



Financial Statements and Supplementary
Schedules for
Port of Astoria, Oregon
For the Years ended June 30, 2017 and 2016

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**PORT OF ASTORIA
PRINCIPAL OFFICIALS**

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

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

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

Robert Mushen, President
10 Pier 1 building, Suite 308
Astoria, OR 97103
Dates of service: June 3, 2014 – July 25, 2017

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

Stephen C. Fulton, Secretary
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 1, 2013 – July 3, 2017

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

John Raichl, Assistant Secretary – Treasurer
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: June 3, 2014 - July 3, 2017

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

FINANCIAL SECTION



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 Meadows Road
Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

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 year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

OPINION

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, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Other

The financial statements of the Port, as of and for the year ended June 30, 2016, were audited by other auditors whose report, dated December 21, 2016, expressed an unmodified opinion on those statements.



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INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Commissioners
Port of Astoria

OTHER MATTERS (Continued)

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 Other Postemployment Benefits (OPEB) Funding Progress, Schedule of Pension Contributions, Schedule of Proportionate Share of Net Pension Liability (Asset), and Notes to the Required Supplementary Information, 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 and the Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. As listed in the Table of Contents, the Supplementary Information and the Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information and SEFA are the responsibility of management and were derived from and relate 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 and the SEFA are 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.

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Commissioners
Port of Astoria

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Continued)

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 December 21, 2017, 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, Partner

Lake Oswego, Oregon
December 21, 2017

PORT OF ASTORIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017 and 2016, 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 increased during fiscal year 2017 by \$2,905,653, a significant increase from the prior year in which the Port had a net position decrease of \$1,262,575. Additionally, the Port had an operating loss in the current year of \$1,244,604, a significant improvement from the operating loss in the prior year of \$1,924,333.

The Port maintained a positive net position of \$21,784,904 as of June 30, 2017, an increase from \$18,879,251 as of June 30, 2016. The net position for the net investment in capital assets remained positive for the past two years, while the unrestricted net position remained negative at (\$922,040) as of June 30, 2017, an increase from (\$2,693,712) as of June 30, 2016.

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).

PORT OF ASTORIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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,		
	2017	2016	2015
Assets			
Current assets	\$ 3,839,160	\$ 3,109,381	\$ 2,988,411
Restricted assets	-	449,155	370,880
Other assets	7,248,902	7,681,924	8,477,061
Capital assets	31,912,527	28,979,626	30,046,324
Total assets	43,000,589	40,220,086	41,882,676
Deferred pension outflows	886,661	188,616	146,999
Liabilities			
Current liabilities	2,333,843	2,792,663	2,400,127
Long-term liabilities	19,731,139	18,581,212	18,949,494
Total liabilities	22,064,982	21,373,875	21,349,621
Deferred pension inflows	37,364	155,576	538,228
Net position			
Net investment in capital assets	22,706,944	21,123,808	21,764,179
Restricted for capital improvements to Pier 3	-	449,155	370,880
Unrestricted	(922,040)	(2,693,712)	(1,993,233)
Total net position	\$ 21,784,904	\$ 18,879,251	\$ 20,141,826

PORT OF ASTORIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Year Ended June 30,		
	2017	2016	2015
Operating revenues	\$ 8,393,352	\$ 8,116,439	\$ 9,158,445
Operating expenses	(9,637,956)	(10,040,772)	(8,975,327)
Income (loss) from operations	(1,244,604)	(1,924,333)	183,118
Non-operating revenues	990,764	937,374	1,196,143
Non-operating expenses	(748,209)	(666,119)	(693,883)
Net loss before capital grants	(1,002,049)	(1,653,078)	685,378
Capital grants	3,907,702	390,503	359,068
Change in net position	2,905,653	(1,262,575)	1,044,446
Net position, beginning of the year	18,879,251	20,141,826	19,575,094
Cumulative effect of implementing GASBS 68	-	-	(477,714)
Net position, end of the year	<u>\$ 21,784,904</u>	<u>\$ 18,879,251</u>	<u>\$ 20,141,826</u>

Analysis of the Overall Financial Position and Results of Operations

During the fiscal year ended June 30, 2017, construction projects increased significantly from prior years. The airport overlay project was substantially completed at a cost of \$4m and was primarily funded by the Federal Aviation Administration (FAA) and the Oregon Department of Transportation. These projects, along with several other minor additions, contributed to capital asset additions of \$4,692,718. See Note 4 for more information on capital assets.

The Port issued \$1,797,990 in new debt in 2017. This was primarily related to a \$1,750,000 loan for the storm water treatment facility located on Pier 3. The Port made standard repayments on notes payable according to the underlying agreements of \$859,647 and \$810,346 for the fiscal years ended June 30, 2017 and 2016, respectively. The current portion of long-term obligations decreased by \$1,067,968 mostly caused by the decrease in current liabilities of two storm water pollution remediation projects. See Note 8 and Note 13 for more information.

Operating revenues increased by \$276,913, which represents an 3.41% increase from the prior year. The increase in revenues were driven in part by increases re-billed expenses and marina/boatyard rate increases. In the prior year, operating revenues decreased by \$1,042,006, which represents an 11.38% decrease from the prior year. The decreased revenues were caused by lower than expected lease and rental operations, due to property vacancies, and less pier revenues mostly attributable to fewer log ships during the year.

Operating expenses decreased by \$402,816 which represents a 4.01% decrease from fiscal year 2016. This decrease was primarily caused by a decrease in materials and services of \$205,403 or 4.9%. In the prior year, operating expenses increased by \$1,065,445 which represents an 11.87% increase from fiscal year 2015. This increase was primarily caused by an increase in personnel services of \$980,927 or 41.44%.

PORT OF ASTORIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-operating revenues, consisting primarily of property taxes, timber receipts, interest income, and grants, increased \$53,390 or 5.7% during 2017 and decreased \$258,769, or 21.6% during 2016. The increase in 2017 was primarily caused by additional grant revenue received for dredging activities.

Non-operating expenses increased by \$82,090 primarily due to \$106,235 in penalties related to storm water monitoring in 2017. In 2016, non-operating expense only consisted of interest expense, which decreased by \$27,764 or 4% caused by the normal pay down of outstanding debt.

The current ratio (the ratio of current assets available to pay current liabilities) increased from the prior year from 1.27 to 1.64. This is mostly attributable to the decrease in current portion of long-term obligations, caused by two storm water pollution remediation projects completed during fiscal year 2017. In the prior year, the current ratio decreased from 2015 from 1.4 to 1.27. This was mostly attributable to the increased current portion of long-term obligations caused by two storm water pollution remediation projects.

