PORT OF ASTORIA

Financial Statements and Supplementary Schedules for Port of Astoria, Oregon

For the Years ended June 30, 2019 and 2018

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PORT OF ASTORIA
PRINCIPAL OFFICIALS

As of June 30, 2019

Frank Spence, President
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 3, 2017 – present

Dirk Rohne, Vice-President
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 3, 2017 – present

Robert Stevens, Secretary
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: August 22, 2017 – present

James Campbell, Treasurer
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 1, 2013 – present

William Hunsinger, Assistant Secretary – Treasurer
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 1, 2013 – present

As of June 30, 2018

Frank Spence, President
10 Pier 1 building, Suite 308
Astoria, OR 97103
Dates of service: July 3, 2017 – present

Dirk Rohne, Vice-President
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 3, 2017 – present

Robert Stevens, Secretary
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: August 22, 2017 – present

James Campbell, Treasurer
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 1, 2013 – present

William Hunsinger, Assistant Secretary – Treasurer
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 1, 2013 – present

Will Isom, Interim Executive Director
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: June 18, 2019 – present

Jim Knight, Executive Director
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: October 27, 2014 – June 18, 2019

FINANCIAL SECTION

ACHIEVE MORE

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Astoria
Astoria, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Astoria, Oregon (the Port), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Commissioners
Port of Astoria

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis, Schedule of Pension Contributions, Schedule of Proportionate Share of Net Pension Liability(Asset), and Schedule of Changes in Total OPEB Liability and Related Ratios, as listed in the Table of Contents, be presented 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Introductory Section, as listed in the Table of Contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 25, 2019, on our consideration of the Port'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.

TALBOT, KORVOLA & WARWICK, LLP

By: Julie B. Fahey
Julie B. Fahey, Partner

Lake Oswego, Oregon
November 25, 2019

The Management's Discussion and Analysis (MD&A) provides a discussion and analysis of the operating results, financial position and future prospects of the Port of Astoria "the Port", a municipal government organized by ORS 777. It should be read in conjunction with the financial statements for the fiscal year ending June 30, 2019 and 2018, including all accompanying notes to the financial statements.

Mission Statement

"The Port of Astoria seeks to generate economic growth and prosperity, in a safe and environmentally responsible manner, for its citizens through the creation of family wage jobs and prudent management of its assets".

Overall Performance and Goals

The Port's primary goals are as follows:

- To improve and strengthen the Port's transportation infrastructure in order to meet current and future demands on a competitive basis.
- To fully exploit the business and employment potential of the Port's industrial and commercial real estate in partnership with community development goals.
- To expand infrastructure in support of traditional natural resource industries and related trades.

Financial Highlights

The Port's overall net position decreased during fiscal year 2019 by $52,924, which is a decrease from the prior year in which the Port had a net position gain of $604,445. Additionally, the Port had an operating loss in the current year of $986,253, a slight improvement from the operating loss in the prior year of $1,118,382.

The Port had a positive net position of $21,401,022 as of June 30, 2019, a decrease from $21,453,946 as of June 30, 2018. This decrease in net position was primarily due to operating losses. The net position for the net investment in capital assets declined in 2019 by $19,359, but remains positive overall at $23,212,941, while the unrestricted net position remained negative at ($1,811,919) as of June 30, 2019, a decrease from ($1,778,354) as of June 30, 2018.

Discussion of Basic Financial Statements - The basic financial statements are prepared on the accrual basis, similar to a private business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a statement of net position which includes the Port's assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position at year end; a statement of revenues, expenses and changes in net position; and a statement of cash flows, which presents the sources and uses of cash for the year. The financial statements also include notes that further 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 Governmental Accounting Standards Board (GASB).

The Port is operated as a unitary enterprise similar to a commercial or business entity organized for profit, and includes accounting of operations that are financed and operated in a manner similar to private-sector business where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through service charges. Revenue is generated primarily through land and building rents, dock user fees, fueling fees, airport service charges, and timber revenues.

The *Statement of Net Position* presents information on all the Port's assets and deferred outflow of resources, less liabilities and deferred inflow of resources with the difference between them reported as net position. The net position total reported in the balance sheet serves as a useful indicator of whether the financial position of the Port is improving or declining over time. The *Statement of Revenues, Expenses and Changes in Net Position* presents information on the operating and non-operating revenues and expenses of the Port. In addition, it provides information on how well the Port is recovering its costs and generating profits available to reinvest in Port operations.

Condensed Statement of Net Position

	June 30,		
	2019	2018	2017
Assets			
Current assets	$ 3,577,484	$ 4,588,404	$ 3,839,160
Other assets	6,292,121	6,801,118	7,248,902
Capital assets	31,363,998	31,920,379	31,912,527
Total assets	41,233,603	43,309,901	43,000,589
Deferred pension outflows	599,075	548,478	886,661
Liabilities			
Current liabilities	2,050,256	2,886,566	2,333,843
Long-term liabilities	18,177,210	19,461,455	19,731,139
Total liabilities	20,227,466	22,348,021	22,064,982
Deferred pension inflows	204,190	56,412	37,364
Net position			
Net investment in capital assets	23,212,941	23,232,300	22,706,944
Unrestricted	(1,811,919)	(1,778,354)	(922,040)
Total net position	$ 21,401,022	$ 21,453,946	$ 21,784,904

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,		
	2019	2018	2017
Operating revenues	$ 8,015,338	$ 8,601,324	$ 8,393,352
Operating expenses	(9,001,591)	(9,719,706)	(9,637,956)
Loss from operations	(986,253)	(1,118,382)	(1,244,604)
Non-operating revenues	926,669	1,038,863	990,764
Non-operating expenses	(585,524)	(651,225)	(748,209)
Net loss before capital grants	(645,108)	(730,744)	(1,002,049)
Capital grants	592,184	1,335,189	3,907,702
Change in net position	(52,924)	604,445	2,905,653
Net position, beginning of the year, as previously stated	21,453,946	21,784,904	18,879,251
Restatement GASB 75	-	(935,403)	-
Net position, beginning of year, as restated	21,453,946	20,849,501	18,879,251
Net position, end of the year	$ 21,401,022	$ 21,453,946	$ 21,784,904

Analysis of the Overall Financial Position and Results of Operations

During the fiscal year ended June 30, 2019, construction projects decreased significantly from the prior year. The airport overlay project continued with one grant closing out and another starting, as well as a new Taxiway improvement project, both primarily funded by the Federal Aviation Administration (FAA). There was a significant investment in pier and piling repairs of $541,548 and building improvements of $126,538. These projects, along with several other minor additions, contributed to capital asset additions of $1,377,615. See Note 4 for more information on capital assets.

Operating revenues decreased by $585,986, which represents a 6.8% decrease from the prior year. The decrease in revenues were driven in part by decreases re-billed expenses and pier revenue. In the prior year, operating revenues increased by $207,972, which represents an 2.5% increase from fiscal year 2017. The increased revenues were caused by higher than expected re-billed expenses and fuel sales.

Operating expenses decreased by $718,115 which represents a 7.4% decrease from fiscal year 2018. This decrease was primarily caused by a decrease in materials and services of $298,156 or 6.3% and a decrease in personnel services of $220,809 or 7.0%. In the prior year, operating expenses increased by $81,750 which represents a 0.85% increase from fiscal year 2017.

Analysis of the Overall Financial Position and Results of Operations (Continued)

Non-operating revenues, consisting primarily of property taxes, timber receipts, interest income, and grants, decreased $112,194 or 10.8% from fiscal year 2018 and increased $48,099, or 4.9% from fiscal year 2017. The decrease in 2019 was primarily caused by decreased timber receipts of $130,987 or 43.4%.

