

# Port of Morrow Annual Financial Report

# 2018



P.O. Box 200  
Boardman, OR 97818  
541.481.7678

<http://www.portofmorrow.com>

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## **INTRODUCTORY SECTION**

**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
<b>Other Personnel</b>		
Gary D. Neal	General Manager	

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, 2018, 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.

**Auditors' 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 auditors consider 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, 2018, 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.

**Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in the fiscal year ending June 30, 2018, the Port adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASBS No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to these matters.

## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison information, and pension liability 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 and pension liability information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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 which are the responsibility of management, 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 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, 2018, 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

B: 

Michael R. Poe, CPA  
Owner/Member

La Grande, OR  
November 8, 2018

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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, 2018. 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 position 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>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 209,532	\$ 630,844	\$ 22,190,693	\$ 11,917,849	\$ 22,400,225	\$ 12,548,693
Capital assets (net)	339,552	398,002	131,050,371	124,345,416	131,389,923	124,743,418
Total assets	549,084	1,028,846	153,241,064	136,263,265	153,790,148	137,292,111
Deferred outflows of resources	-	-	287,201	91,762	287,201	91,762
Long-term liabilities outstanding	-	-	65,138,449	57,942,478	65,138,449	57,942,478
Other liabilities	88,801	49,782	10,151,207	4,502,544	10,240,008	4,552,326
Total liabilities	88,801	49,782	75,289,656	62,445,022	75,378,457	62,494,804
Deferred inflows of resources	-	-	4,244	-	4,244	-
Net position:						
Net investment in capital assets	339,552	398,002	58,250,107	64,418,264	58,589,659	64,816,266
Restricted	-	-	311,158	913,989	311,158	913,989
Unrestricted	120,731	581,062	19,673,100	8,577,752	19,793,831	9,158,814
Total net position	\$ 460,283	\$ 979,064	\$ 78,234,365	\$ 73,910,005	\$ 78,694,648	\$ 74,889,069

The Port's total net position remained stable with a five percent increase.

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

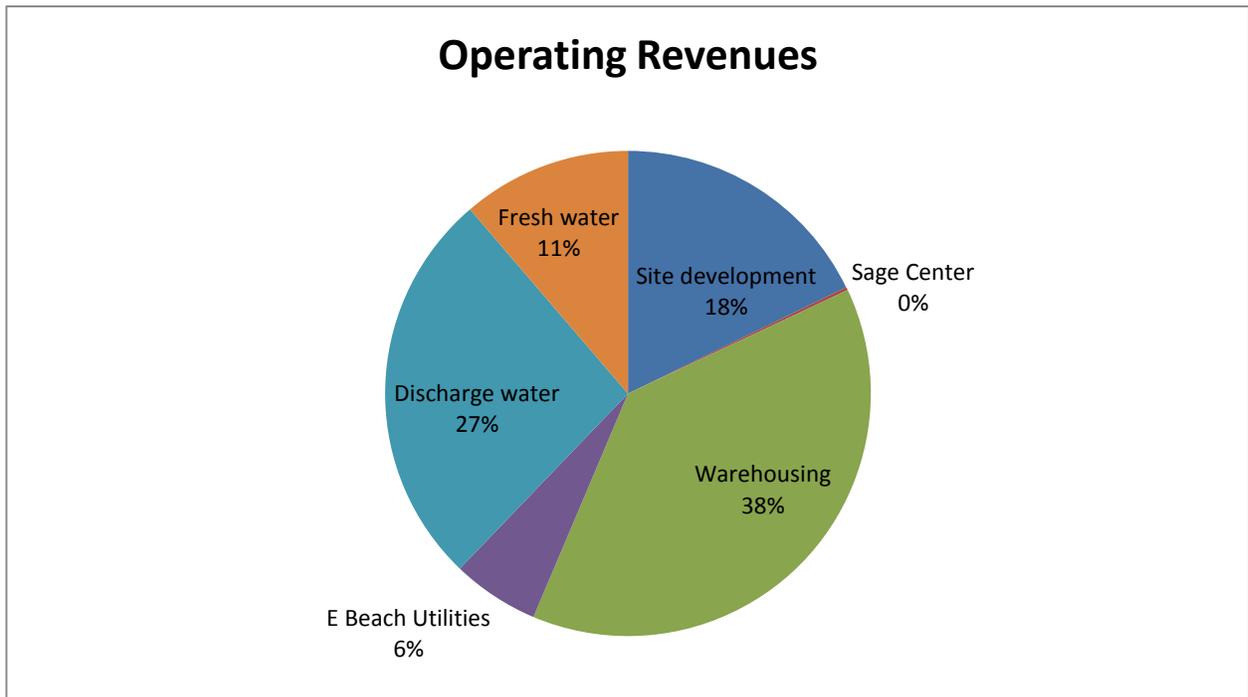
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues:						
General governmental revenues	\$ 414,105	\$ 590,636	\$ -	\$ -	\$ 414,105	\$ 590,636
Operating revenues						
Site Development	-	-	3,944,750	3,813,595	3,944,750	3,813,595
Sage Center	-	-	45,274	160,044	45,274	160,044
Warehousing	-	-	8,511,013	7,276,570	8,511,013	7,276,570
E. Beach Utilities	-	-	1,288,490	1,008,174	1,288,490	1,008,174
Discharge Water	-	-	5,890,506	6,094,151	5,890,506	6,094,151
Freshwater	-	-	2,502,015	2,271,328	2,502,015	2,271,328
NonOperating revenues						
Interest Income	3,467	4,386	532,237	93,823	535,704	98,209
Gain (loss) on sale of assets	-	-	(56,194)	2,391,206	(56,194)	2,391,206
Total revenues	417,572	595,022	22,658,091	23,108,891	23,075,663	23,703,913

**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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Expenses:						
Management and administration	913,353	719,947	-	-	913,353	719,947
Operating expense	-	-	21,569,015	18,657,527	21,569,015	18,657,527
Nonoperating expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>913,353</b>	<b>719,947</b>	<b>21,569,015</b>	<b>18,657,527</b>	<b>22,482,368</b>	<b>19,377,474</b>
Increase (decrease) in net position before transfers	(495,781)	(124,925)	1,089,076	4,451,364	593,295	4,326,439
Valuation adjustment	-	-	-	-	-	-
Grant income and contributions	100,000	9,432	3,159,912	3,576,616	3,259,912	3,586,048
Transfers	(123,000)	37,000	123,000	(37,000)	-	-
Increase (decrease) in net position	(518,781)	(78,493)	4,371,988	7,990,980	3,853,207	7,912,487
Net position-beginning	979,064	1,057,557	73,862,377	67,929,025	74,841,441	68,986,582
Prior period adjustment for OPEB			-	(47,628)	-	(47,628)
Prior period adjustment for error	-	-	-	(2,010,000)	-	(2,010,000)
<b>Net position-ending</b>	<b>\$ 460,283</b>	<b>\$ 979,064</b>	<b>\$ 78,234,365</b>	<b>\$ 73,862,377</b>	<b>\$ 78,694,648</b>	<b>\$ 74,889,069</b>

