>	<b>3,719,203</b>
<b>Nonoperating Revenues</b>	<b>13,566</b>	<b>17,805</b>	<b>848</b>	<b>80,848</b>	<b>2,451,962</b>	<b>-</b>	<b>2,565,029</b>
<b>Nonoperating Expenses</b>							
Interest Expense	-	(199,653)	(71,700)	-	(549,106)	(879,721)	(1,700,180)
Other Nonoperating Expense	(33,930)	(43,501)	(10,530)	-	(80,767)	(960)	(169,688)
<b>Total Nonoperating Income (Expense)</b>	<b>(20,364)</b>	<b>(225,349)</b>	<b>(81,382)</b>	<b>80,848</b>	<b>1,822,089</b>	<b>(880,681)</b>	<b>695,161</b>
<b>Special Items</b>							
Contribution to Others	-	-	-	-	-	-	-
Grant Revenue	-	-	-	-	3,576,616	-	3,576,616
<b>Change in Net Position</b>	<b>654,884</b>	<b>2,302,258</b>	<b>308,885</b>	<b>(846,148)</b>	<b>4,572,513</b>	<b>998,588</b>	<b>7,990,980</b>
Beginning Net Position	2,866,124	11,163,995	2,405,007	6,526,156	38,191,554	6,776,189	67,929,025
Reclassification - Other Segment	(1,114,228)	(2,541,953)	94,339	1,040,571	4,456,235	(1,934,964)	-
<b>Ending Net Position</b>	<b>\$ 2,406,780</b>	<b>\$ 10,924,300</b>	<b>\$ 2,808,231</b>	<b>\$ 6,720,579</b>	<b>\$ 47,220,302</b>	<b>\$ 5,839,813</b>	<b>\$ 75,920,005</b>
<b>Cash Provided By:</b>							
Operating Activities	\$ 718,122	\$ 3,581,726	\$ 719,669	\$ (528,436)	\$ 1,489,302	\$ 2,688,282	\$ 8,668,665
Capital	(106,673)	(3,219,219)	(223,356)	(29,136)	(6,056,121)	(1,811,812)	(11,446,317)
Investing Activities	(986,434)	(1,982,195)	848	1,000,848	49,220	-	(1,917,713)
<b>Beginning Cash &amp; Cash Equivalents</b>	<b>2,146,892</b>	<b>3,035,351</b>	<b>397,145</b>	<b>(607,906)</b>	<b>3,691,363</b>	<b>(396,018)</b>	<b>8,266,827</b>
<b>Ending Cash &amp; Cash Equivalents</b>	<b>\$ 1,771,907</b>	<b>\$ 1,415,663</b>	<b>\$ 894,306</b>	<b>\$ (164,630)</b>	<b>\$ (826,236)</b>	<b>\$ 480,452</b>	<b>\$ 3,571,462</b>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PORT OF MORROW**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes	\$ 160,000	\$ 160,000	\$ 176,538	\$ 16,538
Payments in lieu of taxes	6,400	6,400	6,349	(51)
Interest income	400	400	4,386	3,986
Bond handling charges	554,750	554,750	409,975	(144,775)
Sale of assets	100	100	-	(100)
Miscellaneous	100	100	-	(100)
Total revenues	<u>721,750</u>	<u>721,750</u>	<u>597,248</u>	<u>(124,502)</u>
<b>Expenditures:</b>				
Personal services	597,600	597,600	333,040	264,560
Materials and services	474,000	474,000	325,142	148,858
Capital outlay	170,000	170,000	160,203	9,797
General operating contingency	42,550	42,550	-	42,550
Total expenditures	<u>1,284,150</u>	<u>1,284,150</u>	<u>818,385</u>	<u>465,765</u>
Excess of revenues over (under) expenditures	<u>(562,400)</u>	<u>(562,400)</u>	<u>(221,137)</u>	<u>341,263</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to/from enterprise fund	(283,000)	(283,000)	37,000	(320,000)
Grants	33,400	33,400	9,432	(23,968)
Total other financing sources (uses)	<u>(249,600)</u>	<u>(249,600)</u>	<u>46,432</u>	<u>(343,968)</u>
Change in fund balance	(812,000)	(812,000)	(174,705)	637,295
Fund balance, beginning of year	<u>950,000</u>	<u>950,000</u>	<u>750,241</u>	<u>(199,759)</u>
Fund balance, end of year	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$ 575,536</u>	<u>\$ 437,536</u>