Capital Asset and Debt Administration

Capital Assets - The Port's investment in capital assets for its activities, as of June 30, 2017 was \$31,912,527 and for June 30, 2016, was \$28,979,626, net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, infrastructure, machinery and equipment. The total increase in capital assets for the current fiscal year was \$2,932,901 or approximately 10.1% based on June 30, 2017 capital asset balances. The increase is caused primarily by the airport runway overlay project costing \$4 million. This increase is partially offset by depreciation expense incurred during the year of \$1,759,817. Additional information about the Port's capital assets is discussed in Note 4 of the financial statements. In the prior year, capital assets decreased \$1,066,698 or approximately 3.55% based on June 30, 2016 capital asset balances. The decline was caused by depreciation expense that exceeded current capital asset additions.

Long-Term Obligations - The Port had long-term obligations totaling \$20,826,493, an increase from the prior year primarily the result of a new note payable of \$1,750,000 to fund the construction of the Pier 3 storm water treatment project. This increase was partially offset by scheduled note payable debt payments. The Port had long-term obligations totaling \$20,744,534 as of June 30, 2016, an increase of \$279,006 from the prior year, the primary result of increases to the pollution remediation obligation and the net pension liability. Additional information regarding the Port's long-term obligations is discussed in Note 10 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 dredging in the West Mooring Basin, Pier 2 West rehabilitation and construction of a seawall, additional airport overlay projects, and a variety of other repairs and improvements. In November 2017, the Port terminated its operating lease at Tongue Point. See Note 16 of the financial statements for additional information.

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, 10 Pier One, Suite 308, Astoria, Oregon, 97103.

PORT OF ASTORIA
STATEMENT OF NET POSITION

	JUNE 30,	
	2017	2016
<u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,821,833	\$ 1,390,311
Cash and cash equivalents - restricted	-	449,155
Cash due from county treasurer	9,108	9,197
Accounts receivables, net	992,788	701,608
Property and other county taxes receivable	48,507	117,981
Current maturities, long-term receivables	419,238	405,137
Inventory	30,517	55,720
Prepaid expenses	273,726	311,560
Grants receivable	243,443	117,867
Total current assets	3,839,160	3,558,536
NONCURRENT ASSETS:		
Land and non-depreciable capital assets	2,909,700	3,099,244
Capital assets, net	29,002,827	25,880,382
Long-term receivables, less current maturities	7,248,902	7,681,924
Total noncurrent assets	39,161,429	36,661,550
Total assets	43,000,589	40,220,086
DEFERRED OUTFLOW OF RESOURCES:		
Pension related	886,661	188,616
Total assets and deferred outflow of resources	\$ 43,887,250	\$ 40,408,702
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,022,595	\$ 415,072
Accrued payroll and related expenses	20,563	19,363
Accrued interest payable	151,241	153,686
Unearned revenue	44,090	41,220
Long-term obligations, current portion	1,095,354	2,163,322
Total current liabilities	2,333,843	2,792,663
NONCURRENT LIABILITIES:		
Long-term obligations, net of current portion	19,731,139	18,581,212
Total liabilities	22,064,982	21,373,875
DEFERRED INFLOW OF RESOURCES:		
Pension related	37,364	155,576
NET POSITION:		
Net investment in capital assets	22,706,944	21,123,808
Restricted for capital improvements to Pier 3	-	449,155
Unrestricted	(922,040)	(2,693,712)
Total net position	21,784,904	18,879,251
Total liabilities, deferred inflow of resources, and net position	\$ 43,887,250	\$ 40,408,702

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

	YEAR ENDED JUNE 30,	
	2017	2016
OPERATING REVENUES:		
Lease and rental operations	\$ 2,855,788	\$ 2,923,516
Fuel sales	848,180	920,195
Re-billed expenses	1,927,462	1,771,566
Pier revenue	1,548,171	1,573,659
Marina revenue	978,506	807,114
Finance charges	4,888	1,204
Other income	230,357	119,185
Total operating revenues	<u>8,393,352</u>	<u>8,116,439</u>
OPERATING EXPENSES:		
Materials and services	4,000,664	4,206,067
Personnel services	2,932,660	2,979,926
Depreciation	1,759,817	1,777,469
Bad debt expense	125,951	158,434
Pollution remediation	818,864	918,876
Total operating expenses	<u>9,637,956</u>	<u>10,040,772</u>
Operating loss	<u>(1,244,604)</u>	<u>(1,924,333)</u>
NON-OPERATING INCOME (EXPENSE):		
Property taxes	704,868	685,672
Interest income	3,218	2,093
Grants	68,743	11,573
Timber receipts	213,935	228,611
Gain on disposal of assets	-	9,425
Other	(106,235)	-
Interest expense	(641,974)	(666,119)
Total non-operating income (expense)	<u>242,555</u>	<u>271,255</u>
Net loss before capital grants	(1,002,049)	(1,653,078)
CAPITAL GRANTS	<u>3,907,702</u>	<u>390,503</u>
Changes in net position	2,905,653	(1,262,575)
NET POSITION - BEGINNING OF YEAR	<u>18,879,251</u>	<u>20,141,826</u>
NET POSITION - END OF YEAR	<u>\$ 21,784,904</u>	<u>\$ 18,879,251</u>

PORT OF ASTORIA
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 8,325,713	\$ 8,430,897
Payments for personnel services	(2,725,120)	(2,940,294)
Payment to suppliers	(5,955,561)	(4,281,369)
Net cash provided (used) by operating activities	(354,968)	1,209,234
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	774,342	682,245
Cash received from timber receipts	213,935	228,611
Payments received on non-capital grant agreements	68,743	11,573
Payments made for fines	(106,235)	-
Net cash provided (used) by non-capital financing activities	950,785	922,429
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments received on capital grant agreements	3,782,126	328,234
Acquisition and construction of capital assets	(4,644,728)	(710,771)
Principal payment on long term debt	(859,647)	(810,346)
Proceeds on long term debt	1,750,000	-
Interest paid on capital debt	(644,419)	(676,088)
Proceeds on sale of capital assets	-	9,425
Net cash provided (used) by capital and related financing activities	(616,668)	(1,859,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investment	3,218	2,093
Net cash provided (used) by investing activities	3,218	2,093
Net increase (decrease) in cash and cash equivalents	(17,633)	274,210
CASH AND CASH EQUIVALENTS, BEGINNING	1,839,466	1,565,256
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,821,833</u>	<u>\$ 1,839,466</u>
CLASSIFIED ON THE STATEMENT OF NET POSITION AS:		
Cash and cash equivalents	\$ 1,821,833	\$ 1,390,311
Cash and cash equivalents - restricted	-	449,155
	<u>\$ 1,821,833</u>	<u>\$ 1,839,466</u>