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



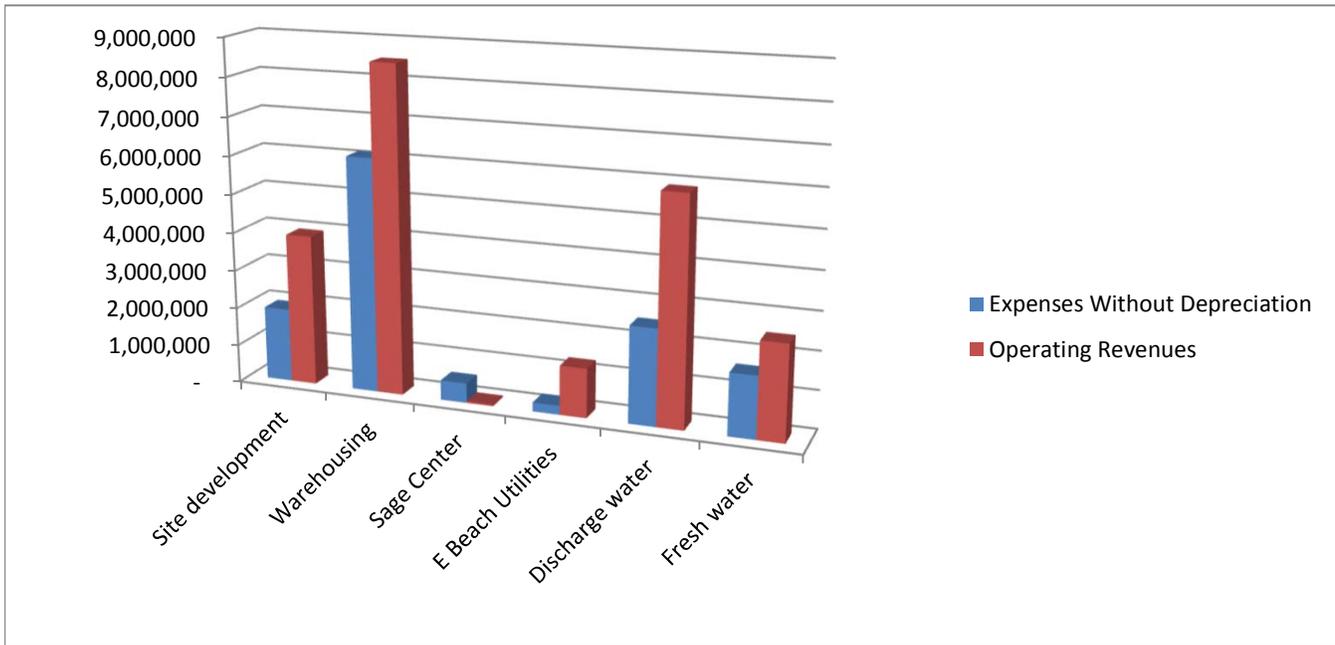
**PORT OF MORROW**  
**Management's Discussion and Analysis**

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In October 2017, the building purchased by the port for dry storage warehousing was put into service expanding the port warehousing operations. The warehouse segment currently employs 68.

Water usage by existing Port tenants have resulted in an increase in water volumes in recent years. A utility improvement project was completed this year to expand capacity. It was funded by debt of \$16.5 million.

Depreciation accounts for 32% of the business-type activity expenses. The following is a representation of the segments without depreciation expense.



**Capital Assets**

The Port built roads for access to industrial sites funded by a grant in the amount of about \$1.8 million. These improvements will aid in bringing additional business to the Port.

The Port extended its wastewater distribution system at a cost of \$20,012,234. Related debt is \$16.5 million.

At June 30, the port had finished drilling a new well at a cost of \$800,356. In the next fiscal year, it will be connected to the fresh water system.

**Debt**

The Port's loan from the Special Public Works Fund for \$12.6 million was increased to \$16.5 million and the interest rate was reduced to 1.7% for an interim period until Business Oregon can refund the loan through the Bond Bank. At June 30, \$12.5 had been drawn on the loan the remainder will be drawn in the next fiscal year to payoff \$4 million the Port borrowed from the Bank of Eastern Oregon on a short term note. See note 7 and 8 for additional details regarding the Port's short and long-term debt.

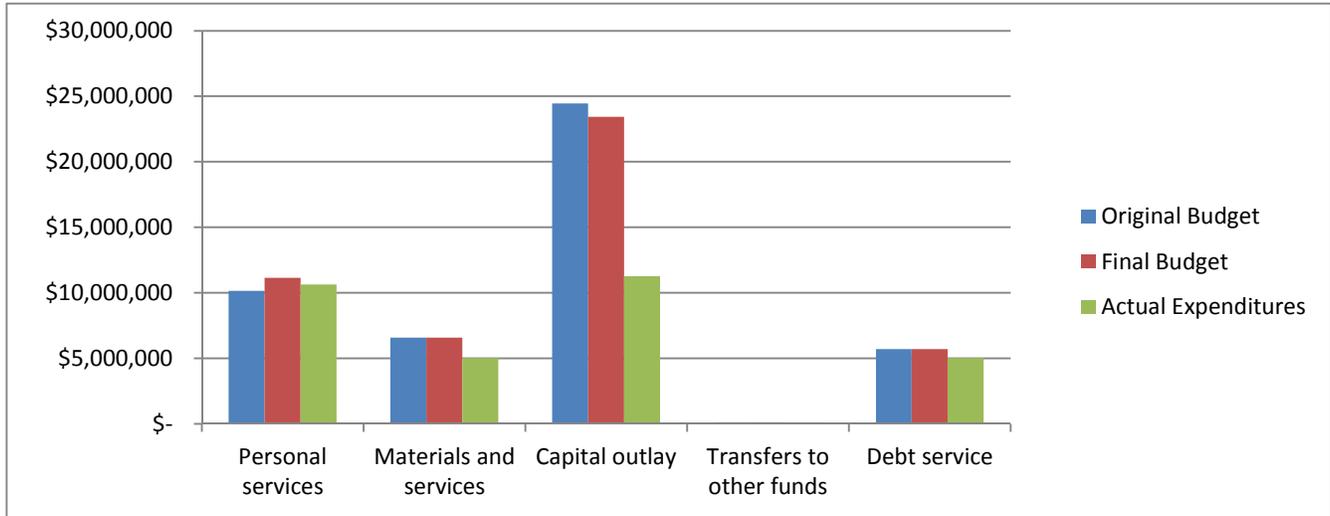
The Port had a bond issuance completed in October 2017. The 2013 bond series were refunded and \$10,935,000 was used to purchase the expansion at Boardman Foods which is leased to Boardman foods.

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

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**Budgetary**

The Port's budget for the year ended June 30, 2018 was adopted by the Port Commission in June 2017. The Port transferred \$1,000,000 in appropriations by resolution in May 2018. 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 Port of Morrow's Controller Office, PO Box 200, Boardman, OR 97818.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

**PORT OF MORROW**  
**Statement of Net Position**  
**June 30, 2018**

<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	200,419	1,269,233	1,469,652
Local Government Investment Pool - Unreserved	-	3,118,176	3,118,176
Local Government Investment Pool - Bond Reserve	-	832,525	832,525
Total cash and cash equivalents	<u>200,619</u>	<u>5,220,784</u>	<u>5,421,403</u>
Accounts receivable - county treasurer	1,189	-	1,189
Accounts receivable	-	1,954,523	1,954,523
Allowance for doubtful accounts	-	(35,261)	(35,261)
Grants receivable	-	305,620	305,620
Deposits and prepaid expenses	-	160,873	160,873
Inventory	-	6,795	6,795
Property taxes receivable	7,724	-	7,724
Total current assets	<u>209,532</u>	<u>7,613,334</u>	<u>7,822,866</u>
<b>Noncurrent assets:</b>			
Deposits with trustee	-	311,158	311,158
Loan receivable	-	3,618,845	3,618,845
Lease Receivable	-	9,800,370	9,800,370
Patronage capital credits	-	846,986	846,986
Capital assets (net)	339,552	131,050,371	131,389,923
Total noncurrent assets	<u>339,552</u>	<u>145,627,730</u>	<u>145,967,282</u>
Total assets	<u>549,084</u>	<u>153,241,064</u>	<u>153,790,148</u>
<b>Deferred outflows of resources:</b>			
Deferred outflows related to OPEB	-	1,215	1,215
Unearned charges	-	285,986	285,986
		<u>287,201</u>	<u>287,201</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	16,649	938,131	954,780
Accrued payroll and compensated absences	72,152	1,313,757	1,385,909
Customer deposits	-	8,589	8,589
Unearned revenue	-	170,920	170,920
Bonds payable (net)	-	3,030,690	3,030,690
Notes payable	-	4,689,120	4,689,120
Total current liabilities	<u>88,801</u>	<u>10,151,207</u>	<u>10,240,008</u>
<b>Long-term liabilities:</b>			
Net OPEB liability	-	57,995	57,995
Bonds payable (net)	-	42,370,417	42,370,417
Notes payable	-	22,710,037	22,710,037
Total long-term liabilities	<u>-</u>	<u>65,138,449</u>	<u>65,138,449</u>
Total liabilities	<u>88,801</u>	<u>75,289,656</u>	<u>75,378,457</u>
<b>Deferred inflows of resources:</b>			
Deferred inflows related to OPEB	-	4,244	4,244
		<u>4,244</u>	<u>4,244</u>
<b>Net Position:</b>			
Net Investment in capital assets	339,552	58,250,107	58,589,659
Restricted for bond retirement	-	311,158	311,158
Unrestricted	120,731	19,673,100	19,793,831
Total net position	<u>\$ 460,283</u>	<u>\$ 78,234,365</u>	<u>\$ 78,694,648</u>

