

# Port of Morrow Annual Financial Report

# 2019



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> |                     |                     |
| Ryan 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**

## 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, 2019, 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, 2019, 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, 2019, the Port adopted new accounting guidance, GASBS 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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 December 5, 2019, on our consideration of Port of Morrow's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC  
Certified Public Accountants

By   
\_\_\_\_\_  
Michael R. Poe, CPA  
Owner/Member

La Grande, OR  
December 5, 2019

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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, 2019. 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>2019</b>                    | <b>2018</b> | <b>2019</b>                     | <b>2018</b>   | <b>2019</b>   | <b>2018</b>   |
| Current and other assets          | \$ 148,941                     | \$ 209,532  | \$ 52,371,631                   | \$ 22,190,693 | \$ 52,520,572 | \$ 22,400,225 |
| Capital assets (net)              | 271,223                        | 339,552     | 131,595,527                     | 131,050,371   | 131,866,750   | 131,389,923   |
| Total assets                      | 420,164                        | 549,084     | 183,967,158                     | 153,241,064   | 184,387,322   | 153,790,148   |
| Deferred outflows of resources    | -                              | -           | 187,362                         | 287,201       | 187,362       | 287,201       |
| Long-term liabilities outstanding | -                              | -           | 96,252,834                      | 65,138,449    | 96,252,834    | 65,138,449    |
| Other liabilities                 | 61,462                         | 88,801      | 7,426,226                       | 10,151,207    | 7,487,688     | 10,240,008    |
| Total liabilities                 | 61,462                         | 88,801      | 103,679,060                     | 75,289,656    | 103,740,522   | 75,378,457    |
| Deferred inflows of resources     | -                              | -           | 5,934                           | 4,244         | 5,934         | 4,244         |
| Net position:                     |                                |             |                                 |               |               |               |
| Net investment in capital assets  | 271,223                        | 339,552     | 31,286,669                      | 58,250,107    | 31,557,892    | 58,589,659    |
| Restricted                        | -                              | -           | 30,102,652                      | 311,158       | 30,102,652    | 311,158       |
| Unrestricted                      | 87,479                         | 120,731     | 19,080,205                      | 19,673,100    | 19,167,684    | 19,793,831    |
| Total net position                | \$ 358,702                     | \$ 460,283  | \$ 80,469,526                   | \$ 78,234,365 | \$ 80,828,228 | \$ 78,694,648 |

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

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

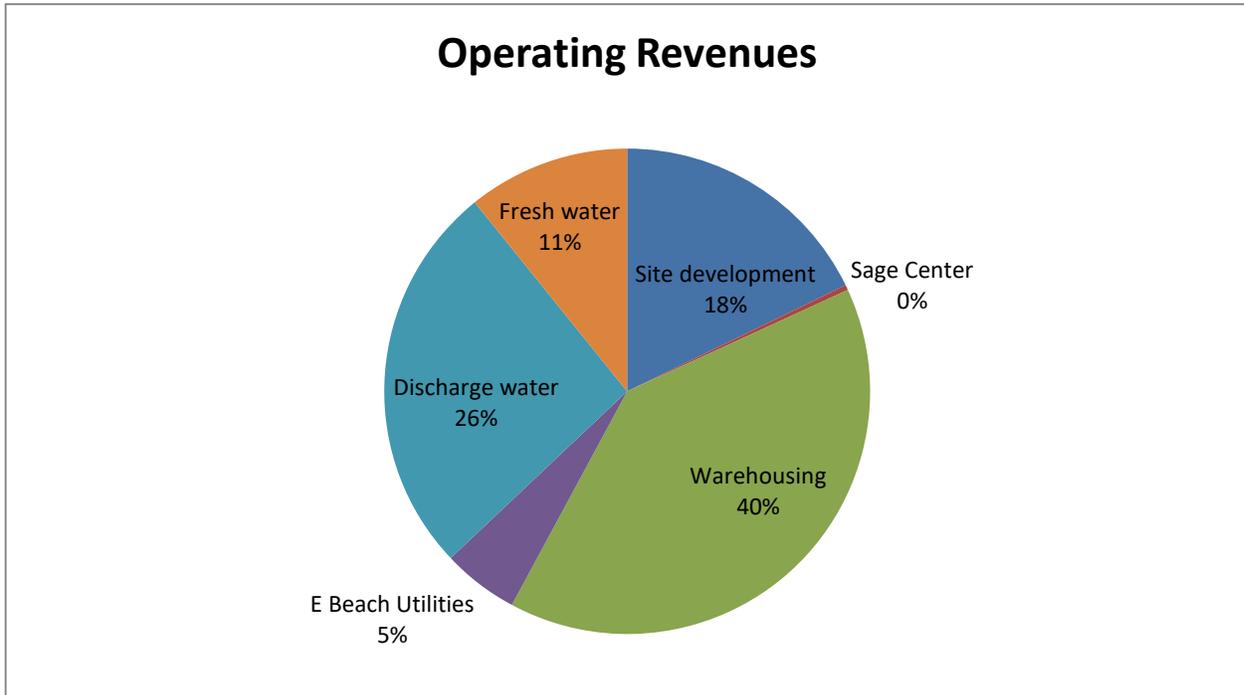
|                               | <b>Governmental activities</b> |             | <b>Business-type activities</b> |             | <b>Total</b> |             |
|-------------------------------|--------------------------------|-------------|---------------------------------|-------------|--------------|-------------|
|                               | <b>2019</b>                    | <b>2018</b> | <b>2019</b>                     | <b>2018</b> | <b>2019</b>  | <b>2018</b> |
| Revenues:                     |                                |             |                                 |             |              |             |
| General governmental revenues | \$ 395,710                     | \$ 414,105  | \$ -                            | \$ -        | \$ 395,710   | \$ 414,105  |
| Operating revenues            |                                |             |                                 |             |              |             |
| Site Development              | -                              | -           | 4,179,747                       | 3,813,595   | 4,179,747    | 3,813,595   |
| Sage Center                   | -                              | -           | 83,414                          | 160,044     | 83,414       | 160,044     |
| Warehousing                   | -                              | -           | 9,340,333                       | 7,276,570   | 9,340,333    | 7,276,570   |
| E. Beach Utilities            | -                              | -           | 1,190,694                       | 1,008,174   | 1,190,694    | 1,008,174   |
| Discharge Water               | -                              | -           | 6,171,575                       | 6,094,151   | 6,171,575    | 6,094,151   |
| Freshwater                    | -                              | -           | 2,537,376                       | 2,271,328   | 2,537,376    | 2,271,328   |
| NonOperating revenues         |                                |             |                                 |             |              |             |
| Interest Income               | 245                            | 3,467       | 953,760                         | 93,823      | 954,005      | 97,290      |
| Gain (loss) on sale of assets | (9,599)                        | -           | 491,959                         | 2,391,206   | 482,360      | 2,391,206   |
| Total revenues                | 386,356                        | 417,572     | 24,948,858                      | 23,108,891  | 25,335,214   | 23,526,463  |

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

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

|  | <b>Governmental activities</b> |                   | <b>Business-type activities</b> |                      | <b>Total</b>         |                      |
|--|--------------------------------|-------------------|---------------------------------|----------------------|----------------------|----------------------|
|  | <b>2019</b>                    | <b>2018</b>       | <b>2019</b>                     | <b>2018</b>          | <b>2019</b>          | <b>2018</b>          |
| Expenses:  |                                |                   |                                 |                      |                      |                      |
| Management and administration                        | 679,937                        | 913,353           | -                               | -                    | 679,937              | 913,353              |
| Operating expense                                    | -                              | -                 | 23,973,619                      | 21,569,015           | 23,973,619           | 21,569,015           |
| Nonoperating expenses                                | -                              | -                 | -                               | -                    | -                    | -                    |
| <b>Total expenses</b>                                | <b>679,937</b>                 | <b>913,353</b>    | <b>23,973,619</b>               | <b>21,569,015</b>    | <b>24,653,556</b>    | <b>22,482,368</b>    |
| Increase (decrease) in net position before transfers | (293,581)                      | (495,781)         | 975,239                         | 1,089,076            | 681,658              | 593,295              |
| Valuation adjustment                                 | -                              | -                 | -                               | -                    | -                    | -                    |
| Grant income and contributions                       | 75,000                         | 100,000           | 1,376,922                       | 3,159,912            | 1,451,922            | 3,259,912            |
| Transfers  | 117,000                        | (123,000)         | (117,000)                       | 123,000              | -                    | -                    |
| Increase (decrease) in net position                  | (101,581)                      | (518,781)         | 2,235,161                       | 4,371,988            | 2,133,580            | 3,853,207            |
| Net position-beginning                               | 460,283                        | 979,064           | 78,234,365                      | 73,862,377           | 78,694,648           | 74,841,441           |
| Prior period adjustment for OPEB                     |                                |                   | -                               | -                    | -                    | -                    |
| Prior period adjustment for error                    | -                              | -                 | -                               | -                    | -                    | -                    |
| <b>Net position-ending</b>                           | <b>\$ 358,702</b>              | <b>\$ 460,283</b> | <b>\$ 80,469,526</b>            | <b>\$ 78,234,365</b> | <b>\$ 80,828,228</b> | <b>\$ 78,694,648</b> |

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



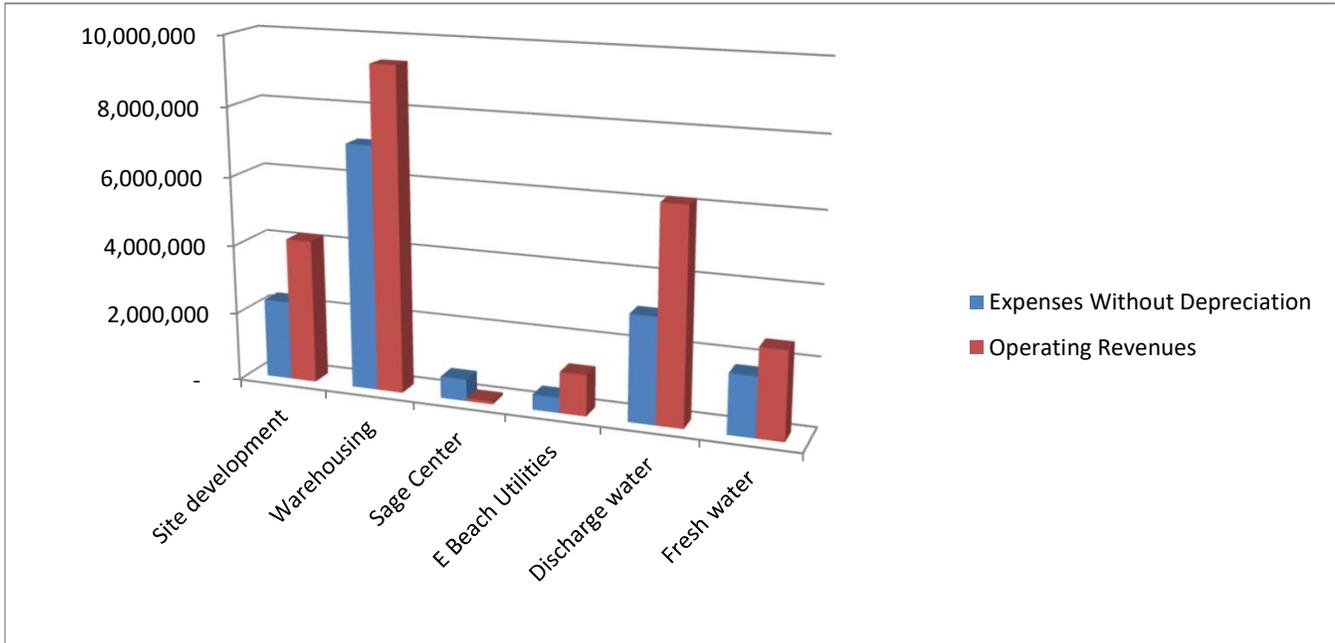
**PORT OF MORROW**  
**Management's Discussion and Analysis**

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Customer use of the freezer warehouse has continually increased and an expansion to the facility is in progress.