PORT OF ASTORIA
STATEMENT OF CASH FLOWS (CONTINUED)

**RECONCILIATIONS OF OPERATING LOSS TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES**

Operating loss	\$ (1,244,604)	\$ (1,924,333)
Adjustments		
Depreciation	1,759,817	1,777,469
Decrease (increase) in:		
Cash due from county treasurer	89	-
Accounts receivables, net	(291,180)	157,460
Inventory	25,203	24,539
Prepaid expenses	37,834	(27,720)
Long-term receivables, less current maturities	418,921	391,519
Increase (decrease) in:		
Accounts payable	607,523	(249,021)
Accrued payroll and related expenses	32,935	(90,260)
Tenant rent payable	(72,763)	(79,317)
Pollution remediation obligation	(1,803,684)	729,324
OPEB liability	31,179	24,609
Net pension liability and related deferrals	143,426	473,452
Unearned revenue	2,870	3,230
Clatsop County Assessment	(2,534)	(1,717)
	<u>\$ (354,968)</u>	<u>\$ 1,209,234</u>
Net cash provided (used) by operating activities	<u>\$ (354,968)</u>	<u>\$ 1,209,234</u>

NON-CASH FINANCING, CAPITAL, AND INVESTING ACTIVITIES

Capital assets acquisition	\$ 47,990	\$ -
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PORT OF ASTORIA

NOTES TO FINANCIAL STATEMENTS

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. Restricted cash are cash balances with externally-imposed restrictions.

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, 2017 and 2016 was \$534,328 and \$429,631, respectively.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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.

Interest is capitalized on assets acquired with tax-exempt and non-tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period for tax-exempt debt. For tax exempt debt, interest is capitalized through the completion of the project.

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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 obligations - 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 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 Port's net OPEB Obligation is recognized as a liability and the annual OPEB cost is expensed, as determined by the Port's actuary.

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.
- *Restricted for capital improvements*. This represents assets that have externally-imposed restrictions reduced by liabilities related to those assets.
- *Unrestricted*. Resources not included in other classifications are unrestricted.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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.

Reclassifications - Certain items from the prior year financial statements have been reclassified to conform to the current year presentation. The reclassifications have no effect on the previously reported change in net position.

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, 2017, with the following exceptions:

General Fund	
Materials and services	\$155,726
Capital outlay	\$101,994

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH AND CASH EQUIVALENTS

Total cash and cash equivalents, as presented in the statements of net position as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 595	\$ 595
Bank deposits	945,531	578,220
Money market accounts	875,707	1,260,651
Total cash and cash equivalents	<u>\$ 1,821,833</u>	<u>\$ 1,839,466</u>

A summary of cash and cash equivalents, by type is as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,821,833	\$ 1,390,311
Cash and cash equivalents - restricted	-	449,155
Total cash and cash equivalents	<u>\$ 1,821,833</u>	<u>\$ 1,839,466</u>

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 \$1,563,723 and \$1,856,293 at June 30, 2017 and 2016, 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, 2017 and 2016, 100% of its deposits were held in multiple deposit and money market accounts, with one bank.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity and balances consist of the following for the year ended June 30, 2017:

	Ending Balance 6/30/16	Additions	Deletions	Transfers	Ending Balance 6/30/17
Capital assets, non-depreciable:					
Land	\$ 2,584,837	\$ -	\$ -	\$ -	\$ 2,584,837
Construction in Progress	514,407	297,741	-	(487,285)	324,863
Total capital assets, non-depreciable	<u>3,099,244</u>	<u>297,741</u>	<u>-</u>	<u>(487,285)</u>	<u>2,909,700</u>
Capital assets, depreciable:					
Land Improvements	36,758,912	131,233	-	90,970	36,981,115
Buildings & Structures	12,410,252	89,963	-	-	12,500,215
Tongue Point	29,080	15,151	-	-	44,231
Airport Property	6,201,462	3,993,198	-	396,101	10,590,761
Leasehold Improvements	56,167	-	-	-	56,167
Intangibles	17,791	-	-	-	17,791
Machinery & Equipment	1,015,815	12,271	-	-	1,028,086
Dredge & Marine Equipment	922,499	13,700	-	-	936,199
Vehicles & Boats	441,525	-	-	-	441,525
Furniture & Fixtures	251,094	139,461	-	214	390,769
Computer & Equipment	191,766	-	-	-	191,766
Total capital assets, depreciable	<u>58,296,363</u>	<u>4,394,977</u>	<u>-</u>	<u>487,285</u>	<u>63,178,625</u>
Less: accumulated depreciation	<u>(32,415,981)</u>	<u>(1,759,817)</u>	<u>-</u>	<u>-</u>	<u>(34,175,798)</u>
Net depreciable capital assets	<u>25,880,382</u>	<u>2,635,160</u>	<u>-</u>	<u>487,285</u>	<u>29,002,827</u>
Net capital assets	<u>\$ 28,979,626</u>	<u>\$ 2,932,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,912,527</u>
	Ending Balance 6/30/15	Additions	Deletions	Transfers	Ending Balance 6/30/16
Capital assets, non-depreciable:					
Land	\$ 2,584,837	\$ -	\$ -	\$ -	\$ 2,584,837
Construction in Progress	352,323	503,041	-	(340,957)	514,407
Total capital assets, non-depreciable	<u>2,937,160</u>	<u>503,041</u>	<u>-</u>	<u>(340,957)</u>	<u>3,099,244</u>
Capital assets, depreciable:					
Land Improvements	36,732,648	13,123	-	13,141	36,758,912
Buildings & Structures	12,383,545	26,707	-	-	12,410,252
Tongue Point	21,888	7,192	-	-	29,080
Airport Property	5,893,287	2,037	-	306,138	6,201,462
Leasehold Improvements	56,167	-	-	-	56,167
Intangibles	17,791	-	-	-	17,791
Machinery & Equipment	1,049,717	69,464	(103,366)	-	1,015,815
Dredge & Marine Equipment	900,248	13,998	(8,425)	16,678	922,499
Vehicles & Boats	441,525	-	-	-	441,525
Furniture & Fixtures	251,094	-	-	-	251,094
Computer & Equipment	111,557	75,209	-	5,000	191,766
Total capital assets, depreciable	<u>57,859,467</u>	<u>207,730</u>	<u>(111,791)</u>	<u>340,957</u>	<u>58,296,363</u>
Less: accumulated depreciation	<u>(30,750,303)</u>	<u>(1,777,469)</u>	<u>111,791</u>	<u>-</u>	<u>(32,415,981)</u>
Net depreciable capital assets	<u>27,109,164</u>	<u>(1,569,739)</u>	<u>-</u>	<u>340,957</u>	<u>25,880,382</u>
Net capital assets	<u>\$ 30,046,324</u>	<u>\$ (1,066,698)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,979,626</u>