Non-operating expenses decreased in fiscal year 2019 by $65,701, or 10.1% primarily due to an ongoing decrease in interest expense, caused by the normal pay down of outstanding debt. In fiscal year 2018, non-operating expense decreased by $96,984 primarily due to no penalty payment that occurred in 2017.

The current ratio (the ratio of current assets available to pay current liabilities) increased from the prior year from 1.59 to 1.74. This is mostly attributable to the decrease in accounts payable, which had spiked as of June 30, 2018. In the prior year, the current ratio decreased from 1.64 to 1.59. This was mostly attributable to an increase in accounts payable at year-end.

Capital Asset and Debt Administration

Capital Assets - The Port's investment in capital assets for its activities, as of June 30, 2019 was $31,363,998 and for June 30, 2018, was $31,920,379, net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, infrastructure, machinery and equipment. The total decrease in capital assets for the current fiscal year was $556,381 or approximately 1.8% based on June 30, 2018 capital asset balances. The decline was caused by depreciation expense of $1,933,996 that exceeded current capital asset additions of $1,377,615. These additions were primarily airport rehabilitation, piers rehabilitation and substantial upgrades or repairs to Port buildings and property. In fiscal year 2018, capital asset additions were $1,919,701, while depreciation was $1,878,333. Additional information about the Port's capital assets is discussed in Note 4 of the financial statements.

Long-Term Obligations - The Port had long-term obligations totaling $19,309,876, a decrease of $1,288,080 from the prior year primarily the result of scheduled note payable debt payments as well as declines in the pollution remediation obligation of $212,316. The Port had long-term obligations totaling $20,597,956 as of June 30, 2018, a decrease of $1,163,940 from fiscal year 2017, the primary result of scheduled debt payments. Additional information regarding the Port's long-term obligations is discussed in Note 8 of the financial statements.

Description of Currently Known Facts, Decisions, or Conditions

With the exception of the capital projects included in the current year budget, the Port has no projects planned that would materially affect current revenues. Those projects include Pier 2 West rehabilitation, additional airport overlay projects, and a variety of other repairs and improvements.

Additionally, the Port of Astoria faces some political uncertainty with the viability of the log export business. A trade war between the United States and China has led to the implementation of tariffs on imports from both countries. This could potentially have a negative impact on the volume and profitability of a local company's log exports to Chinese customers, and thereby indirectly impact the Port's pier revenue.

Requests for Information

This financial report is designed to provide a general overview of the Port of Astoria's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be directed to the Port Finance Director, Port of Astoria, 422 Gateway Avenue, Suite 100, Astoria, Oregon, 97103.

PORT OF ASTORIA
STATEMENT OF NET POSITION

	JUNE 30, 2019	JUNE 30, 2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,245,248	$ 2,527,171
Accounts receivables, net	452,073	1,008,390
Property and other county taxes receivable	42,843	47,434
Current maturities, long-term receivable	493,890	433,511
Inventory	39,221	59,331
Prepaid expenses	252,187	226,099
Grants receivable	52,022	286,468
Total current assets	3,577,484	4,588,404
NONCURRENT ASSETS:		
Land and non-depreciable capital assets	4,584,225	4,107,222
Capital assets, net	26,779,773	27,813,157
Long-term receivables, less current maturities	6,292,121	6,801,118
Total noncurrent assets	37,656,119	38,721,497
Total assets	41,233,603	43,309,901
DEFERRED OUTFLOWS:		
Deferred pension outflows	599,075	548,478
Total assets and deferred outflows	$ 41,832,678	$ 43,858,379
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 678,104	$ 1,559,096
Accrued payroll and related expenses	35,515	6,760
Accrued interest payable	131,189	140,781
Unearned revenue	72,782	43,428
Long-term obligations, current portion	1,132,666	1,136,501
Total current liabilities	2,050,256	2,886,566
NONCURRENT LIABILITIES:		
Long-term obligations, net of current portion	18,177,210	19,461,455
Total liabilities	20,227,466	22,348,021
DEFERRED INFLOWS:		
Deferred pension inflows	204,190	56,412
NET POSITION:		
Net investment in capital assets	23,212,941	23,232,300
Unrestricted	(1,811,919)	(1,778,354)
Total net position	21,401,022	21,453,946
Total liabilities, deferred inflows and net position	$ 41,832,678	$ 43,858,379

PORT OF ASTORIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	YEAR ENDED JUNE 30,	
	2019	2018
OPERATING REVENUES:		
Lease and rental operations	$ 2,518,686	$ 2,677,879
Fuel sales	987,669	1,010,692
Re-billed expenses	2,031,661	2,260,497
Pier revenue	1,206,564	1,480,709
Marina revenue	986,173	955,693
Finance charges	51	408
Other income	284,534	215,446
Total operating revenues	8,015,338	8,601,324
OPERATING EXPENSES:		
Materials and services	4,456,523	4,754,679
Personnel services	2,921,452	3,142,261
Depreciation	1,933,996	1,878,333
Bad debt expense	(98,064)	38,941
Pollution remediation	(212,316)	(94,508)
Total operating expenses	9,001,591	9,719,706
Operating loss	(986,253)	(1,118,382)
NON-OPERATING INCOME (EXPENSE):		
Property taxes	748,705	721,655
Interest income	6,632	11,378
Grants	-	3,780
Timber receipts	171,063	302,050
Gain (loss) on disposal of assets	269	(28,363)
Other non-operating	-	(2,964)
Interest expense	(585,524)	(619,898)
Total non-operating income (expenses)	341,145	387,638
Net loss before capital grants	(645,108)	(730,744)
CAPITAL GRANTS	592,184	1,335,189
Changes in net position	(52,924)	604,445
NET POSITION - BEGINNING OF YEAR AS PREVIOUSLY STATED	21,453,946	21,784,904
RESTATEMENT GASB 75 (NOTE 11)	-	(935,403)
NET POSITION - BEGINNING OF YEAR AS RESTATED	21,453,946	20,849,501
NET POSITION, - END OF YEAR	$ 21,401,022	$ 21,453,946

	YEAR ENDED JUNE 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 9,106,806	$ 8,932,623
Payments for personnel services	(2,849,664)	(2,869,769)
Payment to suppliers	(5,346,082)	(4,199,521)
Net cash provided by operating activities	911,060	1,863,333
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	753,296	722,728
Cash received from timber tax revenue	171,063	302,050
Payments received on non-capital grant agreements	-	3,780
Net cash provided by non-capital financing activities	924,359	1,028,558
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments received on capital grant agreements	826,630	1,292,164
Acquisition and construction of capital assets	(1,377,615)	(1,919,701)
Principal payment on long term debt	(978,142)	(942,225)
Interest paid on capital debt	(595,116)	(633,322)
Proceeds on sale of capital assets	269	5,153
Net cash used by capital and related financing activities	(2,123,974)	(2,197,931)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investment	6,632	11,378
Net cash provided by investing activities	6,632	11,378
Net increase (decrease) in cash and cash equivalents	(281,923)	705,338
CASH AND CASH EQUIVALENTS, BEGINNING	2,527,171	1,821,833
CASH AND CASH EQUIVALENTS, ENDING	$ 2,245,248	$ 2,527,171

	YEAR ENDED JUNE 30,	
	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (986,253)	$ (1,118,382)
Adjustments		
Depreciation	1,933,996	1,878,333
Decrease (increase) in:		
Accounts receivables, net	556,317	(6,494)
Inventory	20,110	(28,814)
Prepaid expenses	(26,088)	47,627
Long-term receivables, less current maturities	448,618	433,511
Increase (decrease) in:		
Accounts payable	(880,992)	536,501
Accrued payroll and related expenses	(34,261)	101,488
Tenant rent payable	(40,885)	(53,104)
Pollution remediation obligation	(212,316)	(94,508)
OPEB liability	33,156	32,460
Net pension liability and related deferrals	72,893	138,544
Unearned revenue	29,354	(662)
Clatsop County assessment	(2,589)	(3,167)
Net cash provided by operating activities	$ 911,060	$ 1,863,333

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operation - The Port of Astoria (Port) is an Oregon Municipal corporation formed under ORS 777. It was formed by special election in 1910. The Port operations include cargo handling, dockage, marina and boat repair facilities. The Port is responsible for operating the airport and facilities surrounding the airport. The Port owns property that it leases to area businesses and individuals.