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

**PORT OF MORROW**  
**Statement of Activities**  
**June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u> <u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Management and administration	\$ 828,724	\$ -	\$ 100,000
Depreciation - unallocated	84,629	-	-
Total governmental	<u>913,353</u>	<u>-</u>	<u>100,000</u>
<b>Business-Type Activities:</b>			
Site development	5,030,560	3,944,750	313,671
Sage Center	838,371	45,274	43,338
Warehousing	7,069,637	8,511,013	-
E Beach Utilities	542,793	1,288,490	-
Discharge water	4,044,004	5,890,506	-
Fresh water	1,690,713	2,502,015	-
Total business-type activities	<u>19,216,078</u>	<u>22,182,048</u>	<u>357,009</u>
Total primary government	<u>\$ 20,129,431</u>	<u>\$ 22,182,048</u>	<u>\$ 457,009</u>

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

Change in net position  
Prior Period Adjustment - GASB 75 - see note  
Prior Period Adjustment - see note 20  
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>
\$ -	\$ (728,724)	\$ -	\$ (728,724)
-	(84,629)	-	(84,629)
-	(813,353)	-	(813,353)
2,802,903	-	2,030,764	2,030,764
-	-	(749,759)	(749,759)
-	-	1,441,376	1,441,376
-	-	745,697	745,697
-	-	1,846,502	1,846,502
-	-	811,302	811,302
<u>2,802,903</u>	<u>-</u>	<u>6,125,882</u>	<u>6,125,882</u>
<u>\$ 2,802,903</u>	<u>(813,353)</u>	<u>6,125,882</u>	<u>5,312,529</u>
	164,218	-	164,218
	14,587	-	14,587
	3,467	532,237	535,704
	235,300	-	235,300
	-	(56,194)	(56,194)
	-	(2,261,791)	(2,261,791)
	-	(3,150)	(3,150)
	-	(87,996)	(87,996)
	<u>(123,000)</u>	<u>123,000</u>	<u>-</u>
	<u>294,572</u>	<u>(1,753,894)</u>	<u>(1,459,322)</u>
	(518,781)	4,371,988	3,853,207
	-	(47,628)	(47,628)
	-	(2,010,000)	(2,010,000)
	<u>979,064</u>	<u>75,920,005</u>	<u>76,899,069</u>
	<u>\$ 460,283</u>	<u>\$ 78,234,365</u>	<u>\$ 78,694,648</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, 2018**

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	<b>General Fund</b>
<b>Assets:</b>	
Petty cash	\$ 200
Cash in bank	200,419
Total cash and cash equivalents	200,619
Accounts receivable - county treasurer	1,189
Property taxes receivable	7,724
Total assets	209,532
<b>Deferred outflows of resources:</b>	
Total assets and deferred outflows of resources	\$ 209,532
<b>Liabilities:</b>	
Accounts payable	\$ 16,649
Accrued payroll payable	72,152
Total liabilities	88,801
<b>Deferred inflows of resources:</b>	
Unavailable property tax revenue	7,724
<b>Fund Balances:</b>	
Unassigned	113,007
Total liabilities, deferred inflows of resources and fund balance	\$ 209,532

*(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, 2018**

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**Total fund balances for governmental funds** \$ 113,007

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	\$	865,481	
Accumulated Depreciation		<u>(525,929)</u>	
			339,552

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.

7,724

**Total net position of governmental activities** **\$ 460,283**

*(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, 2018**

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	<b>General Fund</b>
<b>Revenues:</b>	
Taxes:	
Property taxes	\$ 162,020
Payments in lieu of tax	14,587
Miscellaneous:	
Interest income	3,467
Bond handling charges	235,300
Contributions	100,000
Total revenues	515,374
<b>Expenditures:</b>	
Current:	
Management and administration	828,725
Capital outlay	26,178
Total expenditures	854,903
Excess of revenues over (under) expenditures	(339,529)
<b>Other Financing Sources (Uses):</b>	
Transfers (to) from other funds	(123,000)
Change in fund balance	(462,529)
Fund balance, beginning of year	575,536
Fund balance, end of year	\$ 113,007

*(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, 2018**

---

**Net change in fund balances - total governmental funds** \$ (462,529)

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 (\$26,179) was less than depreciation (\$84,629) in the current period. (58,450)

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 (\$7,724 - \$5,526) during the current period. 2,198

**Change in net position of governmental activities** \$ (518,781)

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

**PORT OF MORROW**  
**Statement of Fund Net Position**  
**June 30, 2018**

	<b>Business-Type Activities</b>
<b>Assets:</b>	
Current assets:	
Petty cash	\$ 850
Cash in bank	1,269,233
Local government investment pool	3,950,701
Total cash and cash equivalents	5,220,784
Accounts receivable	1,954,523
Allowance for doubtful accounts	(35,261)
Grants receivable	305,620
Deposits and prepaid expenses	160,873
Inventory	6,795
Total current assets	7,613,334
Noncurrent assets:	
Deposits with trustee	311,158
Loan receivable	3,618,845
Lease receivable	9,800,370
Patronage capital credits	846,986
Capital assets:	
Assets held for sale	500,000
Property and equipment	187,150,814
Less: accumulated depreciation	(56,600,443)
Total capital assets, net of depreciation	131,050,371
Total noncurrent assets	145,627,730
Total assets	153,241,064
<b>Deferred outflows of resources:</b>	
Deferred outflows related to OPEB	\$ 1,215
Unearned charges	285,986
	287,201
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued liabilities	938,131
Accrued payroll and compensated absences	1,313,757
Customer deposits	8,589
Unearned revenue	170,920
Bonds payable (net)	3,030,690
Notes payable	4,689,120
Total current liabilities	10,151,207
Long-term liabilities:	
Net OPEB liability	57,995
Bonds payable (net)	42,370,417
Notes payable	22,710,037
Total long-term liabilities	65,138,449
Total liabilities	75,289,656
<b>Deferred inflows of resources:</b>	
Deferred inflows related to OPEB	4,244
<b>Net Position:</b>	
Net Investment in capital assets	58,250,107
Restricted for bond retirement	311,158
Unrestricted	19,673,100
Total net position	\$ 78,234,365

*(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, 2018**

<b>Operating Revenues</b>	
Discharge water segment	\$ 5,890,506
Site development segment	3,944,750
Fresh water segment	2,502,015
Sage center	45,274
Warehousing segment	8,511,013
East beach utility	1,288,490
Total operating revenues	<u>22,182,048</u>
<b>Operating Expenses:</b>	
Labor	9,198,288
Contract	664,314
Utilities	1,200,778
Insurance	244,685
Repairs	492,211
Fuel and oil	153,884
Testing and permits	469,906
Legal fees	52,561
Property taxes / Lease Expense	70,403
Supplies	534,457
Marketing	97,548
LRA Activities	64,391
Depreciation	5,963,126
Community projects	9,526
Total operating expenses	<u>19,216,078</u>
Operating income (loss)	<u>2,965,970</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	532,237
Gain (loss) on sale of assets	(56,194)
Transfers (to) from other funds	123,000
Interest expense	(2,261,791)
Trustee fees	(3,150)
Total non-operating revenues (expenses)	<u>(1,665,898)</u>
<b>Special Items:</b>	
Contributions to subrecipients	(87,996)
Grant income	3,159,912
Total special items	<u>3,071,916</u>
Change in net position	4,371,988
Prior Period Adjustment - GASB 75 - see note	(47,628)
Prior period adjustment - see note 20	(2,010,000)
Net position, beginning of year	<u>75,920,005</u>
Net position, end of year	<u><u>\$ 78,234,365</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, 2018**