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM RECEIVABLES

Long-term receivables at June 30, 2017 consists of the following:

	Current	Long-term
Net investment in direct financing lease (Note 6)	\$ 411,738	\$ 7,150,777
Bornstein land lease	7,500	98,125
Total long-term receivableS	\$ 419,238	\$ 7,248,902

Long-term receivables at June 30, 2016 consists of the following:

	Current	Long-term
Net investment in direct financing lease (Note 6)	\$ 397,637	\$ 7,576,299
Bornstein land lease	7,500	105,625
Total long-term receivables	\$ 405,137	\$ 7,681,924

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, 2017, were as follows:

Year Ended	
2018	\$ 1,532,999
2019	1,405,927
2020	1,473,498
2021	782,206
2022	635,584
Thereafter	2,363,086
Total	\$ 8,193,300

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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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, 2017 and 2016:

	2017	2016
Minimum lease payments receivable	\$ 9,831,331	\$ 10,520,331
Less unearned income	(2,160,056)	(2,437,635)
Less applicable credits	(108,760)	(108,760)
Net investment in direct financing lease	7,562,515	7,973,936
Less current maturities	(411,738)	(397,637)
Long-term portion	\$ 7,150,777	\$ 7,576,299

As of June 30, 2017 minimum lease payments for the next five years are as follows:

Year Ended	
2018	\$ 411,738
2019	441,118
2020	486,390
2021	533,789
2022	552,718
Thereafter	5,136,762
Total minimum payments required	\$ 7,562,515

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, 2017 and 2016 was 5.25% and 4.25%, respectively. The line of credit is secured by prior executed separate instruments and matures in March 2018. As of June 30, 2017 and 2016, 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 6 to 16 years. The total amount outstanding as of June 30, 2017 and 2016 is \$13,383,086 and \$14,543,982 respectively. The current portion of these outstanding notes is \$800,343, payable in quarterly or annual installments. Port real property is pledged as security.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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 were due in monthly installments of \$12,020 until March 2016. The interest and principal payments were reduced to a monthly installment of \$11,072 as a result of a reduced interest rate. 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 6.75% as of June 30, 2017 and 6.25% as of June 30, 2016. 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, 2017, 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 ranging from 4.8% to 5.5% and \$15,000 to \$20,000, respectively, until the notes mature on January 1, 2019.

A note payable to US Bank with an original face value of \$200,000 to purchase equipment. Annual interest and principal payments are due in annual installments ranging from 3.2% to 4.75% and \$5,000 to \$20,000, respectively. The note matured on January 1, 2017.

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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2017:

	Ending Balance 6/30/16	Additions	Reductions	Ending Balance 6/30/17	Due Within One Year
Notes payable	\$ 15,938,516	\$ 1,797,990	\$ 859,647	\$ 16,876,859	\$ 940,870
Tenant rent payables	275,952	12,022	84,785	203,189	54,923
Compensated absences:					
Accrued vacation	80,711	16,301	-	97,012	97,012
Accrued sick	72,071	15,434	-	87,505	-
Total compensated absences	152,782	31,735	-	184,517	97,012
Pollution remediation obligation, net (Note 13)	3,722,369	-	1,803,684	1,918,685	-
Other postemployment benefits liability	20,280	94,635	63,456	51,459	-
Net pension liability	618,788	959,683	-	1,578,471	-
Assessment obligations:					
Clatsop County Assessment	15,847	-	2,534	13,313	2,549
Total long-term debt obligations	<u>\$ 20,744,534</u>	<u>\$ 2,896,065</u>	<u>\$ 2,814,106</u>	<u>\$ 20,826,493</u>	<u>\$ 1,095,354</u>

Following is a summary of changes in long-term debt obligations for the fiscal year ended June 30, 2016:

	Ending Balance 6/30/15	Additions	Reductions	Ending Balance 6/30/16	Due Within One Year
Notes payable	\$ 17,138,862	\$ -	\$ 1,200,346	\$ 15,938,516	\$ 838,104
Tenant rent payables	355,269	-	79,317	275,952	84,128
Compensated absences:					
Accrued vacation	74,712	5,999	-	80,711	80,711
Accrued sick	169,338	-	97,267	72,071	15,107
Total compensated absences	244,050	5,999	97,267	152,782	95,818
Pollution remediation obligation, net (Note 13)	2,993,045	918,876	189,552	3,722,369	1,142,771
Other postemployment benefits liability (asset)	(4,329)	92,547	67,938	20,280	-
Net pension liability (asset)	(278,933)	897,721	-	618,788	-
Assessment obligations:					
Clatsop County Assessment	17,564	-	1,717	15,847	2,501
Total long-term debt obligations	<u>\$ 20,465,528</u>	<u>\$ 1,915,143</u>	<u>\$ 1,636,137</u>	<u>\$ 20,744,534</u>	<u>\$ 2,163,322</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

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

Fiscal Year	Bornstein Buildings Cons't		Lektro Building Expansion		West Basin Breakwater II		West Basin Breakwater	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 426,011	\$ 262,989	\$ 105,853	\$ 42,803	\$ 102,478	\$ 64,026	\$ 42,221	\$ 26,625
2019	441,118	247,882	108,489	40,167	108,574	59,722	42,571	24,577
2020	486,390	232,110	111,190	37,466	114,751	55,054	47,942	22,491
2021	533,789	158,920	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
2023-27	3,238,322	661,678	699,208	110,792	598,124	139,457	300,755	46,361
2028-32	1,992,927	100,261	463,490	23,290	251,001	17,570	-	-
	<u>\$ 7,671,275</u>	<u>\$ 1,859,122</u>	<u>\$1,718,986</u>	<u>\$ 321,074</u>	<u>\$1,412,069</u>	<u>\$ 430,670</u>	<u>\$ 535,568</u>	<u>\$ 157,921</u>

Fiscal Year	Lektro Hanger Expansion		West Basin Floats		West Basin Improvements		Airport Waterline/Fuel Tank	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 28,476	\$ 30,031	\$ 25,210	\$ 22,230	\$ 21,054	\$ 8,811	\$ 10,908	\$ 9,897
2019	29,865	28,643	26,375	21,065	22,317	7,548	11,423	9,382
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
2023-27	199,152	93,384	173,275	63,925	28,175	1,691	75,485	28,540
2028-32	252,686	39,851	169,641	20,030	-	-	74,250	8,963
2033-37	28,656	517	-	-	-	-	-	-
	<u>\$ 637,454</u>	<u>\$ 269,329</u>	<u>\$ 481,164</u>	<u>\$182,906</u>	<u>\$ 146,858</u>	<u>\$ 32,334</u>	<u>\$ 209,673</u>	<u>\$ 81,680</u>