The financial statements of the Port have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Standards and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Reporting entity - In evaluating how to define the government, for financial reporting purposes, management has considered the Port's financial reporting entity. The financial reporting entity consists of the Port, organizations for which the Port is financially accountable, and other organizations for which the Port is not accountable, but for which the nature and significance of their relationship with the Port are such that the exclusion would cause the Port's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the Port are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the Port are such that the exclusion would cause the Port's financial statements to be misleading or incomplete. Based on this criterion, the Port has no component units.

Basis of accounting - The financial statements are prepared on the accrual basis of accounting. The Port maintains three individual funds for state legal compliance that are combined and reported as a unitary enterprise similar to a commercial entity organized for profit for financial reporting. Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Port distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Port's ongoing operations. The principal operating revenues of the Port include lease income from rental of Port property, dockage and wharfage revenue, fuel sales, marina fees, and tenant utility re-bills. Operating expenses include the cost of providing the services mentioned above, as well as administrative expenses. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of resources - When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents - For purposes of the statement cash flows, the Port considers cash and short-term investments with maturities of three months or less to be cash equivalents. The Port maintains merged bank accounts for its funds in a central pool of demand deposit bank accounts.

Accounts receivable - Accounts receivable consist of rents due from tenants within the industrial parks, marinas, and the airport and charges due from ships using port services. The amounts are unsecured. These accounts are shown net of an allowance for doubtful accounts.

The Port provides an allowance for receivables if it believes it may not collect in full. It evaluates the collectability of its accounts based on a combination of factors. The Port's estimates of the recoverability of amounts due may change in the near term. The allowance for doubtful accounts as of June 30, 2019 and 2018 was $384,594 and $570,308, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory - Inventory consists of fuel inventories held for resale at the marina and airport. Inventory is valued at the lower of cost or market, using the first-in/first-out (FIFO) method. The costs of inventory is recorded as expenses when used (consumption method).

Property taxes - The State of Oregon constitution and state statutes provide for several types of tax levies, all of which require voter approval before being levied. Included among such authorized levies are a permanent tax rate, which can result in a different levy amount each year as assessed valuations change, bonded debt levies which can be levied each year the related general obligation bonds mature, and local option levies for a voter-approved number of years.

The Port of Astoria levies a permanent tax rate property tax levy.

By July 15 of each year, the Port certifies its property tax levy to Clatsop County, Oregon. Clatsop County makes all assessments of property value and levies, collects, and distributes property taxes for all taxing districts within its boundaries. Assessments of property values are as of July 1 of each year, and the taxes levied are a lien on the properties as of July 1 of the year levied.

Taxes are payable in three installments on November 15, February 15, and May 15 following the levy date and become delinquent May 15. The County pools tax collections and makes distributions to taxing districts according to their pro-rata share of the total levy each fiscal year which collections are received.

Property tax revenue is recognized on the accrual basis of accounting. Property taxes levied during the current year are recorded as revenue, and any amounts uncollected at year-end are recorded as a current asset.

Fair value - The Port categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments in money markets are valued using quoted market prices (Level 1 inputs).

Capital assets - Purchased or constructed capital assets, including property, plant and equipment, and infrastructure (roadways, piers, drainage systems, etc.), are reported at cost or estimated historical cost. The Port defines capital assets as assets with an initial cost of more than $5,000 and an estimated life in excess of one year.

Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Donated assets are recorded at their acquisition value at the date of donation. Maintenance and repairs of a routine nature are charged to expenses as incurred and are not capitalized.

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

Land improvements	10 to 50 years
Buildings and structures	10 to 50 years
Equipment and vehicles	5 to 40 years
Furniture and fixtures	3 to 20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned tenant improvements - On occasion, Port tenants perform capital improvements to Port property as a condition of the lease rental agreement. In exchange for these improvements, the Port has granted lease rental credits to cover all or a portion of the capital improvement. The Port has recorded capital assets for these improvements and tenant rent payable for the amount due to tenants through the rental credits. The payable is amortized over the life of the lease.

Unused compensated absences - It is the Port's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accumulated vacation leave and sick pay is recorded as an expense and liability when earned by each employee.

Pollution remediation obligation - The Port records future pollution remediation costs that meet measurement criteria outlined in GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* Under this accounting standard, when the Port determines a pollution remediation obligation exists and management is able to make a reasonable and supportable estimation of expected outlays, a long-term liability, net of estimated recoveries from other potentially responsible parties, is recorded. Pollution remediation costs are reported in the *Statement of Revenues, Expenses and Changes in Net Position* as an operating expense (or as revenues for recoveries received after all remediation activities have been completed).

Pensions - The net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense have been determined on the same basis as they are reported by OPERS.

Other post-employment benefits ("OPEB") obligations - The total OPEB obligation is recognized as a liability and the related deferred outflow of resources and deferred inflow of resources related to OPEB and OPEB expense have been actuarially determined.

Deferred inflow and outflow of resources - In addition to assets, the statement of financial position reports a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow 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 reports a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Net position - The Port's net position is classified as follows:

- *Net Investment in capital assets.* This represents the Port's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Debt proceeds that have been received for capital assets but not yet expended are not included within this component of net position.
- *Unrestricted.* Resources not included in other classifications are unrestricted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition - The Port recognizes revenue from dockage, wharfage and utility re-bills as the services are provided. The Port recognizes property management income as the lease periods mature. Any assets, liabilities, expenses and revenues created as a result of non-exchange transactions are recognized when all the significant eligibility requirements have been met. A non-exchange transaction occurs when a government receives (or gives) value without directly giving (or receiving) equal value in return.

Use of estimates - Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These assumptions and estimates affect the amounts and disclosures in the accompanying financial statements. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and budgetary accounting - The Port is required by Oregon State Law to adopt an annual appropriated budget. The budgetary fiscal period coincides with the annual reporting period (July 1 through June 30). Appropriated budgets are adopted by the executive body and, accordingly, used as a management control device for all funds.

The Port prepared its budget using the modified accrual basis of accounting, which is an acceptable basis of accounting. The Port includes capital outlay and debt services as expenditures for budgetary purposes.

Original appropriations may be increased or decreased, through resolutions, by transferring amounts between appropriations in the same fund or by transferring from an appropriation in the General Fund to an appropriation in another fund, or they may be increased through the adoption of a supplemental budget. By state law, budget appropriations lapse at year-end.

The Port adopts its budget by the following object classifications within each fund: personnel services, material and services, capital outlay, debt service, transfers to other funds, and contingency.