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**Cash Flows From Operating Activities:**

Cash received from customers	\$ 20,461,503
Cash payments to supplies for goods and services	(3,656,935)
Cash payments for personal services	<u>(8,759,112)</u>
Net cash provided by operating activities	<u>8,045,456</u>

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

Cash payments for quasi-external operating transactions	<u>123,000</u>
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**Cash Flows From Capital and Related Financing Activities:**

Principal paid on revenue bond maturities, loans, and contracts	(13,308,695)
Proceeds from bonds and loans	25,987,584
Interest paid on bonds and loans	(2,314,695)
Interest income on bond reserves	3,500
Capital related trustee fees on bonds	(3,150)
Acquisition and construction of capital assets	(12,537,567)
Restricted for debt service	602,831
Capital grants received	<u>4,256,828</u>
Net cash provided by capital and related financing activities	<u>2,686,636</u>

**Cash Flows From Investing Activities:**

Interest on investments	528,737
Receipts on loans receivable	153,859
Lease receivable	(9,800,370)
Pass through contributions to subrecipients	<u>(87,996)</u>
Net cash used in investing activities	<u>(9,205,770)</u>

Net increase (decrease) in cash	1,649,322
Cash and cash equivalents at July 1, 2017	<u>3,571,462</u>
Cash and cash equivalents at June 30, 2018	<u>\$ 5,220,784</u>

*continued on next page*

**PORT OF MORROW**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2018**

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

Operating income	\$ 2,965,970
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	5,963,126
Internal service revenue charged to capital assets	(555,988)
Net increase in trade accounts and notes receivable	(671,513)
Decrease in prepaid expense	33,789
Increase in deferred outflows from OPEB	(1,215)
Increase in patronage capital credits	(104,033)
Decrease in trade accounts payable	(51,685)
Decrease in customer deposits	2,996
Increase in deferred inflows from OPEB	4,244
Increase in OPEB liability	10,367
Increase in accrued payroll	425,780
Increase in unearned revenue	23,618
Total adjustments	5,079,486
Net cash provided by operating activities	\$ 8,045,456

**Summary of Cash and Cash Equivalents:**

	<b>June 30, 2018</b>
Petty cash	\$ 850
Cash in Bank	1,269,233
Local government investment pool	3,950,701
Total cash and cash equivalents	\$ 5,220,784

*(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. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and GASBS No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.

**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

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

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to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**Financial Position**

**Deposits and Investments**

The cash balances of all funds are pooled and invested by the Port for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2018 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, 2018 for fresh water and discharge services, land leases, warehouse storage, and royalties. Accounts receivable are considered delinquent if uncollected after 30 days. Uncollectible receivables are accounted for using the reserve method as required by GAAP based on 80% of accounts receivable aged over 90 days delinquent.

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**

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

**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. Upon termination, if an employee has six or more years of service they will receive 50% of accumulated hours paid into their HRA.

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

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

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

**Net Position/Fund Balance Classifications**

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

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

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

**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 Unearned 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, 2018:

Petty Cash	\$ 1,050
Deposits with financial institutions	1,469,652
Deposits with trustee	311,158
Local Government Investment Pool	<u>3,950,701</u>
	<u>\$ 5,732,561</u>

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

Cash and cash equivalents	\$ 5,421,403
Deposits with trustee	<u>311,158</u>
	<u>\$ 5,732,561</u>

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

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

**Deposits**

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$1,909,278 at June 30, 2018. 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>\$ 3,950,701</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 \$7,724, 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, 2018, was as follows:

	Balance at <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>June 30, 2018</u>
<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	615,723	26,178	-	641,901
Total capital assets being depreciated	<u>802,551</u>	<u>26,178</u>	<u>-</u>	<u>828,729</u>
Less: accumulated depreciation:				
Buildings	(101,141)	(689)	-	(101,830)
Equipment & furniture	(340,158)	(83,940)	-	(424,098)
Total accumulated depreciation	<u>(441,299)</u>	<u>(84,629)</u>	<u>-</u>	<u>(525,928)</u>
Net capital assets being depreciated	<u>361,252</u>	<u>(58,451)</u>	<u>-</u>	<u>302,801</u>
Net capital assets - Governmental Activities	<u>\$ 398,002</u>	<u>\$ (58,451)</u>	<u>\$ -</u>	<u>\$ 339,551</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 10,355,058	\$ -	\$ -	\$ 10,355,058
Construction in progress	15,358,355	121,270	15,358,355	121,270
Assets held for sale	500,000	-	-	500,000
Total capital assets not being depreciated	<u>26,213,413</u>	<u>121,270</u>	<u>15,358,355</u>	<u>10,976,328</u>
Capital assets being depreciated:				
Buildings & land improvements	103,823,002	17,322,742	-	121,145,744
Equipment & furniture	45,317,566	10,638,617	(427,441)	55,528,742
Total capital assets being depreciated	<u>149,140,568</u>	<u>27,961,359</u>	<u>(427,441)</u>	<u>176,674,486</u>
Less: accumulated depreciation:				
Buildings	(29,811,557)	(5,028,128)	-	(34,839,685)
Equipment & furniture	(21,197,007)	(934,998)	371,247	(21,760,758)
Total accumulated depreciation	<u>(51,008,564)</u>	<u>(5,963,126)</u>	<u>371,247</u>	<u>(56,600,443)</u>
Net capital assets being depreciated	<u>98,132,004</u>	<u>21,998,233</u>	<u>56,194</u>	<u>120,074,043</u>
Net capital assets - Business-type Activities	<u>\$ 124,345,417</u>	<u>\$ 22,119,503</u>	<u>\$ 15,414,549</u>	<u>\$ 131,050,371</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Unallocated	<u>\$ 84,629</u>
Business-type activities:	
Discharge Water	\$ 1,522,412
Site Development	3,107,033
Warehousing	956,075
East Beach Utility	307,776
Fresh Water	<u>69,830</u>
Total depreciation expense	<u>\$ 5,963,126</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:

Capital Asset - Schneider Equipment	\$ 124,508
Trade payable - Umatilla Electric	117,886
 Trade payable - City of Boardman	 48,638
Capital Asset - Tapani Inc.	35,000
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 short-term debt outstanding in the amount of \$4,000,000 for the year ended June 30, 2018.

The Port entered into a short term note agreement with the Bank of Eastern Oregon in the amount of \$4,000,000 at 4.25%. Principal and interest is due in full October 15, 2018. This loan is unsecured. The loan is interim financing for the construction of a waste water disposal system.