Water usage by existing Port tenants have resulted in an increase in water volumes in recent years. A utility improvement project was completed last year to expand capacity. The Port has infrastructure in place to meet growing demand.

Depreciation accounts for 26% of the business-type activity expenses. The following is a representation of the segments without depreciation expense.



**Capital Assets**

At June 30, the Port had paid \$1.4 million on the pipeline project of the Columbia Improvement District.

The Port purchased property with a building for \$1.1 million and has leased part of the site .

An expansion to the rail spur at Morrow County Grain Growers was completed costing \$782,520.

In the fiscal year, the Port connected a new well to the fresh water system at a cost of \$469,469.

**Debt**

The Port repaid Bank of Eastern Oregon on short term financing and completed the loan from the Special Public Works Fund for \$16.5 million. January 2019, the Port entered into a two year note with Bank of Eastern Oregon for \$2,000,000. At year end, \$1,400,000 had been drawn on the loan. See note 8 and 9 for additional details regarding the Port's short and long-term debt.

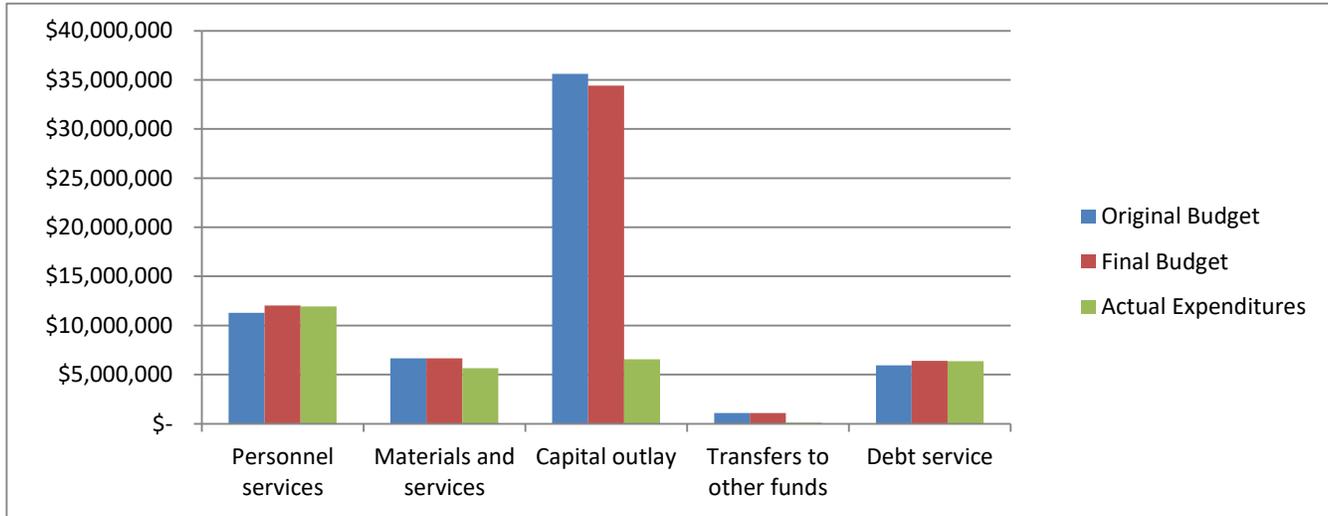
The Port had a bond issuance completed in April 2019. \$7,000,000 is financing for an expansion to the freezer warehouse. The remainder, \$23,195,000, is financing for the Columbia Improvement District pipeline project.

## PORT OF MORROW Management's Discussion and Analysis

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### Budgetary

The Port's budget for the year ended June 30, 2019 was adopted by the Port Commission in June 2018. The Port transferred \$1,200,000 in appropriations by resolution in May 2019. 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 Chief Financial Officer, PO Box 200, Boardman, OR 97818.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

**PORT OF MORROW**  
**Statement of Net Position**  
**June 30, 2019**

| <b>Assets:</b>  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |
|---|------------------------------------|-------------------------------------|----------------------|
| <b>Current assets:</b>                                  |                                    |                                     |                      |
| Petty cash  | \$ 200                             | \$ 850                              | \$ 1,050             |
| Cash in bank - Unrestricted                             | 141,643                            | 1,256,195                           | 1,397,838            |
| Cash in bank - Restricted                               | -                                  | 5,000,000                           | 5,000,000            |
| Local Government Investment Pool - Unrestricted         | -                                  | 3,967,611                           | 3,967,611            |
| Local Government Investment Pool - Restricted           | -                                  | 22,721,025                          | 22,721,025           |
| Total cash and cash equivalents                         | <u>141,843</u>                     | <u>32,945,681</u>                   | <u>33,087,524</u>    |
| Accounts receivable - county treasurer                  | 357                                | -                                   | 357                  |
| Accounts receivable (net of \$16,941 doubtful accounts) | -                                  | 2,230,086                           | 2,230,086            |
| Grants receivable                                       | -                                  | 653,219                             | 653,219              |
| Deposits and prepaid expenses                           | -                                  | 129,419                             | 129,419              |
| Inventory   | -                                  | 7,833                               | 7,833                |
| Property taxes receivable                               | 6,741                              | -                                   | 6,741                |
| Total current assets                                    | <u>148,941</u>                     | <u>35,966,238</u>                   | <u>36,115,179</u>    |
| <b>Noncurrent assets:</b>                               |                                    |                                     |                      |
| Deposits with trustee                                   | -                                  | 2,381,627                           | 2,381,627            |
| Loan receivable   | -                                  | 3,441,477                           | 3,441,477            |
| Lease Receivable  | -                                  | 9,483,454                           | 9,483,454            |
| Patronage capital credits                               | -                                  | 1,098,835                           | 1,098,835            |
| Capital assets (net)                                    | 271,223                            | 131,595,527                         | 131,866,750          |
| Total noncurrent assets                                 | <u>271,223</u>                     | <u>148,000,920</u>                  | <u>148,272,143</u>   |
| Total assets  | <u>420,164</u>                     | <u>183,967,158</u>                  | <u>184,387,322</u>   |
| <b>Deferred outflows of resources:</b>                  |                                    |                                     |                      |
| Deferred outflows related to OPEB                       | -                                  | 2,592                               | 2,592                |
| Unearned charges  | -                                  | 184,770                             | 184,770              |
|   | <u>-</u>                           | <u>187,362</u>                      | <u>187,362</u>       |
| <b>Liabilities:</b>                                     |                                    |                                     |                      |
| <b>Current liabilities:</b>                             |                                    |                                     |                      |
| Accounts payable and accrued liabilities                | 19,037                             | 1,722,923                           | 1,741,960            |
| Accrued payroll and compensated absences                | 42,425                             | 1,276,543                           | 1,318,968            |
| Customer deposits                                       | -                                  | 4,111                               | 4,111                |
| Unearned revenue  | -                                  | 296,289                             | 296,289              |
| Bonds payable   | -                                  | 3,095,411                           | 3,095,411            |
| Notes payable   | -                                  | 902,843                             | 902,843              |
| Total current liabilities                               | <u>61,462</u>                      | <u>7,298,120</u>                    | <u>7,359,582</u>     |
| <b>Long-term liabilities:</b>                           |                                    |                                     |                      |
| Net OPEB liability                                      | -                                  | 70,336                              | 70,336               |
| Bonds payable (net)                                     | -                                  | 69,341,900                          | 69,341,900           |
| Notes payable   | -                                  | 26,968,704                          | 26,968,704           |
| Total long-term liabilities                             | <u>-</u>                           | <u>96,380,940</u>                   | <u>96,380,940</u>    |
| Total liabilities                                       | <u>61,462</u>                      | <u>103,679,060</u>                  | <u>103,740,522</u>   |
| <b>Deferred inflows of resources:</b>                   |                                    |                                     |                      |
| Deferred inflows related to OPEB                        | -                                  | 5,934                               | 5,934                |
|   | <u>-</u>                           | <u>5,934</u>                        | <u>5,934</u>         |
| <b>Net Position:</b>                                    |                                    |                                     |                      |
| Net Investment in capital assets                        | 271,223                            | 31,286,669                          | 31,557,892           |
| Restricted for capital and debt service                 | -                                  | 30,102,652                          | 30,102,652           |
| Unrestricted  | 87,479                             | 19,080,205                          | 19,167,684           |
| Total net position                                      | <u>\$ 358,702</u>                  | <u>\$ 80,469,526</u>                | <u>\$ 80,828,228</u> |

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

**PORT OF MORROW**  
**Statement of Activities**  
**June 30, 2019**

| <u>Functions/Programs</u>        | <u>Expenses</u>      | <u>Charges for<br/>Services</u> | <u>Program Revenues<br/>Operating<br/>Grants and<br/>Contributions</u> |
|----------------------------------|----------------------|---------------------------------|--|
| <b>Governmental Activities:</b>  |                      |                                 |  |
| Management and administration    | \$ 599,955           | \$ -                            | \$ 75,000  |
| Depreciation - unallocated       | 79,982               | -                               | -  |
| Total governmental               | <u>679,937</u>       | <u>-</u>                        | <u>75,000</u>  |
| <b>Business-Type Activities:</b> |                      |                                 |  |
| Site development                 | 5,450,075            | 4,179,747                       | 331,385  |
| Sage Center                      | 631,671              | 83,414                          | -  |
| Warehousing                      | 8,080,059            | 9,340,333                       | -  |
| E Beach Utilities                | 783,161              | 1,190,694                       | -  |
| Discharge water                  | 4,827,916            | 6,171,575                       | -  |
| Fresh water                      | 1,833,950            | 2,537,376                       | -  |
| Total business-type activities   | <u>21,606,832</u>    | <u>23,503,139</u>               | <u>331,385</u>   |
| Total primary government         | <u>\$ 22,286,769</u> | <u>\$ 23,503,139</u>            | <u>\$ 406,385</u>  |