The Port's actual expenditures were within budgeted amounts for the year ended June 30, 2019 and 2018, with the following exceptions:

	6/30/2019	6/30/2018
General Fund		
Materials and services	$ 3,074	$ 389,581

NOTE 3 - CASH AND CASH EQUIVALENTS

Total cash and cash equivalents, as presented in the statements of net position as of June 30, 2019 and 2018 are as follows:

	2019	2018
Cash on hand	$ 595	$ 595
Bank deposits	1,364,296	1,648,778
Money market accounts	880,357	877,798
Total cash and cash equivalents	$ 2,245,248	$ 2,527,171

The Port is restricted by State of Oregon statutes in the types of investments in which it may invest. Authorized investments include general obligations of the United States Government and its agencies, certain bonded obligations of municipalities, certain certificates of deposits and savings accounts, and other demand deposit accounts.

Interest Rate Risk

Interest rate risk is the risk of exposure to fair value losses resulting from rising interest rates. The Port does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Port has minimal interest rate risks because all of its deposits are held in demand accounts with banks.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Port would not be able to recover the value of its deposits and investments or collateral securities that are in the possession of an outside party. Financial instruments that potentially subject the Port to custodial risk consist primarily of bank demand deposits. In order to minimize this risk, state statutes require banks holding public funds 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 bank depositories, it does not guarantee that all funds are 100% protected.

As required by ORS, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the office of the State Treasurer. The Port had bank balances of $2,235,786 and $2,525,266 at June 30, 2019 and 2018, respectively, that exceeded FDIC insurance, however this risk is mitigated by coverage through the PFCP.

Concentration of Credit Risk

The Port does not have a policy to limit the amount that may be invested in any one issuer. At June 30, 2019 and 2018, 100% of its deposits were held in multiple deposit and money market accounts, with one bank.

NOTE 4 - CAPITAL ASSETS

Capital asset activity and balances consist of the following for the year ended June 30, 2019:

	Ending Balance 6/30/18	Additions	Deletions	Transfers	Ending Balance 6/30/19
Capital assets, non-depreciable:					
Land	$ 2,584,837	$ -	$ -	$ -	$ 2,584,837
Construction in Progress	1,522,385	557,044	-	(80,041)	1,999,388
Total capital assets, non-depreciable	4,107,222	557,044	-	(80,041)	4,584,225
Capital assets, depreciable:					
Land Improvements	37,189,143	39,459	-	-	37,228,602
Buildings & Structures	12,766,955	664,369	-	38,263	13,469,587
Airport Property	10,590,761	4,700	-	41,778	10,637,239
Leasehold Improvements	6,532	-	-	-	6,532
Intangibles	17,791	-	-	-	17,791
Machinery & Equipment	1,003,701	-	(36,607)	-	967,094
Dredge & Marine Equipment	962,887	20,500	-	-	983,387
Vehicles & Boats	441,525	74,745	-	-	516,270
Furniture & Fixtures	479,747	-	-	-	479,747
Computer & Equipment	191,766	16,798	-	-	208,564
Total capital assets, depreciable	63,650,808	820,571	(36,607)	80,041	64,514,813
Less: accumulated depreciation	(35,837,651)	(1,933,996)	36,607	-	(37,735,040)
Net depreciable capital assets	27,813,157	(1,113,425)	-	80,041	26,779,773
Net capital assets	$ 31,920,379	$ (556,381)	$ -	$ -	$ 31,363,998

Construction in progress consists primarily of pier restoration and airport improvements. Capital projects are financed by a combination of debt, grants and internal resources.

NOTE 4 - CAPITAL ASSETS (continued)

Capital asset activity and balances consist of the following for the year ended June 30, 2018:

	Ending Balance 6/30/17	Additions	Deletions	Transfers	Ending Balance 6/30/18
Capital assets, non-depreciable:					
Land	$ 2,584,837	$ -	$ -	$ -	$ 2,584,837
Construction in Progress	324,863	1,246,371	-	(48,849)	1,522,385
Total capital assets, non-depreciable	2,909,700	1,246,371	-	(48,849)	4,107,222
Capital assets, depreciable:					
Land Improvements	36,981,115	161,396	-	46,632	37,189,143
Buildings & Structures	12,500,215	264,523	-	2,217	12,766,955
Tongue Point	44,231	-	(44,231)	-	-
Airport Property	10,590,761	-	-	-	10,590,761
Leasehold Improvements	56,167	6,531	(56,166)	-	6,532
Intangibles	17,791	-	-	-	17,791
Machinery & Equipment	1,028,086	22,815	(47,200)	-	1,003,701
Dredge & Marine Equipment	936,199	129,087	(102,399)	-	962,887
Vehicles & Boats	441,525	-	-	-	441,525
Furniture & Fixtures	390,769	88,978	-	-	479,747
Computer & Equipment	191,766	-	-	-	191,766
Total capital assets, depreciable	63,178,625	673,330	(249,996)	48,849	63,650,808
Less: accumulated depreciation	(34,175,798)	(1,878,333)	216,480	-	(35,837,651)
Net depreciable capital assets	29,002,827	(1,205,003)	(33,516)	48,849	27,813,157
Net capital assets	$ 31,912,527	$ 41,368	$ (33,516)	$ -	$ 31,920,379

NOTE 5 - LONG-TERM RECEIVABLES

Long-term receivables at June 30, 2019 consists of the following:

	Current	Long-term
Net investment in direct financing lease (Note 6)	$ 486,390	$ 6,208,996
Bornstein land lease	7,500	83,125
Total long-term receivables	$ 493,890	$ 6,292,121

Long-term receivables at June 30, 2018 consists of the following:

	Current	Long-term
Net investment in direct financing lease (Note 6)	$ 426,011	$ 6,710,493
Bornstein land lease	7,500	90,625
Total long-term receivables	$ 433,511	$ 6,801,118

NOTE 6 - LEASES

Operating leases - The Port leases several facilities to various individuals and businesses. These facilities include airport hangar space, marina slips, buildings, parcels of land, and pier and mooring space, among others. The cost and carrying amounts for these assets are included in the Port's Capital Assets (Note 4). Rent agreements vary from month-to-month to 22 years.

The minimum non-cancelable future lease payments to be received as of June 30, 2019, were as follows:

Year Ended	
2020	$ 2,212,959
2021	1,786,334
2022	1,576,215
2023	1,529,628
2024	1,515,118
Thereafter	7,715,483
Total	$ 16,335,737

Direct financing lease - The Port entered into a commercial lease agreement in 2005 to construct and lease a seafood processing facility. Financing for construction of the facility was provided by the Oregon Business Development Department (State Financing). The rent commencement date under the lease agreement was July 1, 2006.

NOTE 6 - LEASES (Continued)

The minimum rental payments under the agreement call for monthly installments equal to the annual debt service on the state financing. In February 2010, the Port elected to use proceeds from a qualifying energy efficiency project performed at the facility to offset the final lease payment at the end of the state financing.

The following lists the components of the net investment in the Port's direct financing lease as of June 30, 2019 and 2018:

	2019	2018
Minimum lease payments receivable	$ 8,453,331	$ 9,142,331
Less unearned income	(1,649,185)	(1,897,067)
Less applicable credits	(108,760)	(108,760)
Net investment in direct financing lease	6,695,386	7,136,504
Less current maturities	(486,390)	(426,011)
Long-term portion	$ 6,208,996	$ 6,710,493

As of June 30, 2019 minimum lease payments for the next five years are as follows:

Year Ended	
2020	$ 486,390
2021	533,789
2022	552,718
2023	572,318
2024	592,614
Thereafter	3,957,557
Total minimum payments required	$ 6,695,386

NOTE 7 – LINE OF CREDIT

The Port entered into an agreement with a bank to obtain a $150,000 operating line of credit. The line of credit requires interest at prime plus 1%, which at June 30, 2019 and 2018 was 6.50% and 6.00%, respectively. The line of credit is secured by prior executed separate instruments and matures in June 2020. As of June 30, 2019 and 2018, there was no outstanding balance.