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

**Note 8 - Long-Term**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Balance 6/30/2017	Long-term Debt Incurred	Matured & Paid	Amort.	Called or Defeased	Balance 6/30/2018	Due Within One Year
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>864,290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>864,290,000</u>	<u>-</u>
Enterprise Notes Payable:							
Special public works #3	43,979	-	43,979	-	-	-	-
Special public works #4	294,495	-	53,977	-	-	240,518	54,412
Special public works #5	437,451	-	46,471	-	-	390,980	48,790
Special public works #6	491,620	-	27,467	-	-	464,153	28,888
Special public works #7	1,650,213	-	67,510	-	-	1,582,703	70,453
Special public works #8	4,539,828	-	133,983	-	-	4,405,845	138,485
Special public works #9	11,352,375	1,122,584	-	-	-	12,474,959	348,092
Enhanced Capital A	3,131,000	-	-	-	-	3,131,000	-
Enhanced Capital B	709,000	-	-	-	-	709,000	-
Total Enterprise Notes Payable	<u>22,649,961</u>	<u>1,122,584</u>	<u>373,387</u>	<u>-</u>	<u>-</u>	<u>23,399,158</u>	<u>689,120</u>
Enterprise Port Revenue Bonds:							
2011A Issue	2,630,904	-	486,708	-	-	2,144,196	\$ 505,690
2013A Issue	5,335,000	-	-	-	5,335,000	-	-
2013FFC Issue	5,395,000	-	370,000	-	5,025,000	-	-
2014FFC Issue	7,245,000	-	320,000	-	-	6,925,000	325,000
2016FFC Issue	14,380,000	-	210,000	-	-	14,170,000	640,000
2017FFC Issue	-	20,865,000	1,030,000	-	-	19,835,000	1,560,000
Total Enterprise Port Revenue Bonds	<u>34,985,904</u>	<u>20,865,000</u>	<u>2,416,708</u>	<u>-</u>	<u>10,360,000</u>	<u>43,074,196</u>	<u>3,030,690</u>
Less: Bond (Discounts) Premiums	2,359,084	184,501	136,097	-	-	2,407,488	-
Amortization of Bond Discounts (Premiums)	(67,797)	-	(22,220)	(35,001)	-	(80,578)	-
Unearned Amount on Refunding	(310,766)	(316,003)	(292,707)	-	-	(334,062)	-
Amortization of Unearned Amount	170,552	-	169,044	46,569	-	48,077	-
	<u>37,136,977</u>	<u>20,733,498</u>	<u>2,406,922</u>	<u>11,568</u>	<u>10,360,000</u>	<u>45,115,121</u>	<u>3,030,690</u>
<b>Total</b>	<u><b>\$ 924,076,938</b></u>	<u><b>\$ 21,856,082</b></u>	<u><b>\$ 2,780,309</b></u>	<u><b>\$ 11,568</b></u>	<u><b>\$ 10,360,000</b></u>	<u><b>\$ 932,804,279</b></u>	<u><b>\$ 3,719,810</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 \$51,891,283 at June 30, 2018. 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. \$ 2,144,196

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

- 2) 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.

- 3) 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. \$ 14,170,000

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.

- 4) Series 2017 (issued 10-18-17, original issue of \$20,865,000) interest at various rates (1.7-4.2%), due serially to 6/1/37. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service. \$ 19,835,000

Of these proceeds, \$10,935,000 were used to purchase construction of an addition to Boardman Foods' building. \$4,870,000 were used to defease Revenue Bond Series 2013A. \$5,060,000 par and \$184,500 premium were used to defease Revenue Bond Series 2013FFC.

**Refunding Savings Summary:**

PV of savings from cash flow @3.500967%	\$	636,963
Plus: Refunding funds on hand		3,014
Net PV Savings	<u>\$</u>	<u>639,977</u>

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

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**Installment Notes Payable:**

- 1) 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. \$ 240,518  
This loan financed a new crane.
- 2) 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. \$ 390,980  
This loan financed a wastewater pretreatment facility.
- 3) 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. \$ 464,152  
This loan was used to finance part of the East Beach Industrial Park railroad spur addition.
- 4) Special Public Works Fund Loan (originated 6-8-07) interest at 4.36%, payable annually on December 1 through fiscal 2029. Unsecured. \$ 1,582,703  
This loan is being used to finance part of the East Beach Industrial Park utility improvements.
- 5) Special Public Works Fund Loan (originated 3-12-14) interest at 3.36%, payable annually on December 1 through fiscal 2039. Unsecured. \$ 4,405,845  
This loan financed a wastewater pretreatment facility.
- 6) Special Public Works Fund Loan (originated 4-13-16) Interest at 3.41%, payable annually on December 1 through fiscal 2042. Unsecured. \$ 12,474,959  
This loan financed wastewater pipelines and pond.
- 7) Enhanced Capital New Market Development Fund XIV, LLC - A (originated 7-3-13) interest at 1.1020%, payable annually, interest only through December 1, 2020 then equal annual principal payments through 2040. \$ 3,131,000  
  
Enhanced Capital New Market Development Fund XIV, LLC - B (originated 7-3-13) interest at 1.1020%, payable annually, interest only through December 1, 2020 then equal annual principal payments through 2040.

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

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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 2027.

\$ 4,360,000

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

**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, 2018. 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>
2018-2019	\$ 3,719,810	\$ 2,383,814	\$ 6,103,624
2019-2020	3,813,516	2,280,713	6,094,229
2020-2021	3,930,908	2,162,866	6,093,774
2021-2022	4,053,061	2,033,509	6,086,570
2022-2023	3,516,304	1,896,256	5,412,560
2023-2028	16,550,280	7,586,349	24,136,629
2028-2033	14,797,977	4,700,128	19,498,105
2033-2038	12,440,533	1,789,202	14,229,735
2038-2043	3,794,572	270,258	4,064,830

**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 \$7,551,522 (100%).

Total payroll subject to the pension plan for fiscal year ended June 30, 2018 was \$6,356,305 (84%).

Total employer and employee contributions in fiscal year ended June 30, 2018, were \$546,673 and \$381,379, 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, 2018:

2018-2019	\$	380
2019-2020		380
2020-2021		380
2021-2022		380
2022-2023		380
2023-2028		1,900
2028-2033		1,900
2033-2038		760
		760
Total minimum payments required	\$	6,460

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	1,258	acres
Industrial	Land	189	acres

The following is a schedule by years of minimum future rental receipts on noncancelable operating leases as of June 30, 2018:

2018-2019	\$	3,932,504
2019-2020		3,496,033
2020-2021		3,038,824
2021-2022		2,996,190
2022-2023		2,831,292
2023-2028		12,384,710
2028-2033		10,378,942
2033-2038		8,638,277
2038-2043		2,659,624
		2,659,624
	\$	50,356,396

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

	Cost	Accum Depr 6/30/2017	Depreciation 17-18	Accum Depr 6/30/2018	Book Value
Industrial Waterfront					
Land/Terminal Equipment	\$ 10,605,834	\$ 5,439,677	\$ 289,800	\$ 5,729,477	\$ 4,876,357
Industrial Land	24,141,795	6,035,424	771,158	6,806,582	17,335,213
Irrigated Farm Land	2,111,784	1,065,566	449	1,066,015	1,045,769
Wastewater Pretreatment Facilities	6,495,126	1,548,528	236,509	1,785,037	4,710,089
Commercial Buildings & Land	697,500	528,535	17,816	546,351	151,149
	\$ 44,052,039	\$ 14,617,730	\$ 1,315,732	\$ 15,933,462	\$ 28,118,577

**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, 2018, 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 \$240,000

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 \$15,639 for utility installation and \$6,967 for internet service. They also leased an outside storage area from the Port for five months, \$1,000, 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 \$5,166 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. The Port has a short term note in the amount of \$4,000,000 outstanding with the Bank.

**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, 2018, this customer accounted for \$12,313,980 equaling approximately 54% 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, 2018, the Port of Morrow allocation of property tax abatements from the Enterprise Zone amounted to \$145,770 and from the Strategic Investment Program amounted to \$69,148.

**Note 19 - Subsequent Events:**

Short-term financing of \$4,000,000 was repaid as planned in October 2018 by the approved increase in State of Oregon financing. Subsequent events have been evaluated through November 8, 2018.

**Note 20 - Correction of Prior Period Error - Opening Net Position:**

During the fiscal year ended June 30, 2018, the Port discovered a grant disbursement to a subrecipient had been improperly recorded in the statement of activities and net position. The correction of this error reduced opening net position by \$2,010,000, this change is shown on related schedules.