Fiscal Year	Airport E-Hangar		Lektro Electrical Upgrade		Connect II Pier 2		Flex (Equipment) 2008 G	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 18,147	\$ 15,859	\$ 10,380	\$ 2,964	\$ 15,000	\$ -	\$ 20,000	\$ 2,160
2019	18,891	15,114	11,126	2,218	15,000	-	20,000	1,100
2020	19,666	14,339	11,926	1,418	15,000	-	-	-
2021	20,473	13,533	12,742	561	15,000	-	-	-
2022	21,312	12,693	-	-	15,000	-	-	-
2023-27	120,414	49,613	-	-	75,000	-	-	-
2028-32	147,219	22,808	-	-	30,000	-	-	-
2033-37	33,141	842	-	-	-	-	-	-
	<u>\$ 399,263</u>	<u>\$ 144,801</u>	<u>\$ 46,174</u>	<u>\$ 7,161</u>	<u>\$180,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 3,260</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Fiscal Year	Pier 1 Building		Airport T-Hangar		LED Lighting Project		Key Government Finance	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 48,820	\$ 84,046	\$ 9,605	\$ 7,053	\$ 7,399	\$ 1,936	\$ 49,308	\$ 51,959
2019	51,703	81,164	10,149	6,509	7,795	1,540	50,793	50,474
2020	54,540	78,327	10,723	5,934	8,213	1,122	52,323	48,944
2021	57,975	74,891	11,330	5,327	8,652	683	53,899	47,368
2022	61,398	71,469	11,972	4,686	9,355	219	55,523	45,744
2023-27	1,207,922	191,973	70,824	12,467	-	-	303,732	202,601
2028-32	-	-	-	-	-	-	352,320	154,014
2033-37	-	-	-	-	-	-	408,680	97,653
2038-42	-	-	-	-	-	-	423,422	32,277
	<u>\$ 1,482,358</u>	<u>\$ 581,870</u>	<u>\$ 124,603</u>	<u>\$ 41,976</u>	<u>\$ 41,414</u>	<u>\$ 5,550</u>	<u>\$ 1,750,000</u>	<u>\$ 731,034</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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 payables 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. Port of Astoria's proportionate share of the original obligation was \$24,058.

Port of Astoria's obligation as of June 30, 2017 and 2016 is \$13,313 and \$15,847, respectively, maturing as follows:

	Principal	Interest
2018	\$ 2,549	\$ 345
2019	2,605	290
2020	2,661	235
2021	2,719	178
2022	2,779	181
	\$ 13,313	\$ 1,229

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, 2017 and 2016 were \$161,200 and \$286,000, respectively. Lease payments are determined by the state annually, and minimum rentals are not specified.

The Port has commitments under various contracts amounting to approximately \$610,000 primarily related to engineering design services for airport improvements. As of June 30, 2017, approximately \$105,285 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, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015.

Employer contributions for the year ended June 30, 2017 and June 30, 2016 were \$143,700 and \$133,389, respectively. The rates in effect for the fiscal year ended June 30, 2017 and June 30, 2016 were: (1) Tier1/Tier 2 – 11.38%, (2) OPSRP general service – 8.81%.

Actuarial Valuations:

The employer contribution rates effective July 1, 2013, through June 30, 2017, 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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN (Continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent (reduced from 2.75%)
Long-term Expected Rate of Return*	7.50 percent (reduced from 7.75%)
Discount Rate	7.50 percent (reduced from 7.75%)
Projected Salary Increases	3.50 percent (reduced from 3.75%)
Cost of Living Adjustment	Blend of 2.00 percent COLA and graded COLA (1.25/.15 percent) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct generational per Scale BB, disabled mortality table.</p>
*At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.	

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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN (Continued)

Depletion Date Projection

GASB 67 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 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) 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 67 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 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation:

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
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	<u>0.0</u>
Total			<u><u>100.0 %</u></u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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.

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non - US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund – Event Driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$2,548,704	\$1,578,471	\$767,525

PORT OF ASTORIA

NOTES TO FINANCIAL STATEMENTS

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, 2017, the Port reported a liability of \$1,578,471 for its proportionate share of the net pension liability, an increase from \$618,788 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 and rolled forward to June 30, 2016. 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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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, 2017 and 2016, the Port's proportion was 0.01051 and 0.01085 percent, respectively.

For the years ended June 30, 2017 and 2016, the Port recognized pension expense of \$284,790 and \$613,205, respectively.

At June 30, 2017, 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 experience	\$ 52,223	\$ -
Changes of assumptions	336,649	-
Net difference between projected and actual earnings on investments	311,840	-
Changes in proportionate share	-	37,364
Differences between employer contributions and proportionate share of contributions	42,249	-
Total (prior to post-measurement date contributions)	742,961	37,364
Contributions made subsequent to measurement date	143,700	-
Net Deferred Outflow/(Inflow) of Resources	\$ 886,661	\$ 37,364

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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, 2017. 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)	
2018	\$	128,054
2019		128,054
2020		241,291
2021		182,246
2022		25,952
Total	\$	705,597

At June 30, 2016, 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	\$ 33,592	\$ -
Net difference between projected and actual earnings on investments	-	130,582
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,636	24,994
Total (prior to post-measurement date contributions)	55,228	155,576
Contributions made subsequent to measurement date	133,388	-
Net Deferred Outflow/(Inflow) of Resources	\$ 188,616	\$ 155,576

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 \$22,641 and \$25,346 for fiscal years ended June 30, 2017 and 2016, respectively.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

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 55 years, 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. This explicit benefit is required to be valued under GASB Statement 45.

Of the Port's 31 plan participants, 22 are active plan participants and 9 are inactive plan participants.

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."

Annual OPEB cost and net OPEB obligation - The Port's annual other postemployment benefit cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities. The unfunded actuarial liability has been amortized over an open period for 20 years for the explicit medical benefit and for 10 years for the implicit subsidy. The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Port's OPEB obligation for both the explicit and implicit benefits.