NOTE 8 - LONG-TERM OBLIGATIONS

Notes payable - The Port has 11 loans with the Oregon Business Development Department (OBDD) and the Special Public Works Fund (SPWF) of the State of Oregon. The loans were obtained to make various improvements to the Port's marine and airport facilities. Interest rates and maturity dates vary from 2.49% to 7.0% and 3 to 15 years. The total amount outstanding as of June 30, 2019 and 2018 is $11,753,235 and $12,584,024 respectively. The current portion of these outstanding notes is $897,120, payable in quarterly or annual installments. Port real property is pledged as security.

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

A note payable to the Clatsop Community Bank with an original face value of $1,700,000 for the purchase of Pier 1 office building. The note is collateralized by the Pier 1 office building. The interest and principal payments are due in monthly installments of $11,072. There is a required balloon payment of $1,080,573 due at maturity on June 14, 2025. The note has a variable interest rate set at prime rate, plus 2.5%. The interest rate was 8.0% as of June 30, 2019 and 7.5% as of June 30, 2018. Pursuant to the note agreement, the Port is required to maintain a 1.10 to 1.0 debt service coverage ratio, and issue audited financial statements no later than 180 days after fiscal year-end. As of June 30, 2019, the Port was in compliance with the debt service coverage ratio.

In October 2016, the Port entered into a debt agreement of $1,750,000 with Key Bank to fund the construction of a stormwater treatment project on Pier 3. The note has a fixed interest rate set at 2.99% for 10 years, with semi-annual interest and principal payments of $50,633. A mandatory prepayment of the balance is scheduled for the end of the 10 year period, but may be extended with 2 additional 5-year reset dates. The Bonds are secured by the full faith and credit of the Port.

A note payable to US Bank with an original face value of $155,000 to purchase equipment. Annual interest and principal payments are due in annual installments of $20,000 with interest rates ranging from 4.8% to 5.5%. Note matured on January 1, 2019.

A note payable to the Oregon Department of Transportation (ODOT) with an original face value of $300,000 for pier improvements. The principal payments are due in annual installments of $15,000 and matures on January 1, 2029. There is no interest component on the note.

A note payable to KS State Bank with an original face value of $47,990 for LED lighting improvements on Port property. The principle payments are due in monthly installments of $778 and carries an imputed interest rate of 5.23%. The note matures on April 25, 2022.

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2019:

	Ending Balance 6/30/18	Additions	Reductions	Ending Balance 6/30/19	Due Within One Year
Notes payable	$ 15,934,634	$ -	$ 978,142	$ 14,956,492	$ 1,027,201
Tenant rent payables	150,085	-	40,885	109,200	14,400
Compensated absences:					
Accrued vacation	111,484	-	22,984	88,500	88,500
Accrued sick	188,324	-	40,032	148,292	100
Total compensated absences	299,808	-	63,016	236,792	88,600
Pollution remediation obligation, net (Note 13)	1,824,177	-	212,316	1,611,861	-
Total other postemployment benefits liability (Note 11)	1,019,322	81,826	48,670	1,052,478	-
Net pension liability (Note 10)	1,359,784	-	24,288	1,335,496	-
Assessment obligations:					
Clatsop County assessment	10,146	-	2,589	7,557	2,465
Total long-term obligations	$ 20,597,956	$ 81,826	$ 1,369,906	$ 19,309,876	$ 1,132,666

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2018:

	Ending Balance 6/30/17	Additions	Reductions	Ending Balance 6/30/18	Due Within One Year
Notes payable	$ 16,876,859	$ -	$ 942,225	$ 15,934,634	$ 976,183
Tenant rent payables	203,189	-	53,104	150,085	41,399
Compensated absences:					
Accrued vacation	97,012	14,472	-	111,484	111,484
Accrued sick	87,505	100,819	-	188,324	4,981
Total compensated absences	184,517	115,291	-	299,808	116,465
Pollution remediation obligation, net (Note 13)	1,918,685	-	94,508	1,824,177	-
Total other postemployment benefits liability * (Note 11)	986,862	80,619	48,159	1,019,322	-
Net pension liability (Note 10)	1,578,471	-	218,687	1,359,784	-
Assessment obligations:					
Clatsop County assessment	13,313	-	3,167	10,146	2,454
Total long-term obligations	$ 21,761,896	$ 195,910	$ 1,359,850	$ 20,597,956	$ 1,136,501

* Restated per GASB 75

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity for notes payable are as follows:

	Bornstein Buildings Cons't		Lektro Building Expansion		West Basin Breakwater II		West Basin Breakwater	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 486,390	$ 232,110	$ 111,190	$ 37,466	$ 114,751	$ 55,054	$ 47,942	$ 22,491
2021	533,789	214,211	113,959	34,697	114,829	50,005	48,331	20,142
2022	552,718	195,282	116,797	31,859	122,312	44,837	53,748	17,725
2023	572,318	175,682	133,049	28,951	122,440	39,272	54,185	15,038
2024	592,614	155,386	136,362	25,638	135,223	33,609	59,645	12,329
2025-29	3,604,059	423,941	734,462	75,538	591,462	84,145	186,925	18,994
2030-34	463,547	6,931	158,828	3,955	-	-	-	-
	$ 6,805,435	$ 1,403,543	$ 1,504,647	$ 238,104	$ 1,201,017	$ 306,922	$ 450,776	$ 106,719

Fiscal Year	Lektro Hanger Expansion		West Basin Floats		West Basin Improvements		Airport Waterline/Fuel Tank	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 31,321	$ 27,186	$ 27,593	$ 19,847	$ 23,656	$ 6,209	$ 11,962	$ 8,843
2021	32,848	25,659	28,868	18,572	25,076	4,790	12,527	8,278
2022	34,450	24,057	30,202	17,238	26,580	3,285	13,118	7,687
2023	36,130	22,377	31,597	15,843	28,175	1,691	13,738	7,067
2024	37,892	20,615	33,057	14,383	-	-	14,386	6,419
2025-29	219,050	73,487	189,655	47,545	-	-	82,779	21,246
2030-34	187,501	17,274	88,606	6,185	-	-	38,831	2,770
	$ 579,192	$ 210,655	$ 429,578	$ 139,613	$ 103,487	$ 15,975	$ 187,341	$ 62,310

Fiscal Year	Airport E Hangar		Lektro Electrical Upgrade		Connect II Pier 2		Pier 1 Buildings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 19,666	$ 14,339	$ 11,926	$ 1,418	$ 15,000	$ -	$ 54,540	$ 78,327
2021	20,473	13,533	12,741	561	15,000	-	57,975	74,891
2022	21,312	12,693	-	-	15,000	-	61,398	71,469
2023	22,187	11,819	-	-	15,000	-	65,023	67,844
2024	23,097	10,909	-	-	15,000	-	68,686	64,180
2025-29	130,494	39,533	-	-	75,000	-	1,071,254	59,949
2030-34	125,019	11,002	-	-	-	-	-	-
	$ 362,248	$ 113,828	$ 24,667	$ 1,979	$ 150,000	$ -	$ 1,378,876	$ 416,660