**Change in Accounting Principal:**

In implementing GASB Statement No. 75, the Port has restated beginning net position in order to recognize the correct Total OPEB Liability for the Port's Implicit Rate Subsidy plan. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2018 measurement date.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Net Position - beginning (as reported)	\$ 979,064	\$ 75,920,005	\$ 76,899,069
Cumulative effect of change in accounting principle		(47,628)	(47,628)
Prior period adjustment - see note 20		(2,010,000)	(2,010,000)
Net Position - beginning (as restated)	<u>\$ 979,064</u>	<u>\$ 73,862,377</u>	<u>\$ 74,841,441</u>

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

**Note 21 - Segment Information:**

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

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

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

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

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

**Site Development Operations:** This segment accounts for revenue and costs associated with farming Port land, rental of industrial land, irrigated farm land, grazing land, and commercial buildings, an electricity generating plant, and economic

**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, 2018 is as follows:

	Fresh Water	Discharge	East Beach Utility	SAGE Center	Site Development	Warehousing	Totals
<b>Assets</b>							
Current Assets	\$ 1,881,019	\$ 1,236,594	\$ 1,093,197	\$ 31,396	\$ 2,243,061	\$ 1,128,067	\$ 7,613,334
Noncurrent Assets	84,699	211,746	42,349	3,180,349	10,973,517	84,699	14,577,359
Capital Assets	1,522,934	31,945,278	3,921,434	7,272,508	58,168,623	28,219,594	131,050,371
<b>Total Assets</b>	<b>3,488,652</b>	<b>33,393,618</b>	<b>5,056,980</b>	<b>10,484,253</b>	<b>71,385,201</b>	<b>29,432,360</b>	<b>153,241,064</b>
Deferred Outflow of Resources	-	-	-	-	287,201	-	287,201
<b>Liabilities</b>							
Current Liabilities	310,716	5,243,567	76,974	53,836	3,418,970	1,047,144	10,151,207
Long-term Liabilities	-	14,927,177	1,582,703	3,840,000	24,096,660	20,691,909	65,138,449
<b>Total Liabilities</b>	<b>310,716</b>	<b>20,170,744</b>	<b>1,659,677</b>	<b>3,893,836</b>	<b>27,515,630</b>	<b>21,739,053</b>	<b>75,289,656</b>
Deferred Inflow of Resources	-	-	-	-	4,244	-	4,244
<b>Net Position</b>							
Unrestricted	1,655,002	816,215	1,058,572	3,157,909	12,080,189	910,622	19,678,509
Restricted for Bond Retirement	-	-	-	-	311,158	-	311,158
Net Investment in Capital Assets	1,522,934	12,406,659	2,338,731	3,432,508	31,766,590	6,782,685	58,250,107
<b>Total Net Position</b>	<b>\$ 3,177,936</b>	<b>\$ 13,222,874</b>	<b>\$ 3,397,303</b>	<b>\$ 6,590,417</b>	<b>\$ 44,152,528</b>	<b>\$ 7,693,307</b>	<b>\$ 78,239,774</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	\$ 2,370,495	\$ -	\$ 332,301		\$ -	\$ -	\$ 2,702,796
Water Discharge	-	5,719,868	926,541		-	-	6,646,409
Building & Land Leases	-	-	-		2,717,150		2,717,150
Other Operating Revenue	131,520	170,638	29,649	45,274	1,227,599	8,511,013	10,115,693
<b>Total Operating Revenue</b>	<b>2,502,015</b>	<b>5,890,506</b>	<b>1,288,491</b>	<b>45,274</b>	<b>3,944,749</b>	<b>8,511,013</b>	<b>22,182,048</b>
<b>Operating Expenses</b>							
Labor	594,278	1,267,780	20,000	345,757	1,882,185	5,088,286	9,198,286
Depreciation	69,830	1,522,412	307,776	318,202	2,788,832	956,075	5,963,127
Other Operating Expenses	1,002,997	1,253,811	238,624	174,412	358,996	1,025,276	4,054,116
<b>Total Operating Expenses</b>	<b>1,667,105</b>	<b>4,044,003</b>	<b>566,400</b>	<b>838,371</b>	<b>5,030,013</b>	<b>7,069,637</b>	<b>19,215,529</b>
Operating Income	834,910	1,846,503	722,091	(793,097)	(1,085,264)	1,441,376	2,966,519
Nonoperating Revenues	11,246	14,761	703	240,703	504,825	-	772,238
Nonoperating Expenses							
Interest Expense	-	(401,690)	(68,722)	(42,317)	(911,730)	(837,332)	(2,261,791)
Other Nonoperating Expense	-	(61,000)	(15,000)	-	(100,344)	(550)	(176,894)
<b>Total Nonoperating Income (Expense)</b>	<b>11,246</b>	<b>(447,929)</b>	<b>(83,019)</b>	<b>198,386</b>	<b>(507,249)</b>	<b>(837,882)</b>	<b>(1,666,447)</b>
<b>Special Items</b>							
Contribution to Others	-	-	-	-	(87,996)	-	(87,996)
Grant Revenue	-	-	-	43,338	3,116,574	-	3,159,912
Change in Net Position	846,156	1,398,574	639,072	(551,373)	1,436,065	603,494	4,371,988
Beginning Net Position	2,406,780	10,924,300	2,808,231	6,720,579	45,162,674	5,839,813	73,862,377
Reclassification - Other Segment	(75,000)	900,000	(50,000)	421,211	(2,446,211)	1,250,000	-
<b>Ending Net Position</b>	<b>\$ 3,177,936</b>	<b>\$ 13,222,874</b>	<b>\$ 3,397,303</b>	<b>\$ 6,590,417</b>	<b>\$ 44,152,528</b>	<b>\$ 7,693,307</b>	<b>\$ 78,234,365</b>
<b>Cash Provided By:</b>							
Operating Activities	\$ 254,858	\$ 3,381,100	\$ 939,843	\$ (485,131)	\$ 1,430,931	\$ 2,507,865	\$ 8,029,466
Capital	(1,090,568)	(2,084,119)	(914,911)	123,000	8,499,311	(1,707,087)	2,825,626
Investing Activities	11,246	14,760	703	703	(9,233,182)	-	(9,205,770)
Beginning Cash & Cash Equivalents	1,771,907	1,415,663	894,306	(164,630)	(826,236)	480,452	3,571,462
<b>Ending Cash &amp; Cash Equivalents</b>	<b>\$ 947,443</b>	<b>\$ 2,727,404</b>	<b>\$ 919,941</b>	<b>\$ (526,058)</b>	<b>\$ (129,176)</b>	<b>\$ 1,281,230</b>	<b>\$ 5,220,784</b>

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**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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes	\$ 143,761	\$ 143,761	\$ 162,020	\$ 18,259
Payments in lieu of taxes	8,300	8,300	14,587	6,287
Interest income	3,000	3,000	3,467	467
Bond handling charges	254,750	254,750	235,300	(19,450)
Contribution	100,000	100,000	100,000	-
Sale of assets	100	100	-	(100)
Miscellaneous	100	100	-	(100)
Total revenues	<u>510,011</u>	<u>510,011</u>	<u>515,374</u>	<u>5,363</u>
<b>Expenditures:</b>				
Personal services	597,600	597,600	525,838	71,762
Materials and services	389,000	389,000	302,887	86,113
Capital outlay	115,000	115,000	26,178	88,822
General operating contingency	27,411	27,411	-	27,411
Total expenditures	<u>1,129,011</u>	<u>1,129,011</u>	<u>854,903</u>	<u>274,108</u>
Excess of revenues over (under) expenditures	<u>(619,000)</u>	<u>(619,000)</u>	<u>(339,529)</u>	<u>279,471</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to/from enterprise fund	(123,000)	(123,000)	(123,000)	-
Grants	100,000	100,000	-	(100,000)
Total other financing sources (uses)	<u>(23,000)</u>	<u>(23,000)</u>	<u>(123,000)</u>	<u>(100,000)</u>
Change in fund balance	(642,000)	(642,000)	(462,529)	179,471
Fund balance, beginning of year	<u>882,000</u>	<u>882,000</u>	<u>575,536</u>	<u>(306,464)</u>
Fund balance, end of year	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 113,007</u>	<u>\$ (126,993)</u>