	<u>6/30/2017</u>	<u>6/30/2016</u>
Annual required contributions (ARC)	\$ 95,258	\$ 92,483
Interest on net OPEB obligation	811	(173)
Adjustment to ARC	(1,434)	237
Annual OPEB cost	94,635	92,547
Less contributions	(63,456)	(67,938)
Increase in net OPEB obligation	31,179	24,609
Net OPEB obligation - beginning of year	20,280	(4,329)
Net OPEB obligation - end of year	\$ 51,459	\$ 20,280

The Port's annual OPEB cost, annual OPEB contributions, the percentage contributed to the plan, and the net OPEB obligation/(asset) for the last three fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation/ (Asset)
6/30/2015	\$ 32,901	\$ 45,344	138%	\$ (4,329)
6/30/2016	92,547	67,938	73	20,280
6/30/2017	94,635	63,456	67	51,459

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funded status and funding progress - As of July 1, 2015, the most recent actuarial valuation date, the plan was funded on a pay-as-you-go basis, and therefore, had no assets. The actuarial accrued liability for benefits was \$966,463 and also equaled the unfunded actuarial accrued liability (UAAL). The annual payroll of active employees covered by the plan (covered payroll) was \$1,713,293 and the ratio of the UAAL to the covered payroll was 56.41%.

The plan's actuarial valuation involves estimates of amounts and assumptions about the probability of events far into the future, such as, future employment, mortality, and healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to periodic revision as actual results for each period are compared with past expectations and new estimates are made about the future.

Actuarial assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumption used include techniques that are designed to reduce the effects of short-term volatility in actuarial results consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation report, the actuary used the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included (a) 4 percent accrued liability discount rate, (b) health care cost trend rate of 6.5 percent for 2016-17 grading down over 15 years to 5 percent, and (c) a payroll growth assumption of 3.0 percent. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over an open period of 20 years for the explicit benefit and over 10 years for the implicit benefit.

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.

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 0.53% of annual covered payroll for Tier One/Tier Two, and 0.45% 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. 45. 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, 2017, 2016 and 2015 were approximately \$7,600, \$7,100, and \$6,800, respectively, and were included in the District'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 cost is estimated at \$4,378,026 as of June 30, 2017 and at \$5,311,352 as of June 30, 2016, 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. The Port's pollution cleanup cost estimate will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

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, 2017 and 2016, the pollution remediation liabilities were reduced to \$1,918,684 and \$2,579,597, respectively, for estimated unrealized recoveries, and expenses incurred to-date.

Waterfront district storm water violation – During fiscal year 2014, the Port performed routine sampling of storm water discharge in the central waterfront district, in accordance with permitting requirements with the ODEQ. These samples exceeded the allowed benchmarks for contaminants and the Port became aware that corrective action would be necessary.

During fiscal year 2015, the Port received confirmation of the violation requiring a Tier II Corrective Action including a revised Storm Water Pollution Control Plan (SWPCP), and the implementation of treatment measures.

As of June 30, 2017, construction of the storm water infrastructure project is substantially complete, and the related expenses were recorded against the outstanding pollution remediation obligation, bringing the related obligation to a zero balance, a decrease from \$1,033,473 as of June 30, 2016. The Port anticipates that current and future tenants will share in the long-term repayment of this storm water treatment project based on a pro-rata share of the affected area.

Tongue Point storm water violation – During fiscal year 2016, the Port performed routine sampling of storm water discharge at Tongue Point, in accordance with permitting requirements with the ODEQ. These samples exceeded the allowed benchmarks for contaminants and as a result the Port received notification from ODEQ of the violation requiring a Tier II Corrective Action.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - POLLUTION REMEDIATION OBLIGATION (Continued)

During fiscal year 2017, construction was completed to make required storm water system modifications to the infrastructure. The related expenses reduced the pollution remediation obligation to a zero balance, a decrease from \$109,299 as of June 30, 2016.

	Pollution Remediation Obligation, Net June 30, 2016	Additions	Reductions	Pollution Remediation Obligation, Net June 30, 2017
Area-Wide groundwater contamination	\$ 5,311,352	\$ -	\$ (933,326)	\$ 4,378,026
Waterfront district storm water violation	2,066,527	-	(2,066,527)	-
Tongue Point storm water violation	109,299	-	(109,299)	-
Total pollution remediation obligation	7,487,178	-	(3,109,152)	4,378,026
Less estimated third-party recoveries	(3,764,809)	-	1,305,468	(2,459,341)
Total pollution remediation obligation, net	<u>\$ 3,722,369</u>	<u>\$ -</u>	<u>\$ (1,803,684)</u>	<u>\$ 1,918,685</u>

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.

NOTE 16 - SUBSEQUENT EVENTS

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. An estimate of the result of this change is not readily available at this time.

In November 2017, the Port terminated its lease with the Washington Development Co. to cease operating the property at Tongue Point. The termination will decrease the Port's lease payments by \$350,000 annually.

On October 12th 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 has indicated that it is going to elect the specific performance remedy instead of a monetary award. The parties are working to finalize the details of that decision in an appropriate manner. The plaintiff is tentatively set to take over operation of the hotel in November 2018. The Port is weighing its options on appeal.

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF ASTORIA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

Actuarial Valuation Date	Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ -	\$ 463,754	\$ 463,754	0%	\$ 1,093,746	42.4%
7/1/2012	-	475,129	475,129	0%	1,802,201	26.4%
7/1/2015	-	966,463	966,463	0%	1,713,293	56.4%

Schedule of Pension Contributions

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

Schedule of Proportionate Share of Net Pension Liability (Asset)

	FY 2017	FY 2016	FY 2015
Port's proportion of the net pension liability (asset)	0.01051450%	0.01084981%	0.01230561%
Port's proportionate share of the net pension liability (asset)	\$ 1,578,471	\$ 622,938	\$ (278,933)
Port's covered payroll	\$ 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	92.1%	40.0%	(19.9%)
Plan fiduciary net position as a percentage of the total pension liability	80.52%	91.9%	103.6%

PORT OF ASTORIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

OREGON PUBLIC EMPLOYEE RETIREMENT PENSION PLAN (OPERS)

Changes in Assumptions

A summary of key changes implemented with the December 31, 2014 actuarial valuation which was used in the pension calculations and amounts reported for the fiscal year ended June 30, 2017, along with additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2013 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. An estimate of the result of this change is not readily available at this time.