General revenues:

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

Transfers

Total general revenues, transfers, and special items

Change in net position

Net position-beginning

Net position-ending

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

| <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u> | <u>Business-<br/>type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|--|----------------------|
| \$ -  | \$ (524,955)                       | \$ -                                     | \$ (524,955)         |
| -   | (79,982)                           | -  | (79,982)             |
| -   | (604,937)                          | -  | (604,937)            |
| 888,982   | -                                  | (49,961)                                 | (49,961)             |
| 34,110  | -                                  | (514,147)                                | (514,147)            |
| -   | -                                  | 1,260,274                                | 1,260,274            |
| -   | -                                  | 407,533                                  | 407,533              |
| -   | -                                  | 1,343,659                                | 1,343,659            |
| 122,445   | -                                  | 825,871                                  | 825,871              |
| <u>1,045,537</u>                                | <u>-</u>                           | <u>3,273,229</u>                         | <u>3,273,229</u>     |
| <u>\$ 1,045,537</u>                             | <u>(604,937)</u>                   | <u>3,273,229</u>                         | <u>2,668,292</u>     |
|   | 180,759                            | -  | 180,759              |
|   | 37                                 | -  | 37                   |
|   | 245                                | 953,760                                  | 954,005              |
|   | 214,914                            | -  | 214,914              |
|   | (9,599)                            | 491,959                                  | 482,360              |
|   | -                                  | (2,362,087)                              | (2,362,087)          |
|   | -                                  | (4,700)                                  | (4,700)              |
|   | 117,000                            | (117,000)                                | -                    |
|   | <u>503,356</u>                     | <u>(1,038,068)</u>                       | <u>(534,712)</u>     |
|   | (101,581)                          | 2,235,161                                | 2,133,580            |
|   | 460,283                            | 78,234,365                               | 78,694,648           |
|   | <u>\$ 358,702</u>                  | <u>\$ 80,469,526</u>                     | <u>\$ 80,828,228</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, 2019**

---

|   | <b>General<br/>Fund</b> |
|---|-------------------------|
| <b>Assets:</b>  |                         |
| Petty cash  | \$ 200                  |
| Cash in bank  | 141,643                 |
| Total cash and cash equivalents                                   | 141,843                 |
| Accounts receivable - county treasurer                            | 357                     |
| Property taxes receivable   | 6,741                   |
| Total assets  | 148,941                 |
| <b>Deferred outflows of resources:</b>                            |                         |
| Total assets and deferred outflows of resources                   | \$ 148,941              |
| <b>Liabilities:</b>   |                         |
| Accounts payable  | \$ 19,037               |
| Accrued payroll payable   | 42,425                  |
| Total liabilities   | 61,462                  |
| <b>Deferred inflows of resources:</b>                             |                         |
| Unavailable property tax revenue                                  | 6,741                   |
| <b>Fund Balances:</b>   |                         |
| Unassigned  | 80,738                  |
| Total liabilities, deferred inflows of resources and fund balance | \$ 148,941              |

*(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, 2019**

---

**Total fund balances for governmental funds** \$ 80,738

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                | \$ 730,575       |         |
| Accumulated Depreciation | <u>(459,352)</u> |         |
|                          |                  | 271,223 |

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

6,741

**Total net position of governmental activities** **\$ 358,702**

*(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, 2019**

---

|  | <b>General<br/>Fund</b> |
|--|-------------------------|
| <b>Revenues:</b>                             |                         |
| Taxes:                                       |                         |
| Property taxes                               | \$ 181,742              |
| Payments in lieu of tax                      | 37                      |
| Miscellaneous:                               |                         |
| Interest income                              | 245                     |
| Bond handling charges                        | 214,914                 |
| Contributions                                | 75,000                  |
| Total revenues                               | 471,938                 |
| <b>Expenditures:</b>                         |                         |
| Current:                                     |                         |
| Management and administration                | 599,955                 |
| Capital outlay                               | 21,252                  |
| Total expenditures                           | 621,207                 |
| Excess of revenues over (under) expenditures | (149,269)               |
| <b>Other Financing Sources (Uses):</b>       |                         |
| Transfers from other funds                   | 117,000                 |
| Change in fund balance                       | (32,269)                |
| Fund balance, beginning of year              | 113,007                 |
| Fund balance, end of year                    | \$ 80,738               |

*(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, 2019**

---

**Net change in fund balances - total governmental funds** \$ (32,269)

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 (\$21,252) was less than depreciation (\$79,982) less loss on disposition of assets (\$9,599) in the current period. (68,329)

Property taxes receivable but not collectable soon enough to pay for the current period's expenditures are offset by unearned revenue in the Governmental fund. In the statement of activities property taxes are recorded as revenues as billed. Property taxes receivable decreased (\$6,741 - \$7,724) during the current period. (983)

**Change in net position of governmental activities** \$ (101,581)

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

**PORT OF MORROW**  
**Statement of Fund Net Position**  
**June 30, 2019**

|   | <b>Business-Type<br/>Activities</b> |
|---|-------------------------------------|
| <b>Assets:</b>  |                                     |
| Current assets:   |                                     |
| Petty cash  | \$ 850                              |
| Cash in bank  | 6,256,195                           |
| Local government investment pool                        | 26,688,636                          |
| Total cash and cash equivalents                         | 32,945,681                          |
| Accounts receivable (net of \$16,941 doubtful accounts) | 2,230,086                           |
| Grants receivable                                       | 653,219                             |
| Deposits and prepaid expenses                           | 129,419                             |
| Inventory   | 7,833                               |
| Total current assets                                    | 35,966,238                          |
| Noncurrent assets:                                      |                                     |
| Deposits with trustee                                   | 2,381,627                           |
| Loan receivable   | 3,441,477                           |
| Lease receivable  | 9,483,454                           |
| Patronage capital credits                               | 1,098,835                           |
| Capital assets:   |                                     |
| Assets held for sale                                    | 500,000                             |
| Property and equipment                                  | 193,815,516                         |
| Less: accumulated depreciation                          | (62,719,989)                        |
| Total capital assets, net of depreciation               | 131,595,527                         |
| Total noncurrent assets                                 | 148,000,920                         |
| Total assets  | 183,967,158                         |
| <b>Deferred outflows of resources:</b>                  |                                     |
| Deferred outflows related to OPEB                       | 2,592                               |
| Unearned charges  | 184,770                             |
|   | 187,362                             |
| <b>Liabilities:</b>                                     |                                     |
| Current liabilities:                                    |                                     |
| Accounts payable and accrued liabilities                | 1,722,923                           |
| Accrued payroll and compensated absences                | 1,276,543                           |
| Customer deposits                                       | 4,111                               |
| Unearned revenue  | 296,289                             |
| Bonds payable (net)                                     | 3,095,411                           |
| Notes payable   | 902,843                             |
| Total current liabilities                               | 7,298,120                           |
| Long-term liabilities:                                  |                                     |
| Net OPEB liability                                      | 70,336                              |
| Bonds payable (net)                                     | 69,341,900                          |
| Notes payable   | 26,968,704                          |
| Total long-term liabilities                             | 96,380,940                          |
| Total liabilities                                       | 103,679,060                         |
| <b>Deferred inflows of resources:</b>                   |                                     |
| Deferred inflows related to OPEB                        | 5,934                               |
| <b>Net Position:</b>                                    |                                     |
| Net Investment in capital assets                        | 31,286,669                          |
| Restricted for capital and debt service                 | 30,102,652                          |
| Unrestricted  | 19,080,205                          |
| Total net position                                      | \$ 80,469,526                       |

*(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, 2019**

---

|   |                             |
|---|-----------------------------|
| <b>Operating Revenues</b>                 |                             |
| Discharge water segment                   | \$ 6,171,575                |
| Site development segment                  | 4,179,747                   |
| Fresh water segment                       | 2,537,376                   |
| Sage center                               | 83,414                      |
| Warehousing segment                       | 9,340,333                   |
| East beach utility                        | 1,190,694                   |
| Total operating revenues                  | <u>23,503,139</u>           |
| <b>Operating Expenses:</b>                |                             |
| Labor                                     | 10,941,489                  |
| Contract                                  | 706,305                     |
| Utilities                                 | 1,185,404                   |
| Insurance                                 | 299,763                     |
| Repairs                                   | 231,869                     |
| Fuel and oil                              | 161,054                     |
| Testing and permits                       | 488,241                     |
| Legal fees                                | 73,052                      |
| Property taxes / Lease Expense            | 107,714                     |
| Supplies                                  | 692,099                     |
| Marketing                                 | 200,991                     |
| LRA Activities                            | 68,597                      |
| Depreciation                              | 6,357,408                   |
| Community projects                        | 92,846                      |
| Total operating expenses                  | <u>21,606,832</u>           |
| Operating income (loss)                   | <u>1,896,307</u>            |
| <b>Non-Operating Revenues (Expenses):</b> |                             |
| Interest income                           | 953,760                     |
| Gain (loss) on sale of assets             | 491,959                     |
| Transfers (to) other funds                | (117,000)                   |
| Interest expense                          | (2,362,087)                 |
| Trustee fees                              | (4,700)                     |
| Total non-operating revenues (expenses)   | <u>(1,038,068)</u>          |
| <b>Special Items:</b>                     |                             |
| Grant income                              | <u>1,376,922</u>            |
| Change in net position                    | 2,235,161                   |
| Net position, beginning of year           | <u>78,234,365</u>           |
| Net position, end of year                 | <u><u>\$ 80,469,526</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, 2019**

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**Cash Flows From Operating Activities:**

|  |               |
|--|---------------|
| Cash received from customers                     | \$ 21,885,849 |
| Cash payments to supplies for goods and services | (3,887,054)   |
| Cash payments for personnel services             | (10,963,454)  |
| Net cash provided by operating activities        | 7,035,341     |

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

|   |           |
|---|-----------|
| Cash payments for quasi-external operating transactions | (117,000) |
|---|-----------|