Fiscal Year	Airport T-Hanger Building		LED Lighting Project		Key Government Finance	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 10,723	$ 5,934	$ 8,218	$ 1,117	$ 52,323	$ 48,944
2021	11,330	5,327	8,672	663	53,899	47,368
2022	11,972	4,686	7,591	188	55,523	45,744
2023	12,649	4,009	-	-	57,195	44,071
2024	13,365	3,293	-	-	58,918	42,349
2025-29	44,808	5,165	-	-	322,307	184,027
2030-34	-	-	-	-	373,866	132,468
2035-39	-	-	-	-	433,673	72,661
2040-44	-	-	-	-	242,196	10,970
	$ 104,847	$ 28,414	$ 24,481	$ 1,968	$ 1,649,900	$ 628,602

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Assessment obligation - Clatsop County settled a property tax dispute with Georgia Pacific-Wauna Mill on behalf of all the taxing districts within the County during the fiscal year 2011-2012. The intergovernmental agreement previously entered into by the taxing district was to issue bonds to pay the settlement, if needed. The county issued $2,550,000 of bonds payable annually at 2.18% over ten years. As included in the intergovernmental agreement the annual principal and interest payment will be taken from the first annual tax collection turnover. The Port's proportionate share of the original obligation was $24,058.

The Port's obligation as of June 30, 2019 and 2018 is $7,557 and $10,146, respectively, maturing as follows:

	Property Tax Assessment	
	Principal	Interest
2020	$ 2,465	$ 217
2021	2,519	165
2022	2,573	167
	$ 7,557	$ 549

NOTE 9 - COMMITMENTS

The Port leases various parcels of submerged and submersible lands claimed by the State of Oregon. These properties include the West and East End Mooring Basins. Lease payments made to the State for the years ended June 30, 2019 and 2018 were $126,625 and $142,580, respectively. Lease payments are determined by the state annually, and minimum rentals are not specified.

Project commitments relate to unperformed contracts for goods or services, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes specified quantities. The Port has commitments under various contracts amounting to approximately $4,718,802 primarily related to engineering design services and construction for airport improvements. As of June 30, 2019, approximately $3,755,120 of these contracts remain outstanding. The Port intends to complete these projects primarily through capital grants.

NOTE 10 - PENSION PLAN

General Information about the Pension Plan

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan.

Employees of the Port are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. OPERS issues a publicly available financial report that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

NOTE 10 - PENSION PLAN (Continued)

Benefits provided under Chapter 238-Tier One / Tier Two

1. *Pension Benefits.* The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

   A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

2. *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
   - Member was employed by a OPERS employer at the time of death,
   - Member died within 120 days after termination of OPERS-covered employment,
   - Member died as a result of injury sustained while employed in a OPERS-covered job, or
   - Member was on an official leave of absence from a OPERS-covered job at the time of death.

3. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

4. *Benefit Changes After Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

   Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB).

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

   This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

   General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

NOTE 10 - PENSION PLAN (Continued)

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. *Death Benefits.* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

3. *Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

4. *Benefit Changes after Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

Contributions:

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017.

Employer contributions for the year ended June 30, 2019 and June 30, 2018 were $171,706 and $155,368, respectively. The rates in effect for the fiscal years ended June 30, 2019 and 2018 were: (1) Tier1/Tier 2 - 14.51%, (2) OPSRP general service - 9.27%.

Actuarial Valuations:

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

NOTE 10 - PENSION PLAN (Continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent (reduced from 7.50%)
Discount Rate	7.20 percent (reduced from 7.50%)
Projected Salary Increases	3.50 percent
Cost of Living Adjustment	Blend of 2.00 percent COLA and graded COLA (1.25/.15 percent) in accordance with *Moro* decision; blend based on service.
Mortality	**Healthy retirees and beneficiaries**: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. **Active members**: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. **Disabled retirees**: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

Discount Rate:

The discount rate used to measure the net total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 - PENSION PLAN (Continued)

Depletion Date Projection
GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the PERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	13.5	21.5	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	12.5	12.5
Opportunity Portfolio	0.0	3.0	0.0
Total			100.0 %

NOTE 10 - PENSION PLAN (Continued)

Long-Term Expected Rate of Return:
To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00	3.38
Bank/Leveraged Loans	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non - US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds - Diversified	2.50	4.09
Hedge Fund – Event Driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Assumed Inflation – Mean		2.50

Sensitivity of the Port's proportionate share of the net pension liability to changes in the discount rate. The following presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	$2,231,866	$1,335,496	$595,616

NOTE 10 - PENSION PLAN (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.pers.state.or.us.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Port reported a liability of $1,335,496 for its proportionate share of the net pension liability, a decrease from $1,359,784 as of June 30, 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 and rolled forward to June 30, 2018. The Port's proportion of the net pension liability was based on the Port's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.
2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.
3. Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings.

The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 UAL is just their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. For example, if the employer's payroll is one percent of the pool's total payroll, the employer will be allocated one percent of the pool's UAL. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 UAL tracked separately in the actuarial valuation.

NOTE 10 - PENSION PLAN (Continued)

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner. Thus, for each and every system employer, the PVFNC is calculated following the format in the table below.

Since many governments in Oregon have sold pension obligation bonds and deposited the proceeds with OPERS (referred to as side accounts or transitional liability or surplus), adjustments are required. After each employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's side account, transitional liability/surplus, and pre-SLGRP liability/surplus (if any). This is done as those balances increase/decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2019 and 2018, the Port's proportion was 0.00882 and 0.01009 percent, respectively.

For the years ended June 30, 2019 and 2018, the Port recognized pension expense of $243,899 and $296,534, respectively.

At June 30, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	$ 45,429	$ -
Changes in assumptions	310,500	-
Net difference between projected and actual earnings on investments	-	59,304
Changes in proportionate share	-	144,886
Differences between employer contributions and proportionate share of contributions	71,440	-
Total (prior to post-measurement date contributions)	427,369	204,190
Contributions made subsequent to measurement date	171,706	-
Deferred Outflow/Inflow of Resources	$ 599,075	$ 204,190

NOTE 10 - PENSION PLAN (Continued)

Amounts reported as deferred outflows of resources related to pensions resulting from Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
2020	$ 150,347
2021	100,839
2022	(30,147)
2023	(1,939)
2024	4,079
Total	$ 223,179

At June 30, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	$ 65,760	$ -
Changes in assumptions	247,864	-
Net difference between projected and actual earnings on investments	14,008	-
Changes in proportionate share	-	56,412
Differences between employer contributions and proportionate share of contributions	65,478	-
Total (prior to post-measurement date contributions)	393,110	56,412
Contributions made subsequent to measurement date	155,368	-
Deferred Outflow/Inflow of Resources	$ 548,478	$ 56,412

Changes in Plan Provisions Subsequent to Measurement Date

On June 11, 2019, Senate Bill 1049 was enacted by the People of the State of Oregon. The elements of the bill include a variety of policy and program changes which will affect the District's pension plan. Most prominent are a onetime 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The District cannot predict whether the petitioners will be successful in whole or in part nor what the impact of a successful challenge may be. Further, the District cannot predict whether SB 1049 will be subject to additional legal challenges that could affect some or all of its provisions.