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, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Lease and rental income	\$ 3,235,331	\$ 3,235,331	\$ 3,271,839	\$ 36,508
Fuel sales	1,017,000	1,017,000	848,180	(168,820)
Re-billed expenses	1,748,750	1,748,750	1,927,462	178,712
Pier revenue	1,938,742	1,938,742	1,548,171	(390,571)
Marina revenue	835,000	835,000	978,506	143,506
Other income	81,100	81,100	199,454	118,354
Property taxes	701,000	701,000	774,342	73,342
Intergovernmental grants	4,937,900	4,937,900	3,976,443	(961,457)
Investment earnings	1,300	1,300	3,218	1,918
Total revenues	14,496,123	14,496,123	13,527,615	(968,508)
EXPENDITURES:				
Materials and services	4,111,557	4,111,557	4,267,283	(155,726)
Personnel services	2,988,560	2,988,560	2,726,319	262,241
Debt service				
Principal	908,897	908,897	859,647	49,250
Interest	650,009	650,009	644,417	5,592
Contingency	10,000	10,000	-	10,000
Capital outlay	7,012,100	7,012,100	7,114,094	(101,994)
Total expenditures	15,681,123	15,681,123	15,611,760	69,363
Revenues over (under) expenditures	(1,185,000)	(1,185,000)	(2,084,145)	(899,145)
OTHER FINANCING SOURCES (USES):				
Transfers out	(215,000)	(215,000)	(100,000)	115,000
Loan proceeds	1,500,000	1,500,000	1,797,990	297,990
Total other financing sources (uses)	1,285,000	1,285,000	1,697,990	412,990
Changes in net position	100,000	100,000	(386,155)	(486,155)
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	2,571,260	2,571,260
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 100,000	\$ 100,000	\$ 2,185,105	\$ 2,085,105

**PORT OF ASTORIA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance
	Original	Final		with Final Budget
REVENUES:				
Other county revenues	\$ 35,000	\$ 35,000	\$ 35,791	\$ 791
Timber revenue	<u>150,000</u>	<u>150,000</u>	<u>213,935</u>	<u>63,935</u>
Total revenues	<u>185,000</u>	<u>185,000</u>	<u>249,726</u>	<u>64,726</u>
EXPENDITURES:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>185,000</u>	<u>185,000</u>	<u>249,726</u>	<u>64,726</u>
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>-</u>	<u>-</u>	<u>736,567</u>	<u>736,567</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u><u>\$ 185,000</u></u>	<u><u>\$ 185,000</u></u>	<u><u>\$ 986,293</u></u>	<u><u>\$ 801,293</u></u>

**PORT OF ASTORIA
CAPITAL IMPROVEMENT RESERVE FUND
RECONCILIATION OF REVENUES AND EXPENDITURES
TO CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	215,000	215,000	100,000	(115,000)
Total other financing sources (uses)	215,000	215,000	100,000	(115,000)
Net changes in fund balances	215,000	215,000	100,000	(115,000)
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	-	-
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 215,000	\$ 215,000	\$ 100,000	\$ (115,000)

PORT OF ASTORIA
RECONCILIATION OF REVENUES AND EXPENDITURES
TO CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Revenues	Expenditures	Revenues Over (Under) Expenditures
BUDGETARY BASIS REVENUES AND EXPENDITURES:			
General Fund	\$ 13,527,615	\$ 15,611,760	\$ (2,084,145)
Special Revenue Fund	249,726	-	249,726
Capital Improvement Reserve Fund	-	-	-
	TOTAL	\$ 15,611,760	(1,834,419)
ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS:			
Capital outlay expenditures capitalized			4,692,716
Depreciation expense			(1,759,817)
Payment of principal on long term debt			859,647
Change in inventory			(25,203)
Change in property and other receivables			(69,474)
Change in lease receivable			(418,921)
Change in prepaids			(37,834)
Change in accrued interest			2,445
Change in compensated absences			(31,735)
Change in OPEB liability			(31,179)
Change in unearned revenue			2,870
Change in Clatsop County assessment			2,534
Other non-op expense			(106,235)
Change in pollution remediation			1,803,684
Change in NPL and deferrals			(143,426)
			CHANGES IN NET POSITION - GAAP
			\$ 2,905,653

COMPLIANCE SECTION



ACHIEVE MORE

**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 Meadows Road
Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

**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**

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, 2017, and have issued our report thereon dated December 21, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

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).



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**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)**

COMPLIANCE (Continued)

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 \$155,726 in materials and services appropriations.
- The General Fund reported an over expenditure of \$101,994 in capital outlay appropriations.
- Under ORS 294.426(5)(a), "If the notice required under subsection (3) of this section is published only by publication in a newspaper, the notice must be published at least two separate times, not more than 30 days before the meeting date and not less than five days before the meeting date." Notice for the budget committee meeting held on 6/7/17 was only published one time in the local newspaper and no alternative publication methods were used.
- Under ORS 294.428(1), "The budget committee shall approve the budget document as submitted by the budget officer or the budget document as revised and prepared by the budget committee." The budget was presented and adopted by the Port Commission without the budget committee's prior approval.

OAR 162-10-0230 INTERNAL CONTROL

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.

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

Our consideration of 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. We did identify a certain deficiency in internal control that we consider to be a significant deficiency and have communicated the deficiency in the accompany Schedule of Findings and Questioned Costs.

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, Kervola & Wawrich, LLP

Lake Oswego, Oregon
December 21, 2017

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 Meadows Road
Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

Board of Commissioners
Port of Astoria
Astoria, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Port of Astoria, Oregon (the Port), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated December 21, 2017.

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 (internal control) 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.

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

Our consideration of 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001, that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

THE PORT'S RESPONSE TO FINDINGS

The Port's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Port's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Kowale & Warwick, LLP

Lake Oswego, Oregon
December 21, 2017



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 Meadows Road
Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Astoria
Astoria, Oregon

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the Port of Astoria, Oregon's (the Port) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Port's major federal program for the year ended June 30, 2017. The Port's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003. Our opinion on the major federal program is not modified with respect to these matters.



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER MATTERS (Continued)

The Port's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Port's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003 to a significant deficiency.

The Port's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Port's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Talbot, Knowles & Warwick, LLP

Lake Oswego, Oregon
December 21, 2017

PORT OF ASTORIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Final Expenditures	Amounts Provided to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Aviation Administration:				
Direct:				
AIP 21 - Rehabilitation of Runway 13/31	20.106	DIRECT	\$ 3,782,756	\$ -
AIP 22 - Taxiway A Predesign	20.106	DIRECT	<u>125,411</u>	<u>-</u>
Total CFDA 20.106, Airport Improvement Program			<u>3,908,167</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Federal Emergency Management Agency:				
Direct:				
SP0289 Storm Damage	97.039	DIRECT	<u>63,842</u>	<u>-</u>
Total CFDA 97.039, Hazard Mitigation Grant (HMGP)			<u>63,842</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,972,009</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal award activity of the Port under programs of the federal government for the year ended June 30, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position and changes in net assets of the Port.