**Cash Flows From Capital and Related Financing Activities:**

|   |             |
|---|-------------|
| Principal paid on revenue bond maturities, loans, and contracts | (3,987,782) |
| Proceeds from bonds and loans                                   | 31,595,000  |
| Interest paid on bonds and loans                                | (2,107,320) |
| Interest income on bond reserves                                | 3,500       |
| Capital related trustee fees on bonds                           | (4,700)     |
| Acquisition and construction of capital assets                  | (6,031,661) |
| Restricted for debt service                                     | (2,070,469) |
| Receipts from sale of capital assets                            | 1,113,489   |
| Capital grants received   | 1,029,323   |
| Net cash provided by capital and related financing activities   | 19,539,380  |

**Cash Flows From Investing Activities:**

|                                       |           |
|---------------------------------------|-----------|
| Interest on investments               | 950,260   |
| Lease receivable                      | 316,916   |
| Net cash used in investing activities | 1,267,176 |

|  |               |
|--|---------------|
| Net increase (decrease) in cash            | 27,724,897    |
| Cash and cash equivalents at July 1, 2018  | 5,220,784     |
| Cash and cash equivalents at June 30, 2019 | \$ 32,945,681 |

*continued on next page*

**PORT OF MORROW**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2019**

---

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

|   |              |
|---|--------------|
| Operating income  | \$ 1,896,307 |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |
| Depreciation  | 6,357,408    |
| Internal service revenue charged to capital assets                                | (1,126,295)  |
| Net decrease in trade accounts and notes receivable                               | (134,495)    |
| Decrease in prepaid expense   | 31,454       |
| Increase in deferred outflows from OPEB   | (1,377)      |
| Increase in patronage capital credits   | (251,852)    |
| Increase in trade accounts payable  | 163,887      |
| Decrease in customer deposits   | (4,478)      |
| Increase in deferred inflows from OPEB  | 4,285        |
| Increase in OPEB liability  | 12,342       |
| Decrease in accrued payroll   | (37,214)     |
| Increase in unearned revenue  | 125,369      |
| Total adjustments   | 5,139,034    |
| Net cash provided by operating activities   | \$ 7,035,341 |

**Summary of Cash and Cash Equivalents:**

|                                  | <b>June 30, 2019</b> |
|----------------------------------|----------------------|
| Petty cash                       | \$ 850               |
| Cash in Bank                     | 6,256,195            |
| Local government investment pool | 26,688,636           |
| Total cash and cash equivalents  | \$ 32,945,681        |

*(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. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

**Basis of Presentation, Basis of Accounting**

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

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

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

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

**Measurement Focus, Basis of Accounting**

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

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

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

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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, 2019 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.

**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 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.

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

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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 treatment of interest cost during construction as outlined in GASB 89.

**Compensated Absences**

Paid vacation benefits are provided to all permanent full-time and permanent part-time employees. Vacation time may accrue to a maximum of 30 days. Any time earned beyond 30 days must be taken by December 31 or is lost unless an extension is granted by the 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.

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

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**Net Position/Fund Balance Classifications**

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

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

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

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

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

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

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

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

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.

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

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**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.

**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, 2019:

|                                      |                      |
|--------------------------------------|----------------------|
| Petty Cash                           | \$ 1,050             |
| Deposits with financial institutions | 6,397,838            |
| Deposits with trustee                | 2,381,627            |
| Local Government Investment Pool     | <u>26,688,636</u>    |
|                                      | <u>\$ 35,469,151</u> |

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

|                           |                      |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 33,087,524        |
| Deposits with trustee     | <u>2,381,627</u>     |
|                           | <u>\$ 35,469,151</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.

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

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**Deposits**

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$6,605,082 at June 30, 2019. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

**Custodial Credit Risk - Deposits**

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

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

**Investments**

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

**Credit Risk - Investments**

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

**Custodial Credit Risk - Investments**

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

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

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

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

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**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<br/>% of Portfolio</u> | <u>Actual Amount</u> |
|----------------------------------|-------------------|---|----------------------|
| Local Government Investment Pool | Avg 6-18 months   | 100%                                    | <u>\$ 26,688,636</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 - 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, 2019 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.

**Note 5 - Property Taxes Receivable**

Property taxes receivable included in revenues are \$6,741, which are all past due and accruing interest.

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

**Note 6 - Capital Assets:**

Capital asset activity for the twelve months ended June 30, 2019, was as follows:

|   | Balance at<br>July 1, 2018 | Increases    | Decreases  | Balance at<br>June 30, 2019 |
|---|----------------------------|--------------|------------|-----------------------------|
| <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                         | 641,901                    | 21,252       | (156,157)  | 506,996                     |
| Total capital assets being depreciated        | 828,729                    | 21,252       | (156,157)  | 693,824                     |
| Less: accumulated depreciation:               |                            |              |            |                             |
| Buildings                                     | (101,830)                  | -            | -          | (101,830)                   |
| Equipment & furniture                         | (424,098)                  | (79,982)     | 146,559    | (357,521)                   |
| Total accumulated depreciation                | (525,928)                  | (79,982)     | 146,559    | (459,351)                   |
| Net capital assets being depreciated          | 302,801                    | (58,730)     | (9,598)    | 234,473                     |
| Net capital assets - Governmental Activities  | \$ 339,551                 | \$ (58,730)  | \$ (9,598) | \$ 271,223                  |
| <b>Business-type Activities:</b>              |                            |              |            |                             |
| Capital assets not being depreciated:         |                            |              |            |                             |
| Land  | \$ 10,355,058              | \$ 486,000   | \$ 556,159 | \$ 10,284,899               |
| Construction in progress                      | 121,270                    | 1,347,345    | 121,270    | 1,347,345                   |
| Assets held for sale                          | 500,000                    | -            | -          | 500,000                     |
| Total capital assets not being depreciated    | 10,976,328                 | 1,833,345    | 677,429    | 12,132,244                  |
| Capital assets being depreciated:             |                            |              |            |                             |
| Buildings & land improvements                 | 121,145,744                | 3,052,153    | (169,917)  | 124,027,980                 |
| Equipment & furniture                         | 55,528,742                 | 2,759,865    | (133,316)  | 58,155,291                  |
| Total capital assets being depreciated        | 176,674,486                | 5,812,018    | (303,233)  | 182,183,271                 |
| Less: accumulated depreciation:               |                            |              |            |                             |
| Buildings                                     | (34,839,685)               | (3,872,122)  | 112,481    | (38,599,326)                |
| Equipment & furniture                         | (21,760,758)               | (2,485,286)  | 125,382    | (24,120,662)                |
| Total accumulated depreciation                | (56,600,443)               | (6,357,408)  | 237,863    | (62,719,988)                |
| Net capital assets being depreciated          | 120,074,043                | (545,390)    | 65,370     | 119,463,283                 |
| Net capital assets - Business-type Activities | \$ 131,050,371             | \$ 1,287,955 | \$ 742,799 | \$ 131,595,527              |

Depreciation expense was charged to functions as follows:

|                            |              |
|----------------------------|--------------|
| Governmental activities:   |              |
| Unallocated                | \$ 79,982    |
| Business-type activities:  |              |
| Discharge Water            | \$ 1,767,608 |
| Site Development           | 3,139,755    |
| Warehousing                | 1,000,437    |
| East Beach Utility         | 343,239      |
| Fresh Water                | 106,369      |
| Total depreciation expense | \$ 6,357,408 |

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

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**Note 7 - Accounts Payable:**

The accounts payable balance is partly composed of the following:

|   |    |         |
|---|----|---------|
| Trade payable - Umatilla Electric             | \$ | 185,389 |
| Trade payable - City of Boardman              |    | 50,693  |
| Capital Asset - Rotschy Inc.                  |    | 200,655 |
| Capital Asset - Anderson Perry                |    | 83,687  |
| Capital Asset - WI Inc Construction           |    | 61,724  |
| Capital Asset - Northwest Construction Supply |    | 59,572  |

**Note 8 - Short-Term Debt:**

The Port of Morrow had no short-term debt outstanding for the year ended June 30, 2019.

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

**Note 9 - Long-Term**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019 are as follows:

|   | Balance<br>6/30/2018  | Long-term<br>Debt<br>Incurred | Matured &<br>Paid    | Amort.             | Called or<br>Defeased | Balance<br>6/30/2019  | Due Within<br>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>27,960,000</u>    | <u>-</u>           | <u>-</u>              | <u>836,330,000</u>    | <u>-</u>               |
| Enterprise Notes Payable:                           |                       |                               |                      |                    |                       |                       |                        |
| Bank of Eastern Oregon                              | -                     | 1,400,000                     | -                    | -                  | -                     | 1,400,000             | -                      |
| Special public works #4                             | 240,518               | -                             | 54,412               | -                  | -                     | 186,106               | 59,874                 |
| Special public works #5                             | 390,980               | -                             | 48,790               | -                  | -                     | 342,190               | 51,225                 |
| Special public works #6                             | 464,153               | -                             | 28,889               | -                  | -                     | 435,264               | 30,381                 |
| Special public works #7                             | 1,582,703             | -                             | 70,453               | -                  | -                     | 1,512,250             | 73,525                 |
| Special public works #8                             | 4,405,845             | -                             | 138,485              | -                  | -                     | 4,267,360             | 143,138                |
| Special public works #9                             | 12,474,959            | 4,007,573                     | 594,155              | -                  | -                     | 15,888,377            | 544,700                |
| Enhanced Capital A                                  | 3,131,000             | -                             | -                    | -                  | -                     | 3,131,000             | -                      |
| Enhanced Capital B                                  | 709,000               | -                             | -                    | -                  | -                     | 709,000               | -                      |
| Total Enterprise Notes Payable                      | <u>23,399,158</u>     | <u>5,407,573</u>              | <u>935,184</u>       | <u>-</u>           | <u>-</u>              | <u>27,871,547</u>     | <u>902,843</u>         |
| Enterprise Port Revenue Bonds:                      |                       |                               |                      |                    |                       |                       |                        |
| 2011A Issue   | 2,144,196             | -                             | 505,689              | -                  | -                     | 1,638,507             | \$ 525,411             |
| 2014FFC Issue                                       | 6,925,000             | -                             | 325,000              | -                  | -                     | 6,600,000             | 335,000                |
| 2016FFC Issue                                       | 14,170,000            | -                             | 640,000              | -                  | -                     | 13,530,000            | 655,000                |
| 2017FFC Issue                                       | 19,835,000            | -                             | 1,560,000            | -                  | -                     | 18,275,000            | 1,580,000              |
| 2019FFC A Issue                                     | -                     | 7,000,000                     | -                    | -                  | -                     | 7,000,000             | -                      |
| 2019FFC B/C Issue                                   | -                     | 23,195,000                    | -                    | -                  | -                     | 23,195,000            | -                      |
| Total Enterprise Port Revenue Bonds                 | <u>43,074,196</u>     | <u>30,195,000</u>             | <u>3,030,689</u>     | <u>-</u>           | <u>-</u>              | <u>70,238,507</u>     | <u>3,095,411</u>       |
| Less: Bond (Discounts) Premiums                     | 2,407,488             | -                             | -                    | -                  | -                     | 2,407,488             | -                      |
| Amortization of Bond Discounts (Premiums)           | (80,578)              | -                             | -                    | (128,106)          | -                     | (208,684)             | -                      |
| Unearned Amount on Refunding                        | (334,062)             | -                             | -                    | -                  | -                     | (334,062)             | -                      |
| Amortization of Unearned Amount                     | 48,077                | -                             | -                    | 101,216            | -                     | 149,293               | -                      |
|   | <u>45,115,121</u>     | <u>30,195,000</u>             | <u>3,030,689</u>     | <u>(26,890)</u>    | <u>-</u>              | <u>72,252,542</u>     | <u>3,095,411</u>       |
| <b>Total</b>  | <u>\$ 932,804,279</u> | <u>\$ 35,602,573</u>          | <u>\$ 31,925,873</u> | <u>\$ (26,890)</u> | <u>\$ -</u>           | <u>\$ 936,454,089</u> | <u>\$ 3,998,254</u>    |