NOTE 10 - PENSION PLAN (Continued)

Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions

The Port has elected to pay the employee contributions to the plan for some employees equating to 6 percent of covered payroll. The Port paid $31,455 and $27,638 for fiscal years ended June 30, 2019 and 2018, respectively.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

Plan description - The Port does not have a formal post-employment benefits plan for any employee groups; however, the Port offers medical benefits to retirees who are eligible under a) PERS Tier 1 or 2, being age 55, or any age with 30 years of service, or b) OPSRP member, being age 55 with 5 years of service. The Port pays the medical premiums for eligible retirees until Medicare eligibility, and reimburses the Medicare Supplement premium thereafter.

In addition to the explicit medical benefits for certain retirees, continued medical coverage is offered to the Port's eligible retirees, their spouses and dependents until Medicare eligibility. The active premium rate, whether paid by the Port or by the retiree, still applies.

In some cases the premium itself does not represent the full cost of covering retirees, as retirees are older than the active population and can generate higher medical claims and premiums. This additional cost is called the "implicit subsidy" and is required to be valued under GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Of the Port's 29 plan participants, 22 are active plan participants and 7 are inactive plan participants.

Change in accounting principle. In June 2015, the GASB issued Statement No. 75. In implementing, the Port has restated beginning net position in order to recognize the total OPEB liability for the Port's implicit and explicit rate subsidy plan. The Port had previously reported an OPEB obligation in accordance with GASB Statement No. 45 related to the explicit benefit, which has been replaced with the total OPEB liability.

	Governmental Activities
Net position, June 30, 2017 as previously stated	$ 21,784,904
Restatement	(935,403)
Net position, June 30, 2017 as restated	$ 20,849,501

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

Actuarial cost method	Entry age normal
General inflation	2.5 percent
Salary increases	3.5 percent
Mortality rates	RP 2014, employee/healthy annuitant, sex distinct, generational
Discount rate	3.75 percent
Healthcare cost trend rate	7% in 2017/18, declining annually By 0.1% until 2037; 5% thereafter

Plan expenses other than benefit payments are not valued. The Plan is currently 'unfunded' as defined by GASB statements. The Plan does not issue stand-alone financial reports.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (continued)

For the year ended June 30, 2019 and 2018, the Port recognized OPEB expense of $81,826 and $80,619, respectively.

Change in the total OPEB liability.

	FY 2019	FY 2018
Total OPEB liability - beginning of year	$ 1,019,322	$ 986,862
Changes for the year:		
Service cost	43,695	43,695
Interest	38,131	36,924
Benefit payments	(48,670)	(48,159)
Total OPEB liability - end of year	$ 1,052,478	$ 1,019,322

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the Port's total OPEB liability calculated using the discount rate of 3.75 percent, as well as what the 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 discount rate:

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total OBEB Liability	$ 1,232,717	$ 1,052,478	$ 907,393

Sensitivity of the total OPEB liability to changes in the healthcare trend rates. The following presents the Port's total OPEB liability, as well as what the liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OBEB Liability	$ 871,655	$ 1,052,478	$ 1,289,382

OPERS Retirement Health Insurance Account (RHIA)

Plan description. As a member of OPERS, the Port contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Funding policy. Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and participating employers were established and may be amended only by the Oregon Legislature. ORS required that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive a monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. An eligible surviving spouse or dependent of a deceased PERS retiree may receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.50% of annual covered payroll for Tier One/Tier Two, and 0.43% for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, and amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Port's contributions to RHIA for the years ended June 30, 2019, 2018 and 2017 were approximately $7,400, $6,900, and $7,600, respectively, and were included in the Port's pension contributions.

NOTE 12 - DEFERRED COMPENSATION PLAN

The Port provides a deferred compensation plan, established in 1971. The plan is administered by a committee appointed by the commissioners of the Port. Any employee or independently contracted person, whom the committee designates as eligible, may defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The trust assets are held in a custodial trust for the exclusive benefit of participants and beneficiaries, they are not subject to the claims of public employer creditors nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries. Accordingly, the plan assets are not included in the statement of net position.

NOTE 13 - POLLUTION REMEDIATION OBLIGATION

Astoria Area-Wide Groundwater Contamination site - The Port has identified a number of contaminated areas on its property that it is required to investigate, monitor, and at times address the identified contaminants under State environmental laws. The Port was informed by the Oregon Department of Environmental Quality (ODEQ) that the Port, along with other potentially responsible parties (PRPs), is required to remediate contaminant identified in at least one of the site areas. Although the Port may not bear ultimate responsibility for the contamination, under State law the Port is presumptively liable as the property owner, and it is often practically and financially beneficial for the Port to take initial responsibility to manage and pay for the cleanup. In each of these matters, the Port is cooperating with the notifying agency and taking appropriate action with other PRPs to investigate and remediate pollution damage or contamination.

The Port has developed a procedure consistent with the current accounting standard to recognize liabilities for environmental cleanups, to the extent that such liabilities can be reasonably estimated. The Port's cleanup costs are estimated based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port's pollution cleanup cost estimate does not include cost components that are not yet reasonably measurable and will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

In June 2019, the ODEQ issued a Record of Decision with estimated cleanup costs of $3,300,000. Consequently, the Port reduced the estimated cleanup costs from $4,378,026 at June 30, 2018, to $3,300,000 at June 30, 2019.

The Port anticipates successfully recovering Port incurred investigation and cleanup costs from other PRPs. The Port will continue to seek appropriate recovering in the future. As of June 30, 2019 and 2018, the pollution remediation liabilities were reduced to $1,611,861 and $1,824,177, respectively, for estimated unrealized recoveries, and expenses incurred to-date.

	Pollution remediation obligation, net June 30, 2018	Additions	Reductions	Pollution remediation obligation, net June 30, 2019
Area-Wide groundwater contamination	$ 4,378,026	$ -	$(1,078,026)	$ 3,300,000
Less estimated third-party recoveries	(2,553,849)	-	(865,710)	(1,688,139)
Total pollution remediation obligation, net	$ 1,824,177	$ -	$ (212,316)	$ 1,611,861

	Pollution remediation obligation, net June 30, 2017	Additions	Reductions	Pollution remediation obligation, net June 30, 2018
Area-Wide groundwater contamination	$ 4,378,026	$ -	$ -	$ 4,378,026
Less estimated third-party recoveries	(2,459,341)	-	(94,508)	(2,553,849)
Total pollution remediation obligation, net	$ 1,918,685	$ -	$ (94,508)	$ 1,824,177

NOTE 14 - RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial insurance, but may still be exposed to some risk of loss. No settlements of any claims exceeded the insurance coverage in the past three years.

NOTE 15 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and State of Oregon governments. Any disallowed claims, including amounts already collected, could become a liability of the Port. Management believes amounts disallowed, if any, would not be material to the Port.

The Port is a defendant in various lawsuits. The likely outcome of these lawsuits is not determinable at this time; however, Port management intends to defend these lawsuits vigorously and believes the likely outcome will not have a material adverse effect on the Port's basic financial statements.

On October 12, 2017, the Port lost a judgement for breach of contract and fraud. The case was related to a 2015 awarding of contract dispute to operate the Astoria Riverwalk Inn hotel, owned by the Port. The plaintiff chose a specific performance remedy instead of a monetary award. In October 2018, the Port was able to reach an agreement with the plaintiff and the previous hotel operator to transition operation of the hotel to the plaintiff. The plaintiff took over operation of the hotel in November 1, 2018.