**PORT OF MORROW**  
**General Fund**  
**Statement of Expenditures - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>Personal Services:</b>			
Payroll	\$ 415,000	\$ 415,000	\$ 391,630
Payroll overhead	182,600	182,600	134,208
Total personal services	<u>597,600</u>	<u>597,600</u>	<u>525,838</u>
<b>Materials and Services:</b>			
Office supplies	30,000	30,000	40,663
Legal	10,000	10,000	1,410
Audit and accounting	40,000	40,000	31,733
Notices and publications	5,000	5,000	280
Dues and subscriptions	60,000	60,000	47,648
Insurance and bonds	4,000	4,000	4,000
Utilities	15,000	15,000	11,882
Marketing	50,000	50,000	78,030
Commissioner expenses	35,000	35,000	11,938
Staff travel	40,000	40,000	19,395
Economic development	40,000	40,000	21,807
Planning/repair & maintenance	45,000	45,000	11,620
Education	15,000	15,000	22,481
Total materials and services	<u>389,000</u>	<u>389,000</u>	<u>302,887</u>
<b>Capital Outlay:</b>			
Equipment	<u>115,000</u>	<u>115,000</u>	<u>26,178</u>
<b>General Operating Contingency</b>			
	<u>27,411</u>	<u>27,411</u>	<u>-</u>
Total expenditures	<u>\$ 1,129,011</u>	<u>\$ 1,129,011</u>	<u>\$ 854,903</u>

**PORT OF MORROW**  
**Required Supplementary Information**  
**June 30, 2018**

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**Post Employment Benefits Other than Pensions (OPEB)**

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

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates paid by the Port and offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Actives	81
Retirees	0
Total	<u>81</u>

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

	<u>Valuation Date</u> July 1, 2017
<b>Present Value of Benefits</b>	
Actives	\$ 215,323
Retirees	-
Total	<u>\$ 215,323</u>
<b>Total OPEB Liability</b>	
Actives	\$ 57,995
Retirees	-
Total	<u>\$ 57,995</u>
<b>Service Cost</b>	
As of Valuation Date	\$ 13,356
<b>Discount Rate</b>	3.58%
<b>Changes in Total OPEB Liability</b>	<b>Increase (Decrease)</b>
<b>June 30, 2017 to June 30, 2018</b>	<b>Total OPEB Liability</b>
Balance as of June 30, 2017	\$ 47,628
Changes for the year:	
Service cost	14,453
Interest on total OPEB liability	1,752
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(4,673)
Benefit payments	<u>(1,165)</u>
	<u>\$ 57,995</u>

**PORT OF MORROW**  
**Required Supplementary Information**  
**June 30, 2018**

<b>OPEB Expense</b>	<b>July 1, 2017 to June 30, 2018</b>
Service cost	\$ 14,453
Interest on total OPEB liability	1,752
Effect of plan changes	-
Recognition of Deferred (Inflows)/Outflows of Resources	
Recognition of economic/demographic (gains) or losses	-
Recognition of assumption changes	(429)
Administrative Expense	n/a
<b>OPEB Expense</b>	<b>\$ 15,776</b>

Deferred outflows of resources related to OPEB of \$1,215 resulting from the Port's contributions

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions or inputs	\$ -	\$ (4,244)
Benefit Payments	1,215	-
<b>Total as of June 30, 2018</b>	<b>\$ 1,215</b>	<b>\$ (4,244)</b>

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

Year ended June 30:	Annual Recognition
2019	\$ (429)
2020	(429)
2021	(429)
2022	(429)
2023	(429)
Thereafter	(2,099)
<b>Total</b>	<b>\$ (4,244)</b>

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Actuarial Cost
Inflation	2.5% per year, used to develop other economic assumptions
Salary increases	3.5% based on general inflation and the likelihood of raises throughout participants careers
Healthy mortality	RP-2014 Employee and Healthy Annuitant tables white collar, sex distinct for members and dependents. For male members and dependents only, a one year setback is applied. Future mortality improvement is not projected as it would be immaterial to the valuation.
Discount rate	3.58% as of June 30, 2018 measurement date. These rates reflect the BondBuyer 20-Year General Obligation Bond Index. Reporting dates follow measurement dates by one full year.

**PORT OF MORROW**  
**Required Supplementary Information**  
**June 30, 2018**

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Healthcare cost trend rate	Medical and vision:	
	Year	Pre-65 Trend
	2018	5.75%
	2019	5.25%
	2020-2030	5.00%
	2031-2033	5.25%
	2034	5.50%
	2035	5.75%
	2036-2037	6.25%
	2038-2043	6.00%
	2044-2043	5.75%
	2047-2054	5.50%
	2055-2064	5.25%
	2065-2066	5.00%
	2067-2069	4.75%
	2070-2072	4.50%
	2073+	4.25%
	Dental: 4.00% per year	

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

**Sensitivity Analysis**

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

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate:			
Total OPEB liability	\$ 64,486	\$ 57,995	\$ 52,159
Healthcare Cost Trend			
Total OPEB liability	\$ 49,598	\$ 57,995	\$ 68,442

**NOTES TO REQUIRED  
SUPPLEMENTARY INFORMATION**

**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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>	\$ 23,830,706	\$ 23,830,706	\$ 23,510,672
<b>Expenses</b>	(48,372,382)	(48,372,382)	(32,071,959)
Excess of revenues over (under) expenses	(24,541,676)	(24,541,676)	(8,561,287)
<b>Other Financing Sources (Uses):</b>			
Loan proceeds	13,500,000	13,500,000	25,987,584
Interest income	151,310	151,310	532,237
Transfer from other funds	240,000	240,000	240,000
Sale of assets	2,075,000	2,075,000	-
Grant income	3,717,244	3,717,244	2,802,903
Total other financing sources (uses)	19,683,554	19,683,554	29,562,724
Excess (deficiency) of revenues and other financing sources over expenses and other uses	(4,858,122)	(4,858,122)	21,001,437
<b>Reconciliation to GAAP Basis:</b>			
Loan proceeds	-	-	(25,987,584)
Principal paid on long-term debt	-	-	2,790,896
Depreciation	-	-	(5,963,126)
Contributions and subrecipients	-	-	(87,996)
Amortization	-	-	(49,719)
Fixed assets - capitalized	-	-	11,270,106
Sale of assets	-	-	(56,194)
Labor capitalized	-	-	1,454,168
Total reconciliation items	-	-	(16,629,449)
Change in net position	(4,858,122)	(4,858,122)	4,371,988
Prior period adjustment - OPEB			(47,628)
Prior period adjustment - see note 20			(2,010,000)
Net position, beginning of year	5,040,000	5,040,000	75,920,005
Net position, end of year	\$ 181,878	\$ 181,878	\$ 78,234,365