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**Notes to Basic Financial Statements**

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**Disclosure of Legal Debt Margin**

Port of Morrow general obligation bonds are limited by Oregon Revised Statutes 777.410 to 2 ½% of true cash value of all taxable property within the Port district. Port of Morrow's district is all of Morrow County, Oregon. The Port's legal debt limit based on the above is \$56,409,577 at June 30, 2019. At that date, Port of Morrow had no general obligation bonds outstanding.

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

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

**Revenue Bonds:**

- 1) Series 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. A direct placement with Bank of Eastern Oregon.
- \$ 1,638,507

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.
- \$ 6,600,000

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.
- \$ 13,530,000

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.
- \$ 18,275,000

Of these proceeds, \$10,935,000 were used to purchase construction of an addition to Boardman Foods' building. The remaining were used to defease Revenue Bond 2013A and Full Faith and Credit 2013.

- 5) Series 2019 (issued 4-2-19, original issue of \$30,195,000) interest at various rates (2.96-3.38%), due serially to 5/1/2039. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service. A direct placement with Zions Bank.
- \$ 30,195,000

Of these proceeds, \$7,000,000 financed an addition to the freezer warehouse. \$23,195,000 financed the Columbia Improvement District pipeline project.

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**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. A direct borrowing.  | <u>\$ 186,106</u>    |
| 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. A direct borrowing.   | <u>\$ 342,190</u>    |
| 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. A direct borrowing.  | <u>\$ 435,264</u>    |
| 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. A direct borrowing.   | <u>\$ 1,512,250</u>  |
| 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. A direct borrowing.  | <u>\$ 4,267,360</u>  |
| 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. A direct borrowing.  | <u>\$ 15,888,377</u> |
| 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. A direct borrowing. | <u>\$ 3,131,000</u>  |

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.

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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. A direct borrowing.

\$ 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.

- 8) The Port entered into a note agreement with the Bank of Eastern Oregon (originated 1-24-19) in the amount of \$2,000,000 at 4.25%. Principal and interest is due in full January 24, 2021. This loan is unsecured. The loan is interim financing for the construction of a waste water disposal system. As of June 30,2019, \$1,400,000 was outstanding. A direct borrowing.

\$ 1,400,000

**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.

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

\$ 20,000,000

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

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

\$ 84,740,000

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

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**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.

**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.

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

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**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 December 5, 2019. 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> |
|------------------------|------------------|-----------------|--------------|
| 2019-2020              | \$ 3,998,255     | \$ 3,278,292    | \$ 7,276,547 |
| 2020-2021              | 6,827,631        | 3,001,365       | 9,828,996    |
| 2021-2022              | 5,591,509        | 2,800,917       | 8,392,426    |
| 2022-2023              | 5,101,203        | 2,621,012       | 7,722,215    |
| 2023-2024              | 5,264,683        | 2,454,128       | 7,718,811    |
| 2024-2029              | 24,805,882       | 9,681,766       | 34,487,648   |
| 2029-2034              | 23,574,939       | 5,551,375       | 29,126,314   |
| 2034-2039              | 17,869,914       | 1,798,057       | 19,667,971   |
| 2039-2044              | 5,076,040        | 155,328         | 5,231,368    |

**Note 10 - 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 11 - 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 139 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.

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

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

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

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

Total payroll paid during the fiscal year was \$8,594,568 (100%).

Total payroll subject to the pension plan for fiscal year ended June 30, 2019 was \$7,203,442 (84%).

Total employer and employee contributions in fiscal year ended June 30, 2019, were \$632,783 and \$432,206, respectively. The amount that was forfeited by employees due to leaving employment with the Port prior to vesting was \$9,594.

**Note 12 - 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 13 - Operating Leases:**

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

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

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2019:

|                                 |    |       |
|---------------------------------|----|-------|
| 2019-2020                       | \$ | 380   |
| 2020-2021                       |    | 380   |
| 2021-2022                       |    | 380   |
| 2022-2023                       |    | 380   |
| 2023-2024                       |    | 380   |
| 2024-2029                       |    | 1,900 |
| 2029-2034                       |    | 1,900 |
| 2034-2039                       |    | 760   |
| Total minimum payments required | \$ | 6,460 |

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

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        | 1,078 | 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, 2019:

|           |                      |
|-----------|----------------------|
| 2019-2020 | \$ 4,065,402         |
| 2020-2021 | 3,104,941            |
| 2021-2022 | 3,063,110            |
| 2022-2023 | 2,870,292            |
| 2023-2024 | 2,870,950            |
| 2024-2029 | 11,990,779           |
| 2029-2034 | 10,348,900           |
| 2034-2039 | 8,459,027            |
| 2039-2044 | 2,660,404            |
|           | <u>\$ 49,433,805</u> |

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

|                                    | <u>Cost</u>          | <u>Accum Depr<br/>6/30/2018</u> | <u>Depreciation<br/>18-19</u> | <u>Accum Depr<br/>6/30/2019</u> | <u>Book Value</u>    |
|------------------------------------|----------------------|---------------------------------|-------------------------------|---------------------------------|----------------------|
| Industrial Waterfront              |                      |                                 |                               |                                 |                      |
| Land/Terminal Equipment            | \$ 11,902,825        | \$ 5,764,680                    | \$ 332,149                    | \$ 6,096,829                    | \$ 5,805,996         |
| Industrial Land                    | 22,638,044           | 6,703,506                       | 765,950                       | 7,469,456                       | 15,168,588           |
| Irrigated Farm Land                | 3,615,858            | 1,066,015                       | 200                           | 1,066,215                       | 2,549,643            |
| Wastewater Pretreatment Facilities | 6,495,127            | 1,785,037                       | 236,509                       | 2,021,546                       | 4,473,581            |
| Commercial Buildings & Land        | 682,059              | 447,266                         | 20,832                        | 468,098                         | 213,961              |
|                                    | <u>\$ 45,333,913</u> | <u>\$ 15,766,504</u>            | <u>\$ 1,355,640</u>           | <u>\$ 17,122,144</u>            | <u>\$ 28,211,769</u> |

**Note 14 - Interfund Transactions - Major Funds:**

Transfers between major funds during fiscal year ended June 30, 2019, 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.

**Note 15 - Risk Management:**

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

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

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

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**Note 16 - Related Party Transactions:**

Gary Neal, the retired General Manager, and Jerry Healy and Marv Padberg, Port Commissioners, serve on the Board of Directors and have ownership interest in Windwave Communications, Inc. The Port paid Windwave \$11,000 for utility installation and \$10,330 for internet service. They also leased a building for \$21,600.

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 note in the amount of \$1,400,000 outstanding.

**Note 17 - Economic Dependency:**

A material part of Port of Morrow's total revenues is dependent upon one customer, the loss of which would have a materially adverse effect on the Port. During the year ended June 30, 2019, this customer accounted for \$12,512,870 equaling approximately 54% of Port operating revenues. Port of Morrow has done business with this customer for over twenty years.

**Note 18 - Commitments and Contingencies:**

**City of Boardman Water Use:**

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

**Loan Agreements - Enhanced Capital**

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

**Note 19 - Tax Abatements:**

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

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

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

For the fiscal year ended June 30, 2019, the Port of Morrow allocation of property tax abatements from the Enterprise Zone amounted to \$173,972 and from the Strategic Investment Program amounted to \$69,005.

**Note 20 - Subsequent Events:**

Subsequent events have been evaluated through December 5, 2019.

**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, 2019 is as follows:

|   | Fresh Water         | Discharge            | East Beach<br>Utility | SAGE<br>Center      | Site<br>Development  | Warehousing         | Totals               |
|---|---------------------|----------------------|-----------------------|---------------------|----------------------|---------------------|----------------------|
| <b>Assets</b>                           |                     |                      |                       |                     |                      |                     |                      |
| Current Assets                          | \$ 21,936,466       | \$ 4,179,281         | \$ 1,619,572          | \$ 8,433            | \$ 430,821           | \$ 7,791,665        | \$ 35,966,238        |
| Noncurrent Assets                       | 2,491,511           | 274,708              | 54,941                | 3,192,941           | 10,281,408           | 109,884             | 16,405,393           |
| Capital Assets                          | 3,357,757           | 32,013,183           | 3,635,432             | 6,894,966           | 57,873,316           | 27,820,873          | 131,595,527          |
| <b>Total Assets</b>                     | <b>27,785,734</b>   | <b>36,467,172</b>    | <b>5,309,945</b>      | <b>10,096,340</b>   | <b>68,585,545</b>    | <b>35,722,422</b>   | <b>183,967,158</b>   |
| Deferred Outflow of Resources           | -                   | -                    | -                     | -                   | 187,362              | -                   | 187,362              |
| <b>Liabilities</b>                      |                     |                      |                       |                     |                      |                     |                      |
| Current Liabilities                     | 599,340             | 1,323,578            | 138,672               | 62,471              | 3,154,036            | 2,020,023           | 7,298,120            |
| Long-term Liabilities                   | 23,200,353          | 21,005,061           | 1,439,288             | 3,842,602           | 20,715,943           | 26,177,693          | 96,380,940           |
| <b>Total Liabilities</b>                | <b>23,799,693</b>   | <b>22,328,639</b>    | <b>1,577,960</b>      | <b>3,905,073</b>    | <b>23,869,979</b>    | <b>28,197,716</b>   | <b>103,679,060</b>   |
| Deferred Inflow of Resources            | -                   | -                    | -                     | -                   | 5,934                | -                   | 5,934                |
| <b>Net Position</b>                     |                     |                      |                       |                     |                      |                     |                      |
| Unrestricted                            | 1,921,247           | 3,878,123            | 1,609,366             | 3,138,903           | 8,212,245            | 320,322             | 19,080,206           |
| Restricted for Capital and Debt Service | 21,907,390          | -                    | -                     | -                   | 1,644,058            | 6,551,204           | 30,102,652           |
| Net Investment in Capital Assets        | (19,842,596)        | 10,260,410           | 2,122,619             | 3,052,364           | 35,040,691           | 653,180             | 31,286,668           |
| <b>Total Net Position</b>               | <b>\$ 3,986,041</b> | <b>\$ 14,138,533</b> | <b>\$ 3,731,985</b>   | <b>\$ 6,191,267</b> | <b>\$ 44,896,994</b> | <b>\$ 7,524,706</b> | <b>\$ 80,469,526</b> |