**PORT OF MORROW**  
**General Fund**  
**Statement of Expenditures - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

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	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
<b>Personal Services:</b>			
Payroll	\$ 415,000	\$ 415,000	\$ 236,951
Payroll overhead	182,600	182,600	96,089
Total personal services	<u>597,600</u>	<u>597,600</u>	<u>333,040</u>
<b>Materials and Services:</b>			
Office supplies	30,000	30,000	40,206
Legal	10,000	10,000	9,527
Audit and accounting	40,000	40,000	34,580
Notices and publications	5,000	5,000	1,621
Dues and subscriptions	60,000	60,000	50,906
Insurance and bonds	4,000	4,000	4,000
Utilities	15,000	15,000	11,572
Marketing	100,000	100,000	61,571
Commissioner expenses	35,000	35,000	9,767
Staff travel	40,000	40,000	22,185
Economic development	40,000	40,000	-
Planning/repair & maintenance	80,000	80,000	62,850
Education	15,000	15,000	16,357
Total materials and services	<u>474,000</u>	<u>474,000</u>	<u>325,142</u>
<b>Capital Outlay:</b>			
Equipment	<u>170,000</u>	<u>170,000</u>	<u>160,203</u>
<b>General Operating Contingency</b>			
	<u>42,550</u>	<u>42,550</u>	<u>-</u>
Total expenditures	<u>\$ 1,284,150</u>	<u>\$ 1,284,150</u>	<u>\$ 818,385</u>

**PORT OF MORROW**  
**Notes to Required Supplementary Information**

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**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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>	\$ 21,071,612	\$ 21,071,612	\$ 21,736,526
<b>Expenses</b>	(66,863,655)	(66,863,655)	(47,546,158)
Excess of revenues over (under) expenses	(45,792,043)	(45,792,043)	(25,809,632)
<b>Other Financing Sources (Uses):</b>			
Loan proceeds	12,618,567	12,618,567	11,352,375
Interest income	151,310	151,310	93,823
Transfer from other funds	400,000	400,000	80,000
Sale of assets	11,860,800	11,860,800	2,391,206
Grant income	18,923,244	18,923,244	3,576,616
Total other financing sources (uses)	43,953,921	43,953,921	17,494,020
Excess (deficiency) of revenues and other financing sources over expenses and other uses	(1,838,122)	(1,838,122)	(8,315,612)
<b>Reconciliation to GAAP Basis:</b>			
Loan proceeds	-	-	(11,352,375)
Principal paid on long-term debt	-	-	2,929,516
Depreciation	-	-	(5,160,122)
Amortization	-	-	(48,453)
Fixed assets - capitalized	-	-	28,346,654
Interest capitalized	-	-	218,331
Labor capitalized	-	-	1,373,041
Total reconciliation items	-	-	16,306,592
Change in net position	(1,838,122)	(1,838,122)	7,990,980
Net position, beginning of year	2,020,000	2,020,000	67,929,025
Net position, end of year	\$ 181,878	\$ 181,878	\$ 75,920,005

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Revenues - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>Discharge Water Segment:</b>			
Water discharge	\$ 5,956,690	\$ 5,956,690	\$ 5,870,145
Miscellaneous and reimbursable services	34,000	34,000	135,701
Co-generation fixed fee	50,000	50,000	50,000
Patronage dividend	25,000	25,000	38,305
Total revenues - Discharge Water Segment	<u>6,065,690</u>	<u>6,065,690</u>	<u>6,094,151</u>
<b>Site Development Segment:</b>			
Land leases	1,005,871	1,005,871	822,000
Mining royalties	145,000	145,000	145,605
Building leases	1,788,529	1,788,529	1,718,535
T-3 lease	220,332	220,332	203,656
Rail tariff	112,000	112,000	92,209
Miscellaneous & reimbursements	8,000	8,000	15,304
Operating grant - LRA	500,000	500,000	316,518
Farm lease	268,800	268,800	255,830
Steam revenue	240,000	240,000	222,446
Patronage dividend	8,000	8,000	21,492
Total revenues - Site Development Segment	<u>4,296,532</u>	<u>4,296,532</u>	<u>3,813,595</u>
<b>Fresh Water Segment:</b>			
Water usage	2,500,000	2,500,000	2,175,280
Patronage dividend & miscellaneous	16,100	16,100	21,048
Co-generation fixed fee	75,000	75,000	75,000
Total revenues - Fresh Water Segment	<u>2,591,100</u>	<u>2,591,100</u>	<u>2,271,328</u>
<b>Warehousing</b>			
Warehouse Storage & Handling Revenue	<u>5,834,290</u>	<u>5,834,290</u>	<u>7,276,570</u>
<b>Motor Pool Segment:</b>			
Equipment rents	<u>1,261,000</u>	<u>1,261,000</u>	<u>1,112,664</u>
<b>SAGE Center:</b>			
Admission and facility use	113,000	113,000	42,654
Sponsorships (donations)	70,000	70,000	113,155
Patronage dividend	-	-	4,235
Total revenues - Sage Center	<u>183,000</u>	<u>183,000</u>	<u>160,044</u>
<b>East Beach Utility:</b>			
Utility fees - freshwater	220,000	220,000	255,042
Utility fees - discharge	619,000	619,000	739,717
Miscellaneous & reimbursements	1,000	1,000	-
Patronage dividend	-	-	13,415
Total revenues - East Beach Utility	<u>840,000</u>	<u>840,000</u>	<u>1,008,174</u>
Total revenues - enterprise fund	<u>\$ 21,071,612</u>	<u>\$ 21,071,612</u>	<u>\$ 21,736,526</u>