NOTE 16 – CONCENTRATIONS

The Port has two major customers that separately account for approximately 13% and 14% of total 2019 revenue. The Port had two major customers that separately accounted for approximately 17% and 11% of total 2018 revenue.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Pension Contributions
Oregon Public Employee Retirement Pension Plan *

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Contractually required contribution	$ 171,706	$ 155,368	$ 143,700	$ 133,389	$ 127,024	$ 150,259
Contributions in relation to the contractually required contribution	171,706	155,368	143,700	133,389	127,024	150,259
Contribution deficiency/(excess)	-	-	-	-	-	-
Port's covered payroll	$1,748,512	$ 1,795,642	$ 1,758,400	$ 1,713,293	$ 1,557,971	$ 1,398,824
Contributions as a percentage of covered payroll	9.8%	8.7%	8.2%	7.8%	8.2%	10.7%

Schedule of Proportionate Share of Net Pension Liability (Asset)
Oregon Public Employee Retirement Pension Plan *

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Port's proportion of the net pension liability (asset)	0.00881592%	0.01008739%	0.01051450%	0.01084981%	0.01230561%
Port's proportionate share of the net pension liability (asset)	$ 1,335,496	$ 1,359,784	$ 1,578,471	$ 622,938	$ (278,933)
Port's covered payroll	$ 1,795,642	$ 1,758,400	$ 1,713,293	$ 1,557,971	$ 1,398,824
Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	74.4%	77.3%	92.1%	40.0%	(19.9%)
Plan fiduciary net position as a percentage of the total pension liability	82.07%	83.12%	80.52%	91.90%	103.6%

* 10-year trend information will be presented as it becomes available.

Notes to Schedules

Changes in Assumptions

A summary of key changes implemented with the December 31, 2016 actuarial valuation which was used in the pension calculations and amounts reported for the fiscal year ended June 30, 2019, along with additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2015 actuarial valuation can be found at: www.oregon.gov/pers.

Changes in Plan Provisions Subsequent to Year End

On July 28, 2017, the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations.

Schedule of Changes in Total OPEB Liability and Related Ratios
Health Benefit Retiree Program

	FY 2019	FY 2018
Total OPEB liability - beginning of year	$ 1,019,322	$ 986,862
Changes for the year:		
Service cost	43,695	43,695
Interest	38,131	36,924
Benefit payments	(48,670)	(48,159)
Total OPEB liability - end of year	$ 1,052,478	$ 1,019,322
Port's covered payroll	$ 1,969,781	$ 1,903,170
Total OPEB liability as a percentage of covered payroll	53.43%	53.56%

Notes to Schedule

The Port does not hold assets in a trust that meets the criteria of GASB Statement 75, paragraph 4, to pay related benefits.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

Pursuant to the provisions of Oregon Revised Statutes, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual to be displayed for each fund where legally adopted budgets are required.

Budgetary Comparison schedules include the following funds:

General Fund

The General Fund is used to account for the operations of the Port's general operational expenses and property tax income that is not reserved for debt service. These operations include the lease of industrial and commercial property, the airport, including hangar rentals, and services provided to ships.

Special Revenue Fund

The Special Revenue Fund is used to account for timber tax revenues and other resources that are not used for ordinary expenses of the Port. Expenditures are used primarily for capital outlay.

Capital Improvement Reserve Fund

The Capital Improvement Reserve Fund is used to allow for the accumulation and expenditure of reserves for capital improvements.

PORT OF ASTORIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Lease and rental income	$ 2,848,200	$ 2,848,200	$ 2,955,773	$ 107,573
Fuel sales	903,010	903,010	987,669	84,659
Rebilled expenses	2,382,500	2,382,500	2,031,661	(350,839)
Pier revenue	1,848,010	1,848,010	1,206,564	(641,446)
Marina revenue	993,000	993,000	986,173	(6,827)
Other income	130,500	130,500	284,854	154,354
Property taxes	720,000	720,000	753,296	33,296
Intergovernmental grants	576,308	576,308	592,184	15,876
Investment earnings	8,000	8,000	6,632	(1,368)
Total revenues	10,409,528	10,409,528	9,804,806	(604,722)
EXPENDITURES:				
Materials and services	4,363,952	4,363,952	4,367,026	(3,074)
Personnel services	2,991,674	2,991,674	2,878,420	113,254
Debt service				
Principal *	964,382	964,382	978,142	(13,760)
Interest	612,712	612,712	595,116	17,596
Capital outlay	2,316,808	2,316,808	1,377,615	939,193
Total expenditures	11,249,528	11,249,528	10,196,319	1,053,209
Revenues over (under) expenditures	(840,000)	(840,000)	(391,513)	448,487
OTHER FINANCING SOURCES (USES):				
Transfers in	840,000	840,000	171,063	(668,937)
Total other financing sources (uses)	840,000	840,000	171,063	(668,937)
Changes in fund balance	-	-	(220,450)	(220,450)
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	1,042,830	1,042,830
FUND BALANCE, ENDING BUDGETARY BASIS	$ -	$ -	$ 822,380	$ 822,380

*Budgeted as a single debt service item.

PORT OF ASTORIA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, OTHER FINANCING USE, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Timber revenue	$ 200,000	$ 200,000	$ 171,063	$ (28,937)
OTHER FINANCING USE:				
Transfer out	840,000	840,000	171,063	668,937
Net changes in fund balance	(640,000)	(640,000)	-	640,000
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	1,113,343	1,113,343
FUND BALANCE, ENDING BUDGETARY BASIS	$ (640,000)	$ (640,000)	$ 1,113,343	$ 1,753,343

PORT OF ASTORIA
CAPITAL IMPROVEMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Total revenues	$ -	$ -	$ -	$ -
EXPENDITURES:				
Total expenditures	-	-	-	-
Net changes in fund balance	-	-	-	-
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	100,000	100,000
FUND BALANCE, ENDING BUDGETARY BASIS	$ -	$ -	$ 100,000	$ 100,000

RECONCILIATION OF REVENUES AND EXPENDITURES TO CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Revenues	Expenditures	Revenues Over (Under) Expenditures
BUDGETARY BASIS REVENUES AND EXPENDITURES			
General Fund	$ 9,804,806	$ 10,196,319	$ (391,513)
Special Revenue Fund	171,063	-	171,063
Capital Improvement Reserve Fund	-	-	-
Total	$ 9,975,869	$ 10,196,319	(220,450)
ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS:			
Capital outlay expenditures capitalized			1,377,615
Depreciation expense			(1,933,996)
Payment of principal on notes payable			978,142
Change in tenant rent payables			40,885
Change in property taxes receivable			(4,591)
Change in accrued interest payable			9,592
Change in prepaid expenses			26,088
Change in inventory			(20,110)
Change in net pension liability			24,288
Change in deferred outflows of resources - pension			50,597
Change in lease receivable			(448,618)
Change in pollution remediation			212,316
Change in Clatsop County assessment			2,589
Change in deferred inflows of resources - pension			(147,777)
Change in unearned revenue			(29,354)
Change in compensated absences			63,016
Change in total OPEB liability			(33,156)
CHANGES IN NET POSITION - GAAP			$ (52,924)

COMPLIANCE SECTION

ACHIEVE MORE

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFOMRED IN ACCORDANCE WITH OREGON STATE REGULATIONS

Board of Commissioners
Port of Astoria
Astoria, Oregon

We have audited the financial statements of the Port of Astoria, Oregon (the Port), as of and for the year ended June 30, 2019, and have issued our report thereon dated November 25, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Port'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 162-10-330 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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).

In connection with our testing, nothing came to our attention that caused us to believe the Port 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 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as follows:

- The General Fund reported an over expenditure of $3,074 in materials and services appropriations.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS (Continued)

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the Board of Commissioners, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Korvola & Warwick, LLP

Lake Oswego, Oregon
November 25, 2019

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