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

|  | Fresh Water          | Discharge            | East Beach<br>Utility | SAGE<br>Center      | Site<br>Development   | Warehousing         | Totals               |
|--|----------------------|----------------------|-----------------------|---------------------|-----------------------|---------------------|----------------------|
| <b>Operating Revenues</b>                  |                      |                      |                       |                     |                       |                     |                      |
| Water Usage                                | \$ 2,409,879         | \$ -                 | \$ 292,892            |                     | \$ -                  | \$ -                | \$ 2,702,771         |
| Water Discharge                            | -                    | 5,987,931            | 838,493               |                     | -                     | -                   | 6,826,424            |
| Building & Land Leases                     | -                    | -                    | -                     |                     | 3,014,760             |                     | 3,014,760            |
| Other Operating Revenue                    | 127,497              | 183,644              | 59,309                | 83,414              | 1,496,374             | 9,340,333           | 11,290,571           |
| <b>Total Operating Revenue</b>             | <b>2,537,376</b>     | <b>6,171,575</b>     | <b>1,190,694</b>      | <b>83,414</b>       | <b>4,511,134</b>      | <b>9,340,333</b>    | <b>23,834,526</b>    |
| <b>Operating Expenses</b>                  |                      |                      |                       |                     |                       |                     |                      |
| Labor                                      | 830,983              | 1,702,327            | 87,111                | 406,022             | 1,747,754             | 5,864,130           | 10,638,327           |
| Depreciation                               | 106,369              | 1,767,608            | 343,239               | -                   | 3,139,755             | 1,000,437           | 6,357,408            |
| Other Operating Expenses                   | 896,598              | 1,357,982            | 352,811               | 225,649             | 562,567               | 1,215,492           | 4,611,099            |
| <b>Total Operating Expenses</b>            | <b>1,833,950</b>     | <b>4,827,917</b>     | <b>783,161</b>        | <b>631,671</b>      | <b>5,450,076</b>      | <b>8,080,059</b>    | <b>21,606,834</b>    |
| Operating Income                           | 703,426              | 1,343,658            | 407,533               | (548,257)           | (938,942)             | 1,260,274           | 2,227,692            |
| Nonoperating Revenues                      | 105,679              | 8,149                | 9,379                 | 31,310              | 1,264,818             | 26,385              | 1,445,720            |
| <b>Nonoperating Expenses</b>               |                      |                      |                       |                     |                       |                     |                      |
| Interest Expense                           | (122,445)            | (375,063)            | (67,230)              | (42,317)            | (926,877)             | (828,156)           | (2,362,088)          |
| Other Nonoperating Expense                 | (1,000)              | (61,085)             | (15,000)              | -                   | (43,515)              | (1,100)             | (121,700)            |
| <b>Total Nonoperating Income (Expense)</b> | <b>(17,766)</b>      | <b>(427,999)</b>     | <b>(72,851)</b>       | <b>(11,007)</b>     | <b>294,426</b>        | <b>(802,871)</b>    | <b>(1,038,068)</b>   |
| <b>Special Items</b>                       |                      |                      |                       |                     |                       |                     |                      |
| Contribution to Others                     | -                    | -                    | -                     | -                   | -                     | -                   | -                    |
| Grant Revenue                              | 122,445              | -                    | -                     | 34,110              | 888,982               | -                   | 1,045,537            |
| Change in Net Position                     | 808,105              | 915,659              | 334,682               | (525,154)           | 244,466               | 457,403             | 2,235,161            |
| Beginning Net Position                     | 3,177,936            | 13,222,874           | 3,397,303             | 6,590,417           | 44,152,528            | 7,693,307           | 78,234,365           |
| Reclassification - Other Segment           | -                    | -                    | -                     | 126,004             | 500,000               | (626,004)           | -                    |
| <b>Ending Net Position</b>                 | <b>\$ 3,986,041</b>  | <b>\$ 14,138,533</b> | <b>\$ 3,731,985</b>   | <b>\$ 6,191,267</b> | <b>\$ 44,896,994</b>  | <b>\$ 7,524,706</b> | <b>\$ 80,469,526</b> |
| <b>Cash Provided By:</b>                   |                      |                      |                       |                     |                       |                     |                      |
| Operating Activities                       | \$ 1,219,716         | \$ 2,017,811         | \$ 679,522            | \$ (542,722)        | \$ 1,170,101          | \$ 2,490,913        | \$ 7,035,341         |
| Capital                                    | 19,863,994           | 443,659              | (193,554)             | 369,335             | (5,600,167)           | 4,539,113           | 19,422,380           |
| Investing Activities                       | 105,679              | 8,149                | 9,379                 | 31,310              | 1,086,274             | 26,385              | 1,267,176            |
| Beginning Cash & Cash Equivalents          | 947,443              | 2,727,404            | 919,941               | (526,058)           | (129,176)             | 1,281,230           | 5,220,784            |
| <b>Ending Cash &amp; Cash Equivalents</b>  | <b>\$ 22,136,832</b> | <b>\$ 5,197,023</b>  | <b>\$ 1,415,288</b>   | <b>\$ (668,135)</b> | <b>\$ (3,472,968)</b> | <b>\$ 8,337,641</b> | <b>\$ 32,945,681</b> |

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PORT OF MORROW**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

|   | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance -<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|-------------------|---------------------------|---|
|   | <b>Original</b>         | <b>Final</b>      |                           |   |
| <b>Revenues:</b>                                |                         |                   |                           |   |
| Property taxes                                  | \$ 182,302              | \$ 182,302        | \$ 181,742                | \$ (560)                                      |
| Payments in lieu of taxes                       | 14,450                  | 14,450            | 37                        | (14,413)                                      |
| Interest income                                 | 3,000                   | 3,000             | 245                       | (2,755)                                       |
| Bond handling charges                           | 254,750                 | 254,750           | 214,914                   | (39,836)                                      |
| Contribution                                    | 100,000                 | 100,000           | 75,000                    | (25,000)                                      |
| Sale of assets                                  | 100                     | 100               | -                         | (100)   |
| Miscellaneous                                   | 100                     | 100               | -                         | (100)   |
| Total revenues                                  | <u>554,702</u>          | <u>554,702</u>    | <u>471,938</u>            | <u>(82,764)</u>                               |
| <b>Expenditures:</b>                            |                         |                   |                           |   |
| Personnel services                              | 640,800                 | 640,800           | 233,916                   | 406,884                                       |
| Materials and services                          | 419,000                 | 419,000           | 366,039                   | 52,961  |
| Capital outlay                                  | 115,000                 | 115,000           | 21,252                    | 93,748  |
| General operating contingency                   | 58,902                  | 58,902            | -                         | 58,902  |
| Total expenditures                              | <u>1,233,702</u>        | <u>1,233,702</u>  | <u>621,207</u>            | <u>612,495</u>                                |
| Excess of revenues over (under)<br>expenditures | <u>(679,000)</u>        | <u>(679,000)</u>  | <u>(149,269)</u>          | <u>529,731</u>                                |
| <b>Other Financing Sources (Uses):</b>          |                         |                   |                           |   |
| Transfer to/from enterprise fund                | <u>117,000</u>          | <u>117,000</u>    | <u>117,000</u>            | <u>-</u>                                      |
| Change in fund balance                          | (562,000)               | (562,000)         | (32,269)                  | 529,731                                       |
| Fund balance, beginning of year                 | <u>702,000</u>          | <u>702,000</u>    | <u>113,007</u>            | <u>(588,993)</u>                              |
| Fund balance, end of year                       | <u>\$ 140,000</u>       | <u>\$ 140,000</u> | <u>\$ 80,738</u>          | <u>\$ (59,262)</u>                            |

**PORT OF MORROW**  
**General Fund**  
**Statement of Expenditures - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

|                                      | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> |
|--------------------------------------|-------------------------|---------------------|---------------------------|
|                                      | <u>Original</u>         | <u>Final</u>        |                           |
| <b>Personnel Services:</b>           |                         |                     |                           |
| Payroll                              | \$ 445,000              | \$ 445,000          | \$ 160,366                |
| Payroll overhead                     | 195,800                 | 195,800             | 73,550                    |
| Total personnel services             | <u>640,800</u>          | <u>640,800</u>      | <u>233,916</u>            |
| <b>Materials and Services:</b>       |                         |                     |                           |
| Office supplies                      | 40,000                  | 40,000              | 48,419                    |
| Legal                                | 10,000                  | 10,000              | 2,652                     |
| Audit and accounting                 | 40,000                  | 40,000              | 34,395                    |
| Notices and publications             | 5,000                   | 5,000               | 1,560                     |
| Dues and subscriptions               | 60,000                  | 60,000              | 66,953                    |
| Insurance and bonds                  | 4,000                   | 4,000               | 4,000                     |
| Utilities                            | 15,000                  | 15,000              | 15,885                    |
| Marketing                            | 70,000                  | 70,000              | 75,942                    |
| Commissioner expenses                | 35,000                  | 35,000              | 21,656                    |
| Staff travel                         | 40,000                  | 40,000              | 42,005                    |
| Economic development                 | 40,000                  | 40,000              | 21,469                    |
| Planning/repair & maintenance        | 45,000                  | 45,000              | 21,954                    |
| Education                            | 15,000                  | 15,000              | 9,149                     |
| Total materials and services         | <u>419,000</u>          | <u>419,000</u>      | <u>366,039</u>            |
| <b>Capital Outlay:</b>               |                         |                     |                           |
| Equipment                            | <u>115,000</u>          | <u>115,000</u>      | <u>21,252</u>             |
| <b>General Operating Contingency</b> |                         |                     |                           |
|                                      | <u>58,902</u>           | <u>58,902</u>       | <u>-</u>                  |
| Total expenditures                   | <u>\$ 1,233,702</u>     | <u>\$ 1,233,702</u> | <u>\$ 621,207</u>         |