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Revenues - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	
<b>Discharge Water Segment:</b>			
Water discharge	\$ 6,041,690	\$ 6,041,690	\$ 5,719,868
Miscellaneous and reimbursable services	34,000	34,000	35,980
Co-generation fixed fee	50,000	50,000	50,000
Patronage dividend	25,000	25,000	84,658
Total revenues - Discharge Water Segment	<u>6,150,690</u>	<u>6,150,690</u>	<u>5,890,506</u>
<b>Site Development Segment:</b>			
Land leases	825,119	825,119	867,840
Mining royalties	145,000	145,000	224,242
Building leases	2,190,169	2,190,169	1,849,310
T-3 lease	220,332	220,332	260,501
Rail tariff	112,000	112,000	110,192
Miscellaneous & reimbursements	8,000	8,000	27,422
Operating grant - LRA	500,000	500,000	313,671
Farm lease	314,181	314,181	301,774
Steam revenue	200,000	200,000	255,970
Patronage dividend	8,000	8,000	47,499
Total revenues - Site Development Segment	<u>4,522,801</u>	<u>4,522,801</u>	<u>4,258,421</u>
<b>Fresh Water Segment:</b>			
Water usage	2,580,000	2,580,000	2,370,495
Patronage dividend & miscellaneous	16,100	16,100	56,520
Co-generation fixed fee	75,000	75,000	75,000
Total revenues - Fresh Water Segment	<u>2,671,100</u>	<u>2,671,100</u>	<u>2,502,015</u>
<b>Warehousing</b>			
Warehouse Storage & Handling Revenue	<u>8,026,790</u>	<u>8,026,790</u>	<u>8,511,013</u>
<b>Motor Pool Segment:</b>			
Equipment rents	<u>1,261,000</u>	<u>1,261,000</u>	<u>971,613</u>
<b>SAGE Center:</b>			
Admission and facility use	113,000	113,000	35,914
Sponsorships (donations)	83,000	83,000	43,338
Patronage dividend	-	-	9,361
Total revenues - Sage Center	<u>196,000</u>	<u>196,000</u>	<u>88,613</u>
<b>East Beach Utility:</b>			
Utility fees - freshwater	260,000	260,000	332,301
Utility fees - discharge	741,325	741,325	881,095
Miscellaneous & reimbursements	1,000	1,000	45,446
Patronage dividend	-	-	29,649
Total revenues - East Beach Utility	<u>1,002,325</u>	<u>1,002,325</u>	<u>1,288,491</u>
Total revenues - enterprise fund	<u>\$ 23,830,706</u>	<u>\$ 23,830,706</u>	<u>\$ 23,510,672</u>

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Expenses - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2018**

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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	\$ 10,132,000	\$ 11,132,000	\$ 10,652,456	\$ 479,544
Materials and services	6,572,160	6,572,160	5,026,279	1,545,881
Capital outlay	24,435,244	23,435,244	11,270,106	12,165,138
Transfers to other funds	117,000	117,000	117,000	-
Debt service	5,705,140	5,705,140	5,006,118	699,022
Contingency	1,410,838	1,410,838	-	1,410,838
Total expenses	<u>\$ 48,372,382</u>	<u>\$ 48,372,382</u>	<u>\$ 32,071,959</u>	<u>\$ 16,300,423</u>

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## **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, 2018**

	2018-2019		2019-2020		2020-2021	
	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	10,000,000	407,000
Threemile Canyon Farms	-	407,000	-	407,000	10,000,000	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	-	2,681,355	10,690,000	2,492,498	20,000,000	2,051,394
Kodiak Carbonic Series 2015	-	58,563	-	58,563	4,685,000	58,563
Bonneville Power Administration Series 2016-1		9,371,886		9,371,886		9,371,886
Bonneville Power Administration Series 2016-2	-	1,968,523	-	1,969,031	57,500,000	1,514,734
Total no commitment debt	-	25,450,969	10,690,000	25,262,620	102,185,000	24,367,219
Full Faith & Credit Bond, Series 2017	1,560,000	643,770	1,580,000	610,230	1,425,000	573,100
Full Faith & Credit Bond, Series 2016	640,000	647,400	655,000	630,250	680,000	609,100
Full Faith & Credit Bond, Series 2014	325,000	263,950	335,000	257,450	345,000	245,725
Revenue Bond, Series 2011	505,690	83,624	525,411	63,902	545,902	43,411
Special Public Works Fund #4	54,412	11,912	59,874	9,245	60,357	6,312
Special Public Works Fund #5	48,790	19,510	51,225	17,075	53,781	14,519
Special Public Works Fund #6	28,888	23,997	30,381	22,503	31,953	20,932
Special Public Works Fund #7	70,453	69,006	73,525	65,934	76,731	62,728
Special Public Works Fund #8	138,485	148,036	143,138	143,383	147,947	138,574
Special Public Works Fund #9	348,092	430,293	359,962	418,423	372,237	406,148
Enhanced Capital	-	34,504	-	34,504	156,550	34,504
Enhanced Capital	-	7,813	-	7,813	35,450	7,813
Total commitment debt	3,719,810	2,383,814	3,813,516	2,280,713	3,930,908	2,162,866
Total debt	<u>\$ 3,719,810</u>	<u>\$ 27,834,783</u>	<u>\$ 14,503,516</u>	<u>\$ 27,543,333</u>	<u>\$ 106,115,908</u>	<u>\$ 26,530,085</u>

2021-2022		2022-2023		All Subsequent Years		Total	
Principle	interest	Principle	interest	Principal	Interest	Principal	Interest
\$ -	\$ 26,596	\$ -	\$ 26,596	\$ 4,360,000	\$ 106,384	\$ 4,360,000	\$ 239,364
-	1,179,528	-	1,179,528	23,600,000	11,795,280	23,600,000	17,692,920
-	-	-	-	-	-	10,000,000	1,221,000
-	-	-	-	-	-	10,000,000	1,221,000
-	3,114,195	-	3,114,195	84,740,000	59,169,705	84,740,000	74,740,680
-	6,236,323	-	6,236,323	193,075,000	27,033,034	193,075,000	58,214,649
20,000,000	1,514,560	22,100,000	882,430	25,000,000	129,042	97,790,000	9,751,279
-	-	-	-	-	-	4,685,000	175,689
-	9,371,886	-	9,371,886	320,955,000	121,834,518	320,955,000	168,693,948
-	1,514,734	-	1,514,734	57,585,000	8,061,900	115,085,000	16,543,656
<u>20,000,000</u>	<u>22,957,822</u>	<u>22,100,000</u>	<u>22,325,692</u>	<u>709,315,000</u>	<u>228,129,863</u>	<u>864,290,000</u>	<u>348,494,185</u>
1,460,000	536,050	1,495,000	495,538	12,315,000	3,135,450	19,835,000	5,994,138
700,000	581,500	725,000	553,000	10,770,000	3,945,000	14,170,000	6,966,250
360,000	232,787	370,000	218,387	5,190,000	1,303,575	6,925,000	2,521,874
567,193	22,121	-	-	-	-	2,144,196	213,058
65,875	3,294	-	-	-	-	240,518	30,762
56,465	11,836	59,282	9,018	121,438	9,014	390,980	80,971
33,605	19,280	35,342	17,543	303,984	65,993	464,153	170,248
80,076	59,383	83,568	55,891	1,198,349	335,701	1,582,703	648,643
152,918	133,603	158,056	128,465	3,665,300	1,205,555	4,405,844	1,897,616
384,930	393,455	398,056	380,329	10,755,290	4,034,004	12,618,567	6,062,652
156,550	32,778	156,550	31,053	2,661,350	251,874	3,131,000	419,217
35,450	7,423	35,450	7,032	602,650	59,771	709,000	97,665
<u>4,053,061</u>	<u>2,033,509</u>	<u>3,516,304</u>	<u>1,896,256</u>	<u>47,583,361</u>	<u>14,345,937</u>	<u>66,616,961</u>	<u>25,103,095</u>
<u>\$ 24,053,061</u>	<u>\$ 24,991,331</u>	<u>\$ 25,616,304</u>	<u>\$ 24,221,948</u>	<u>\$ 756,898,361</u>	<u>\$ 242,475,800</u>	<u>\$ 930,906,961</u>	<u>\$ 373,597,280</u>

**PORT OF MORROW**  
**Schedule of Insurance Coverage**  
**For the Fiscal Year Ended June 30, 2018**

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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	12/31/2018	\$ 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	12/31/2018	\$ 65,508,469
<b>Boiler and Machinery</b>			
Special Districts insurance Services \$ 1,000 Deductible	32P16391-202	12/31/2018	\$ 50,000,000
<b>Crime Coverage</b>			
Special Districts insurance Services	32P16391-202	12/31/2018	\$ 1,000,000
<b>Workers' Compensation</b>			
Special Districts insurance Services	31W16391-83	6/30/2019	\$ 3,000,000
<b>Erisa Bond</b>			
Old Republic Surety Company	W180013325	7/25/2018	\$ 500,000
<b>Group Insurance</b>			
Regence BlueCross BlueShield	68000661	6/30/2018	Health
MODA Health	G0020636	6/30/2018	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, 2018, and have issued our report thereon dated November 8, 2018. 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, 2018