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Expenses - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2017**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenses:</b>				
Personal services	\$ 8,228,406	\$ 9,228,406	\$ 8,853,253	\$ 375,153
Materials and services	6,167,610	6,167,610	5,376,990	790,620
Capital outlay	44,758,033	43,758,033	28,564,985	15,193,048
Transfers to other funds	117,000	117,000	117,000	-
Debt service	6,047,802	6,047,802	4,633,930	1,413,872
Contingency	1,544,804	1,544,804	-	1,544,804
Total expenses	<u>\$ 66,863,655</u>	<u>\$ 66,863,655</u>	<u>\$ 47,546,158</u>	<u>\$ 19,317,497</u>

## **OTHER FINANCIAL SCHEDULES**

**PORT OF MORROW**  
**Schedule of Future Requirements For Retirement of**  
**Bonded and Long-Term Debt**  
**For the Fiscal Year Ended June 30, 2017**

	2017-2018		2018-2019		2019-2020	
	Principal	Interest	Principal	Interest	Principal	Interest
<b>Industrial Development Bonds</b>						
<b>(No-Commitment Debt) :</b>						
Idaho Power Bond Fund	\$ -	\$ 26,596	\$ -	\$ 26,596	\$ -	\$ 26,596
PGE 1998A	-	1,179,528	-	1,179,528	-	1,179,528
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		2,714,064		2,714,572	10,690,000	2,601,787
Kodiak Carbonic Series 2015	-	58,563	-	58,563	-	58,563
Bonneville Power Administration Series 2016-1		9,371,886		9,371,886		9,371,886
Bonneville Power Administration Series 2016-2	-	1,968,035	-	1,968,523	-	1,969,031
Total no commitment debt	-	25,483,190	-	25,484,186	10,690,000	25,371,909
Full Faith & Credit Bond, Series 2017	425,000	408,006	1,550,000	649,953	1,575,000	615,853
Full Faith & Credit Bond, Series 2016	210,000	660,150	640,000	647,400	655,000	630,250
Full Faith & Credit Bond, Series 2014	320,000	270,350	325,000	263,950	335,000	257,450
Full Faith & Credit Bond, Series 2013	340,000	687,950				
Revenue Bond, Series 2013	1,075,000	591,765				
Revenue Bond, Series 2011	486,708	102,605	505,690	83,624	525,411	63,902
Special Public Works Fund #3	43,979	2,639				
Special Public Works Fund #4	53,977	14,530	54,412	11,912	59,874	9,245
Special Public Works Fund #5	46,471	21,829	48,790	19,510	51,225	17,075
Special Public Works Fund #6	27,468	25,417	28,888	23,997	30,381	22,503
Special Public Works Fund #7	67,510	71,949	70,453	69,006	73,525	65,934
Special Public Works Fund #8	133,983	152,538	138,485	148,036	143,138	143,383
Special Public Works Fund #9		430,293	348,092	430,293	359,962	418,423
Enhanced Capital	-	34,504	-	34,504	-	34,504
Enhanced Capital	-	7,813	-	7,813	-	7,813
Total commitment debt	3,230,096	3,482,338	3,709,810	2,389,997	3,808,516	2,286,336
Total debt	\$ 3,230,096	\$ 28,965,528	\$ 3,709,810	\$ 27,874,183	\$ 14,498,516	\$ 27,658,245