**PORT OF MORROW**  
**Required Supplementary Information**  
**June 30, 2019**

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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    | 81 |

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

|   | <b>Valuation Date</b><br>July 1, 2017                     |
|---|---|
| <b>Present Value of Benefits</b>  |   |
| Actives   | \$ 215,323  |
| Retirees  | -   |
| Total   | \$ 215,323  |
| <b>Total OPEB Liability</b>   |   |
| Actives   | \$ 57,995   |
| Retirees  | -   |
| Total   | \$ 57,995   |
| <b>Service Cost</b>   |   |
| As of Valuation Date  | \$ 13,356   |
| <b>Discount Rate</b>  | 3.58%   |
| <b>Changes in Total OPEB Liability</b><br><b>June 30, 2018 to June 30, 2019</b> | <b>Increase (Decrease)</b><br><b>Total OPEB Liability</b> |
| Balance as of June 30, 2018   | \$ 57,995   |
| Changes for the year:   |   |
| Service cost  | 13,356  |
| Interest on total OPEB liability  | 2,533   |
| Effect of changes to benefit terms  | -   |
| Effect of economic/demographic gains or losses                                  | -   |
| Effect of assumptions changes or inputs   | (2,333)   |
| Benefit payments  | (1,215)   |
|   | \$ 70,336   |

**PORT OF MORROW**  
**Required Supplementary Information**  
**June 30, 2019**

| <b>OPEB Expense</b>                                     | <b>July 1, 2018 to<br/>June 30, 2019</b> |
|---|--|
| Service cost  | \$ 13,356                                |
| Interest on total OPEB liability                        | 2,533                                    |
| Effect of plan changes                                  | -  |
| Recognition of Deferred (Inflows)/Outflows of Resources |  |
| Recognition of economic/demographic (gains) or losses   | -  |
| Recognition of assumption changes                       | (643)                                    |
| Administrative Expense                                  | n/a                                      |
| <b>OPEB Expense</b>                                     | <b>\$ 15,246</b>                         |

Deferred outflows of resources related to OPEB of \$2,592 resulting from the Port's contributions

|                                  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|----------------------------------|---|--|
| Changes of assumptions or inputs | \$ -                                      | \$ (5,934)                               |
| Benefit Payments                 | 2,592                                     | -  |
| <b>Total as of June 30, 2019</b> | <b>\$ 2,592</b>                           | <b>\$ (5,934)</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 |
|---------------------|--------------------|
| 2020                | \$ (643)           |
| 2021                | (643)              |
| 2022                | (643)              |
| 2023                | (643)              |
| 2024                | (643)              |
| Thereafter          | (2,719)            |
| <b>Total</b>        | <b>\$ (5,934)</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, 2019**

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|                            |                        |              |
|----------------------------|------------------------|--------------|
| Healthcare cost trend rate | Medical and vision:    |              |
|                            | Year                   | Pre-65 Trend |
|                            | 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%<br>Decrease | Current<br>Discount Rate | 1%<br>Increase |
|-----------------------|----------------|--------------------------|----------------|
| Discount Rate:        |                |                          |                |
| Total OPEB liability  | \$ 78,214      | \$ 70,336                | \$ 63,271      |
| Healthcare Cost Trend |                |                          |                |
| Total OPEB liability  | \$ 60,278      | \$ 70,336                | \$ 82,827      |

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**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, 2019**

|  | <b>Budgeted Amounts</b> |               | <b>Actual</b>  |
|--|-------------------------|---------------|----------------|
|  | <b>Original</b>         | <b>Final</b>  | <b>Amounts</b> |
| <b>Revenues</b>  | \$ 26,825,800           | \$ 26,825,800 | \$ 25,186,361  |
| <b>Expenses</b>  | (62,257,292)            | (62,257,292)  | (30,606,105)   |
| Excess of revenues over (under) expenses   | (35,431,492)            | (35,431,492)  | (5,419,744)    |
| <b>Other Financing Sources (Uses):</b>   |                         |               |                |
| Loan proceeds  | 13,770,000              | 13,770,000    | 31,595,000     |
| Interest income  | 151,310                 | 151,310       | 953,760        |
| Transfer to other funds  | 960,000                 | 960,000       | -              |
| Sale of assets   | 2,075,000               | 2,075,000     | 1,113,489      |
| Grant income   | 14,817,060              | 14,817,060    | 1,045,537      |
| Total other financing sources (uses)   | 31,773,370              | 31,773,370    | 34,707,786     |
| Excess (deficiency) of revenues and other financing sources over expenses and other uses | (3,658,122)             | (3,658,122)   | 29,288,042     |
| <b>Reconciliation to GAAP Basis:</b>   |                         |               |                |
| Loan proceeds  | -                       | -             | (31,595,000)   |
| Principal paid on long-term debt   | -                       | -             | 4,086,406      |
| Depreciation   | -                       | -             | (6,357,408)    |
| Amortization   | -                       | -             | (101,216)      |
| Fixed assets - capitalized   | -                       | -             | 6,555,835      |
| Sale of assets   | -                       | -             | (621,530)      |
| Labor capitalized  | -                       | -             | 980,032        |
| Total reconciliation items   | -                       | -             | (27,052,881)   |
| Change in net position   | (3,658,122)             | (3,658,122)   | 2,235,161      |
| Net position, beginning of year  | 3,840,000               | 3,840,000     | 78,234,365     |
| Net position, end of year  | \$ 181,878              | \$ 181,878    | \$ 80,469,526  |

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Revenues - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2019**

|   | <b>Budgeted Amounts</b>     |                             | <b>Actual<br/>Amounts</b>   |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | <b>Original</b>             | <b>Final</b>                |                             |
| <b>Discharge Water Segment:</b>           |                             |                             |                             |
| Water discharge                           | \$ 6,545,790                | \$ 6,545,790                | \$ 5,987,931                |
| Miscellaneous and reimbursable services   | 34,000                      | 34,000                      | 62,742                      |
| Co-generation fixed fee                   | 50,000                      | 50,000                      | 50,000                      |
| Patronage dividend                        | 25,000                      | 25,000                      | 70,902                      |
| Total revenues - Discharge Water Segment  | <u>6,654,790</u>            | <u>6,654,790</u>            | <u>6,171,575</u>            |
| <b>Site Development Segment:</b>          |                             |                             |                             |
| Land leases                               | 828,626                     | 828,626                     | 925,426                     |
| Mining royalties                          | 220,000                     | 220,000                     | 253,513                     |
| Building leases                           | 3,103,853                   | 3,103,853                   | 2,089,337                   |
| T-3 lease                                 | 201,462                     | 201,462                     | 226,298                     |
| Rail tariff                               | 261,308                     | 261,308                     | 52,327                      |
| Miscellaneous & reimbursements            | 8,000                       | 8,000                       | -                           |
| Operating grant - LRA                     | 500,000                     | 500,000                     | 331,385                     |
| Farm lease                                | 298,281                     | 298,281                     | 330,675                     |
| Steam revenue                             | 200,000                     | 200,000                     | 262,392                     |
| Patronage dividend                        | 8,000                       | 8,000                       | 39,781                      |
| Total revenues - Site Development Segment | <u>5,629,530</u>            | <u>5,629,530</u>            | <u>4,511,134</u>            |
| <b>Fresh Water Segment:</b>               |                             |                             |                             |
| Water usage                               | 2,666,000                   | 2,666,000                   | 2,409,879                   |
| Patronage dividend & miscellaneous        | 20,100                      | 20,100                      | 52,497                      |
| Co-generation fixed fee                   | 75,000                      | 75,000                      | 75,000                      |
| Total revenues - Fresh Water Segment      | <u>2,761,100</u>            | <u>2,761,100</u>            | <u>2,537,376</u>            |
| <b>Warehousing</b>                        |                             |                             |                             |
| Warehouse Storage & Handling Revenue      | <u>8,997,000</u>            | <u>8,997,000</u>            | <u>9,340,333</u>            |
| <b>Motor Pool Segment:</b>                |                             |                             |                             |
| Equipment rents                           | <u>1,261,000</u>            | <u>1,261,000</u>            | <u>1,351,835</u>            |
| <b>SAGE Center:</b>                       |                             |                             |                             |
| Admission and facility use                | 113,000                     | 113,000                     | 75,575                      |
| Sponsorships (donations)                  | 83,000                      | 83,000                      | -                           |
| Patronage dividend                        | -                           | -                           | 7,839                       |
| Total revenues - Sage Center              | <u>196,000</u>              | <u>196,000</u>              | <u>83,414</u>               |
| <b>East Beach Utility:</b>                |                             |                             |                             |
| Utility fees - freshwater                 | 333,880                     | 333,880                     | 292,892                     |
| Utility fees - discharge                  | 946,500                     | 946,500                     | 838,493                     |
| Miscellaneous & reimbursements            | 46,000                      | 46,000                      | 34,478                      |
| Patronage dividend                        | -                           | -                           | 24,831                      |
| Total revenues - East Beach Utility       | <u>1,326,380</u>            | <u>1,326,380</u>            | <u>1,190,694</u>            |
| Total revenues - enterprise fund          | <u><u>\$ 26,825,800</u></u> | <u><u>\$ 26,825,800</u></u> | <u><u>\$ 25,186,361</u></u> |

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Expenses - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2019**

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|                          | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance -<br/>Positive<br/>(Negative)</u> |
|--------------------------|-------------------------|----------------------|---------------------------|---|
|                          | <u>Original</u>         | <u>Final</u>         |                           |   |
| <b>Expenses:</b>         |                         |                      |                           |   |
| Personnel services       | \$ 11,294,200           | \$ 12,079,200        | \$ 11,921,522             | \$ 157,678                                    |
| Materials and services   | 6,654,996               | 6,654,996            | 5,659,770                 | 995,226                                       |
| Capital outlay           | 35,597,060              | 34,397,060           | 6,555,835                 | 27,841,225                                    |
| Transfers to other funds | 1,077,000               | 1,077,000            | 117,000                   | 960,000                                       |
| Debt service             | 5,940,352               | 6,355,352            | 6,351,978                 | 3,374   |
| Contingency              | 1,693,684               | 1,693,684            | -                         | 1,693,684                                     |
| Total expenses           | <u>\$ 62,257,292</u>    | <u>\$ 62,257,292</u> | <u>\$ 30,606,105</u>      | <u>\$ 31,651,187</u>                          |
| <br><b>By Program:</b>   |                         |                      |                           |   |
| Fresh Water              | \$ 13,584,100           | \$ 13,584,100        | \$ 3,629,884              | \$ 9,954,216                                  |
| Discharge Water          | 7,704,790               | 7,704,790            | 5,958,972                 | 1,745,818                                     |
| E Beach Utilities        | 1,326,380               | 1,326,380            | 511,493                   | 814,887                                       |
| Site Development         | 28,581,712              | 27,381,712           | 9,370,417                 | 18,011,295                                    |
| Motorpool                | 1,336,000               | 1,336,000            | 1,127,942                 | 208,058                                       |
| Sage Center              | 727,310                 | 727,310              | 642,552                   | 84,758  |
| Warehousing              | 8,997,000               | 10,197,000           | 9,364,845                 | 832,155                                       |
|                          | <u>\$ 62,257,292</u>    | <u>\$ 62,257,292</u> | <u>\$ 30,606,105</u>      | <u>\$ 31,651,187</u>                          |