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Port has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**PORT OF ASTORIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

No

PORT OF ASTORIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2017-001 (Repeat of 2016-001)

Criteria:	Capital assets are among the most important resources used in Port operations, and are responsible for generating a significant amount of the Port's operating revenue. Effective internal controls assist in accurately reporting capital assets owned, still in service, as well as recognizing their cost over their service lives through depreciation charges. Accurate capital asset records are also important for the development and monitoring of maintenance and replacement programs, as well as evaluating risks and obtaining adequate insurance coverage.
Condition:	The Port is not taking a physical inventory of its capital assets. Such an inventory should reconcile the Port's capital asset records to the capital asset account balance reported in the Port's financial statements.
Context:	The Port has over 600 capital assets to account for with a net book value of approximately \$31.9 million as of June 30, 2017.
Effect:	The Port may fail to report capital asset additions used in current operations or alternatively continue reporting disposed capital assets no longer in use. In addition, the Port may have out of date or inaccurate information available to management for the development of capital asset maintenance and replacement plans and for determining the appropriate level of insurance coverage.
Cause:	The Port lacks capital asset policies and procedures requiring a physical inventory of capital assets, and the accounting records do not report a complete asset description.
Recommendation:	We recommend the Port design capital asset policies and procedures, which include a physical asset inventory conducted on at least an annual basis. Such review will help identify unrecorded assets, unreported capital asset retirement, and capital assets on-hand, but not currently used in operations.
Views of Responsible Officials:	The Port understands and concurs with the finding.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2017-002

Federal Program:	Airport Improvement Program, CFDA No. 20.106
Award Year:	2016-2017
Federal Agency:	Federal Aviation Administration
Criteria:	In accordance with Uniform Guidance, the grant agreement, and 49 CFR 18.41(4), the Port is required to maintain a structure of internal control to ensure compliance with reporting. Annual reports are due within 90 days after the federal grant year.
Condition:	The Port did not file the annual SF-425 form within 90 days of the federal grant year ended September 30, 2016.
Questioned Costs:	There are no questioned costs noted as the expenditures reported on the SF-425 form appeared eligible.
Context:	The Port filed the SF-425 form on May 5, 2017 but it was due by December 29, 2016.

PORT OF ASTORIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding 2017-002 (Continued)

Effect: A lack of sufficient knowledge about the grant requirements exposes the Port to non-compliance with federal requirements and potential discontinuation of funding.

Cause: Port personnel appeared unaware of the requirement.

Recommendation: We recommend that all personnel involved in the grant program, at the inception of the grant, become knowledgeable about reporting requirements to ensure accurate, complete and timely filing of reports, and that the Port develop and implement policies and procedures to provide for documentation supporting the effective review of the annual submission of the required reporting.

Views of Responsible Officials: The Port understands and concurs with the finding.

Finding 2017-003

Federal Program: Airport Improvement Program, CFDA No. 20.106

Award Year: 2016-2017

Federal Agency: Federal Aviation Administration

Criteria: In accordance with Uniform Guidance, the grant agreement, and 2 CFR 180.220, the Port is required to maintain a structure of internal control to ensure compliance with suspension and debarment requirements. Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred.

Condition: The Port did not check the excluded parties list before continuing a certain contract exceeding \$25,000 as required. The Port has since checked the excluded parties list. The Port lacked effective review of the required check for suspension and debarment of parties before using the existing contractor under the federal program funding.

Questioned Costs: There are no questioned costs noted as the contract tested was not found to include suspended and debarred parties.

Context: Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

Effect: Failure to verify suspension and debarment for covered transactions could result in entering into noncompliant agreements.

Cause: Port personnel appeared unaware of the requirement.

Recommendation: We recommend management develop and implement policies and procedures to provide for documentation supporting the effective review of required checks for suspension and debarment for contracts under federal programs.

Views of Responsible Officials: The Port understands and concurs with the finding.

**PORT OF ASTORIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2016-001 (Repeat Finding)

Criteria:	Capital assets are among the most important resources used in Port operations, and are responsible for generating a significant amount of the Port's operating revenue. Effective internal controls assist in accurately reporting capital assets owned, still in service, as well as recognizing their cost over their service lives through depreciation charges. Accurate capital asset records are also important for the development and monitoring of maintenance and replacement programs, as well as evaluating risks and obtaining adequate insurance coverage.
Condition:	The Port is not taking a physical inventory of its capital assets. Such an inventory should reconcile the Port's capital asset records to the capital asset account balance reported in the Port's financial statements.
Context:	The Port has over 600 capital assets to account for with a net book value of approximately \$28.9 million as of June 30, 2016.
Effect:	The Port may fail to report capital asset additions used in current operations or alternatively continue reporting disposed capital assets no longer in use. In addition, the Port may have out of date or inaccurate information available to management for the development of capital asset maintenance and replacement plans and for determining the appropriate level of insurance coverage.
Cause:	The Port lacks capital asset policies and procedures requiring a physical inventory of capital assets, and the accounting records do not report a complete asset description.
Corrective Action Plan:	<p>When the new administrative team arrived at the Port of Astoria in 2014/15 it inherited a capital asset listing with limited detail without corresponding backup. The first step in correcting this problem was to identify and account for easily inventoried items such as machinery, equipment, vehicles and other major movables. This process was completed in 2015/16.</p> <p>The Port of Astoria is currently in the 2nd year of a 3 year process to create a GIS (Geographic Information System). This will be a huge step forward in helping us identify and inventory more difficult items appearing on our asset list such as infrastructure, land improvements, pier work, etc.</p> <p>Lastly, Port staff is working to create an asset tagging process to better identify and track assets. The process will begin in the 2017/18 fiscal year.</p>

Corrective Action Plans:

Finding 2017-001

The Port continues to implement the corrective action plan from prior years for this repeat finding. In 2017-18 the Port will undergo a full inventory of capital assets. Additionally, the Port will continue the process of implementing a GIS (Geographic Information System). This will be a huge step forward in helping us identify and inventory more difficult items appearing on our asset list such as infrastructure, land improvements, pier work, etc.

Lastly the Port will be implementing an asset tagging process to better identify and track assets. The process will begin in the 2017-18 fiscal year as stated in the prior year corrective action plan.

Finding 2017-002

The Port will implement a process whereby the airport grant manager will prepare required grant reporting documents and the Port Finance Director will review before submission. Additionally, the airport grant manager and finance director will ensure that all grant reporting requirements are known and adhered to going forward.

Finding 2017-003

The Port will ensure that proper checks for suspension and debarment for contracts under federal programs are completed. Currently, these checks are being done by a contracted project management firm. It will be the Port's responsibility to vet the project management firm for suspension or debarment on annual basis. The airport manager will keep a record of this process.