2020-2021		2021-2022		All Subsequent Years		Total	
Principal	Interest	Principle	interest	Principal	Interest	Principal	Interest
\$ -	\$ 26,596	\$ -	\$ 26,596	\$ 4,360,000	\$ 265,960	\$ 4,360,000	\$ 398,940
-	1,179,528	-	1,179,528	23,600,000	18,872,448	23,600,000	24,770,088
-	407,000	-	407,000	10,000,000	814,000	10,000,000	2,849,000
-	407,000	-	407,000	10,000,000	814,000	10,000,000	2,849,000
-	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	33,269,357	193,075,000	64,450,972
20,000,000	2,247,023	-	-	67,100,000	5,966,844	97,790,000	16,244,290
4,685,000	58,563	-	-	-	-	4,685,000	234,252
-	9,371,886	-	9,371,886	320,955,000	131,206,404	320,955,000	178,065,834
57,500,000	1,514,734	-	-	57,585,000	513,082	115,085,000	7,933,405
82,185,000	24,562,848	-	20,742,528	771,415,000	269,576,970	864,290,000	391,221,631
1,420,000	578,053	1,460,000	541,133	13,825,000	3,675,351	20,255,000	6,468,349
680,000	609,100	700,000	581,500	11,495,000	4,447,275	14,380,000	7,575,675
345,000	245,725	360,000	232,787	5,560,000	1,521,962	7,245,000	2,792,224
-	-	-	-	-	-	340,000	687,950
-	-	-	-	-	-	1,075,000	591,765
545,902	43,411	567,193	22,121	-	-	2,630,904	315,663
-	-	-	-	-	-	43,979	2,639
60,357	6,312	65,875	3,294	-	-	294,495	45,292
53,781	14,519	56,465	11,836	180,720	18,032	437,451	102,800
31,953	20,932	33,605	19,280	339,326	83,536	491,621	195,665
76,731	62,728	80,076	59,383	1,281,917	391,592	1,650,213	720,592
147,947	138,574	152,918	133,603	3,823,356	1,324,706	4,539,827	2,040,840
372,237	406,148	384,930	393,455	11,153,346	4,414,333	12,618,567	6,492,945
-	34,504	-	34,504	3,131,000	489,002	3,131,000	661,522
-	7,813	-	7,813	709,000	116,429	709,000	155,494
3,733,908	2,167,819	3,861,061	2,040,708	51,498,665	16,482,218	69,842,057	28,849,415
\$ 85,918,908	\$ 26,730,667	\$ 3,861,061	\$ 22,783,236	\$ 822,913,665	\$ 286,059,188	\$ 934,132,057	\$ 420,071,046

**PORT OF MORROW**  
**Schedule of Insurance Coverage**  
**For the Fiscal Year Ended June 30, 2017**

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	<u>Policy Number</u>	<u>Expiration Date</u>	<u>Amount</u>
<b>Liability</b>			
Special Districts insurance Services General Liability ( single limit ) automobile insurance on various automobiles. Auto physical damage - \$ 100 Deductible - Comprehensive \$ 500 Deductible - Collision	32P16391-202	12/31/2017	\$ 5,000,000
<b>Property</b>			
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	32P16391-202	12/31/2017	\$ 65,508,469
<b>Boiler and Machinery</b>			
Special Districts insurance Services \$ 1,000 Deductible	32P16391-202	12/31/2017	\$ 50,000,000
<b>Crime Coverage</b>			
Special Districts insurance Services	32P16391-202	12/31/2017	\$ 1,000,000
<b>Workers' Compensation</b>			
Special Districts insurance Services	31W16391-83	6/30/2017	\$ 3,000,000
<b>Erisa Bond</b>			
Old Republic Surety Company	W180013325	7/25/2017	\$ 500,000
<b>Group Insurance</b>			
Regence BlueCross BlueShield	68000661	6/30/2017	Health
MODA Health	G0020636	6/30/2017	Dental

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

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

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

We have audited the basic financial statements of Port of Morrow as of and for the year ended June 30, 2017, and have issued our report thereon dated November 8, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**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 Michael R. Poe  
Michael R. Poe, CPA  
Owner/Member

La Grande, OR  
November 8, 2017