## **OTHER FINANCIAL SCHEDULES**

**PORT OF MORROW**  
**Schedule of Future Requirements For Retirement of**  
**Bonded and Long-Term Debt**  
**For the Fiscal Year Ended June 30, 2019**

|   | <u>2019-2020</u>     |                      | <u>2020-2021</u>      |                      | <u>2021-2022</u>     |                      |
|---|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
|   | <u>Principal</u>     | <u>Interest</u>      | <u>Principal</u>      | <u>Interest</u>      | <u>Principal</u>     | <u>interest</u>      |
| <b>Industrial Development Bonds</b>           |                      |                      |                       |                      |                      |                      |
| <b>(No-Commitment Debt) :</b>                 |                      |                      |                       |                      |                      |                      |
| Threemile Canyon Farms                        | -                    | 407,000              | 10,000,000            | 407,000              | -                    | -                    |
| Threemile Canyon Farms                        | -                    | 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   | 10,690,000           | 2,492,498            | 20,000,000            | 2,051,394            | 20,000,000           | 1,514,560            |
| Kodiak Carbonic Series 2015                   | -                    | 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 | -                    | 1,969,031            | 57,500,000            | 1,514,734            | -                    | 1,514,734            |
| Total no commitment debt                      | <u>10,690,000</u>    | <u>24,056,496</u>    | <u>102,185,000</u>    | <u>23,161,095</u>    | <u>20,000,000</u>    | <u>21,751,698</u>    |
| Full Faith & Credit Bond, Series 2019 A       |                      | 247,217              | 485,000               | 220,295              | 500,000              | 204,239              |
| Full Faith & Credit Bond, Series 2019 B/ C    |                      | 839,183              | 830,000               | 733,760              | 860,000              | 705,199              |
| Full Faith & Credit Bond, Series 2017         | 1,580,000            | 610,230              | 1,425,000             | 573,100              | 1,460,000            | 536,050              |
| Full Faith & Credit Bond, Series 2016         | 655,000              | 630,250              | 680,000               | 609,100              | 700,000              | 581,500              |
| Full Faith & Credit Bond, Series 2014         | 335,000              | 257,450              | 345,000               | 245,725              | 360,000              | 232,787              |
| Revenue Bond, Series 2011                     | 525,411              | 63,902               | 545,902               | 43,411               | 567,193              | 22,121               |
| Special Public Works Fund #4                  | 59,874               | 9,245                | 60,357                | 6,312                | 65,875               | 3,294                |
| Special Public Works Fund #5                  | 51,225               | 17,075               | 53,781                | 14,519               | 56,465               | 11,836               |
| Special Public Works Fund #6                  | 30,381               | 22,503               | 31,953                | 20,932               | 33,605               | 19,280               |
| Special Public Works Fund #7                  | 73,525               | 65,934               | 76,731                | 62,728               | 80,076               | 59,383               |
| Special Public Works Fund #8                  | 143,138              | 143,383              | 147,947               | 138,574              | 152,918              | 133,603              |
| Special Public Works Fund #9                  | 544,700              | 270,102              | 553,960               | 260,843              | 563,377              | 251,425              |
| Bank of Eastern Oregon                        | -                    | 59,500               | 1,400,000             | 29,750               |                      |                      |
| Enhanced Capital                              | -                    | 34,504               | 156,550               | 34,504               | 156,550              | 32,778               |
| Enhanced Capital                              | -                    | 7,813                | 35,450                | 7,813                | 35,450               | 7,423                |
| Total commitment debt                         | <u>3,998,255</u>     | <u>3,278,292</u>     | <u>6,827,631</u>      | <u>3,001,365</u>     | <u>5,591,509</u>     | <u>2,800,917</u>     |
| Total debt                                    | <u>\$ 14,688,255</u> | <u>\$ 27,334,788</u> | <u>\$ 109,012,631</u> | <u>\$ 26,162,460</u> | <u>\$ 25,591,509</u> | <u>\$ 24,552,615</u> |

| 2022-2023            |                      | 2023-2024            |                      | All Subsequent Years  |                       | Total                 |                       |
|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Principal            | interest             | Principal            | interest             | Principal             | Interest              | Principal             | Interest              |
| -                    | -                    | -                    | -                    | -                     | -                     | 10,000,000            | 814,000               |
| -                    | -                    | -                    | -                    | -                     | -                     | 10,000,000            | 814,000               |
| -                    | 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           | 20,796,711            | 193,075,000           | 51,978,326            |
| 22,100,000           | 882,430              | 25,000,000           | 129,042              | -                     | -                     | 97,790,000            | 7,069,924             |
| -                    | -                    | -                    | -                    | -                     | -                     | 4,685,000             | 117,126               |
| -                    | 9,371,886            | -                    | -                    | 320,955,000           | 112,462,632           | 320,955,000           | 149,950,176           |
| -                    | 1,514,734            | -                    | -                    | 57,585,000            | 8,061,900             | 115,085,000           | 14,575,133            |
| <u>22,100,000</u>    | <u>21,119,568</u>    | <u>25,000,000</u>    | <u>9,479,560</u>     | <u>656,355,000</u>    | <u>200,490,948</u>    | <u>836,330,000</u>    | <u>300,059,365</u>    |
| 520,000              | 187,613              | 535,000              | 170,417              | 4,960,000             | 674,168               | 7,000,000             | 1,703,948             |
| 890,000              | 675,624              | 920,000              | 645,035              | 19,695,000            | 5,285,689             | 23,195,000            | 8,884,490             |
| 1,495,000            | 495,538              | 1,535,000            | 450,460              | 10,780,000            | 2,684,990             | 18,275,000            | 5,350,368             |
| 725,000              | 553,000              | 765,000              | 519,375              | 10,005,000            | 3,425,625             | 13,530,000            | 6,318,850             |
| 370,000              | 218,387              | 385,000              | 203,587              | 4,805,000             | 1,099,988             | 6,600,000             | 2,257,924             |
| -                    | -                    | -                    | -                    | -                     | -                     | 1,638,507             | 129,434               |
| -                    | -                    | -                    | -                    | -                     | -                     | 186,106               | 18,851                |
| 59,282               | 9,018                | 62,240               | 6,060                | 59,197                | 2,954                 | 342,190               | 61,461                |
| 35,342               | 17,543               | 37,169               | 15,716               | 266,815               | 50,277                | 435,265               | 146,251               |
| 83,568               | 55,891               | 87,211               | 52,248               | 1,111,138             | 283,453               | 1,512,250             | 579,638               |
| 158,056              | 128,465              | 163,367              | 123,154              | 3,501,933             | 1,082,401             | 4,267,359             | 1,749,580             |
| 572,955              | 241,848              | 582,695              | 232,108              | 13,070,690            | 2,321,306             | 15,888,377            | 3,577,631             |
| -                    | -                    | -                    | -                    | -                     | -                     | 1,400,000             | 89,250                |
| 156,550              | 31,053               | 156,550              | 29,328               | 2,504,800             | 222,546               | 3,131,000             | 384,713               |
| 35,450               | 7,032                | 35,450               | 6,641                | 567,200               | 53,130                | 709,000               | 89,852                |
| <u>5,101,203</u>     | <u>2,621,012</u>     | <u>5,264,683</u>     | <u>2,454,128</u>     | <u>71,326,773</u>     | <u>17,186,527</u>     | <u>98,110,053</u>     | <u>31,342,240</u>     |
| <u>\$ 27,201,203</u> | <u>\$ 23,740,580</u> | <u>\$ 30,264,683</u> | <u>\$ 11,933,688</u> | <u>\$ 727,681,773</u> | <u>\$ 217,677,475</u> | <u>\$ 934,440,053</u> | <u>\$ 331,401,605</u> |

**PORT OF MORROW**  
**Schedule of Insurance Coverage**  
**For the Fiscal Year Ended June 30, 2019**

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|  | <u>Policy<br/>Number</u> | <u>Expiration<br/>Date</u> | <u>Amount</u> |
|--|--------------------------|----------------------------|---------------|
| <b>Liability</b>   |                          |                            |               |
| Special Districts insurance Services<br>General Liability ( single limit )<br>automobile insurance on various<br>automobiles. Auto physical damage -<br>\$ 100 Deductible - Comprehensive<br>\$ 500 Deductible - Collision                           | 34P16391-202             | 12/31/2019                 | \$ 5,000,000  |
| <b>Property</b>  |                          |                            |               |
| Special Districts insurance Services<br>All property, real and personal,<br>including inland Marine<br>\$ 1,000 Deductible on property coverage<br>\$ 500 Deductible - inland Marine coverage<br>\$ 1,000,000 Business interruption<br>\$ 50,000 EDP | 34P16391-202             | 12/31/2019                 | \$ 65,508,469 |
| <b>Boiler and Machinery</b>  |                          |                            |               |
| Special Districts insurance Services<br>\$ 1,000 Deductible  | 34P16391-202             | 12/31/2019                 | \$ 50,000,000 |
| <b>Crime Coverage</b>  |                          |                            |               |
| Special Districts insurance Services   | 34P16391-202             | 12/31/2019                 | \$ 1,000,000  |
| <b>Workers' Compensation</b>   |                          |                            |               |
| Special Districts insurance Services   | 33W16391-83              | 6/30/2019                  | \$ 3,000,000  |
| <b>Erisa Bond</b>  |                          |                            |               |
| Old Republic Surety Company  | W180013325               | 7/25/2019                  | \$ 500,000    |
| <b>Group Insurance</b>   |                          |                            |               |
| Regence BlueCross BlueShield   | 68000661                 | 6/30/2019                  | Health        |
| MODA Health  | G0020636                 | 6/30/2019                  | 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, 2019, and have issued our report thereon dated December 5, 2019. 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

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 over financial reporting.

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

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

**Purpose of this Report**

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

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC  
Certified Public Accountants

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

La Grande, OR  
December 5, 2019