



Financial Statements and Supplementary
Schedules for
Port of Astoria, Oregon
For the Year ended June 30, 2016 and 2015

CONTENTS

	PAGE
INTRODUCTORY SECTION	
List of Principal Officials	i
FINANCIAL SECTION	
Report of Independent Auditors	1-3
Management's discussion and analysis	4-7
Basic Financial Statements	
Statement of net position	8
Statement of revenues, expenses and changes in net position	9
Statement of cash flows	10-11
Notes to financial statements	12-38
Required Supplementary Information	
Other Postemployment Benefit (OPEB) Funding Progress for the Port	39
Schedule of Port's Pension Contributions	39
Schedule of Port's Proportionate Share of Net Pension Liability (Asset)	39
Supplementary Information	
Combined schedule of revenues, expenditures, and changes in fund balance – budget to actual	40-43
Schedule of property tax transactions and outstanding balances	44
COMPLIANCE REPORTS	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	45-46
Schedule of Findings and Responses	47
Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Oregon Minimum Audit Standards</i>	48-49

**PORT OF ASTORIA
PRINCIPAL OFFICIALS**

Robert Mushen, President
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: June 3, 2014 – present

William Hunsinger, Vice-President
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 1, 2013 – present

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

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

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

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

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Port of Astoria
Astoria, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Astoria, Oregon (the "Port") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 opinions.

MOSS ADAMS_{LLP}

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2016 and 2015, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the schedules of the Port's other postemployment benefits funding progress, pension contributions, and proportionate share of net pension liability on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The schedules of revenues, expenditures, and changes in fund balance – budget to actual on pages 40 through 43, and property tax transactions and outstanding balances on page 44, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

MOSS ADAMS_{LLP}

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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, 2016 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.

Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 21, 2016, 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.



for Moss Adams LLP
Eugene, Oregon
December 21, 2016

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, 2016 and 2015, including all accompanying notes to the financial statements.

Mission Statement

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

Overall performance and goals

The Port's primary goals are as follows:

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

Financial highlights

The Port's overall net position decreased during fiscal year 2016 by \$1,262,575, a significant decline from the prior year in which the Port had a net position increase of \$1,044,446. Additionally, the Port had an operating loss in the current year of \$1,924,333, a sharp decline from the operating gain in the prior year of \$183,118.

The Port maintained a positive net position of \$18,879,251 as of June 30, 2016, a decline from \$20,141,826 from June 30, 2015. The net positions for the net investment in capital assets and amounts restricted for capital improvements to Pier 3 remained positive for the past two years, while the unrestricted net position remained negative at (\$2,693,712) as of June 30, 2016, a decline of \$700,479 from June 30, 2015.

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, liabilities, and net position (assets minus liabilities) 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. The general funds include 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 liabilities, with the difference between the two 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

Year Ended June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current assets	\$ 3,109,381	\$ 2,988,411	\$ 2,450,884
Restricted assets	449,155	370,880	200,732
Other assets	7,681,924	8,477,061	8,868,580
Capital assets	<u>28,979,626</u>	<u>30,046,324</u>	<u>30,683,779</u>
Total assets	<u>40,220,086</u>	<u>41,882,676</u>	<u>42,203,975</u>
Deferred pension outflows	<u>188,616</u>	<u>146,999</u>	<u>-</u>
Liabilities			
Current liabilities	2,792,663	2,400,127	2,572,229
Long-term liabilities	<u>18,581,212</u>	<u>18,949,494</u>	<u>20,056,652</u>
Total liabilities	<u>21,373,875</u>	<u>21,349,621</u>	<u>22,628,881</u>
Deferred pension inflows	<u>155,576</u>	<u>538,228</u>	<u>-</u>
Net position			
Net investment in capital assets	21,123,808	21,764,179	22,012,439
Restricted for capital improvements to Pier 3	449,155	370,880	200,732
Unrestricted	<u>(2,693,712)</u>	<u>(1,993,233)</u>	<u>(2,638,077)</u>
Total net position	<u>\$ 18,879,251</u>	<u>\$ 20,141,826</u>	<u>\$ 19,575,094</u>

PORT OF ASTORIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 8,116,439	\$ 9,158,445	\$ 7,993,787
Operating expenses	<u>(10,040,772)</u>	<u>(8,975,327)</u>	<u>(8,099,310)</u>
Income (loss) from operations	(1,924,333)	183,118	(105,523)
Non-operating revenues	927,949	1,196,143	778,109
Non-operating expenses	<u>(656,694)</u>	<u>(693,883)</u>	<u>(1,604,342)</u>
Net loss before capital grants	(1,653,078)	685,378	(931,756)
Capital grants	<u>390,503</u>	<u>359,068</u>	<u>923,967</u>
Change in net position	(1,262,575)	1,044,446	(7,789)
Net position, beginning of the year	20,141,826	19,575,094	19,582,883
Cumulative effect of implementing GASBS 68	<u>-</u>	<u>(477,714)</u>	<u>-</u>
Net position, end of the year	<u>\$ 18,879,251</u>	<u>\$ 20,141,826</u>	<u>\$ 19,575,094</u>

Analysis of the overall financial position and results of operations

During fiscal year-end June 30, 2016 construction projects slowed somewhat from prior years. Work continued at the Port airport for the Runway 13-31 Overlay and Drainage project as well as ongoing infrastructure improvements to Pier 2. The airport overlay project is 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 \$710,771. See Note 6 for more information on capital assets.

The Port did not issue any additional debt during fiscal year 2015 or 2016 and made standard repayments on the notes payable according to the terms of agreement of \$810,346 and \$733,410 for the fiscal years ended June 30, 2016 and 2015 respectively. During fiscal year 2015, Business Oregon forgave two Port liabilities totaling \$358,813 and this was recognized as grant revenue. While the long-term debt obligations of the Port remained flat from the prior year, the current portion of long-term debt obligations increased by \$647,289 or 42.7%, mostly caused by the current nature of two storm water pollution remediation projects. See Note 10 and Note 16 for more information.

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, less pier revenues mostly attributable to fewer log ships during the 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%. Of this amount, there was an approximate increase to pension expense of \$865,000 caused by a negative pension expense of \$252,000 in fiscal year 2015 and a positive pension expense of \$613,000 in fiscal year 2016. Additionally, there was an additional expense for pollution remediation costs of \$918,876, an increase of \$513,876 from the prior year.

PORT OF ASTORIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-operating revenues, consisting primarily of property taxes, timber tax receipts, interest income, and grants, decreased \$258,769 or 21.6% during 2016 and increased \$418,034, or 53.7% during 2015. This was primarily the result of the forgiveness of two loans from Business Oregon totaling \$358,813 during 2015. Timber tax revenues were up during 2016 by \$57,167 or 33.3%.

Non-operating expenses only consist of interest expense, which decreased by \$27,764 or 4.0%, caused by the normal pay down of outstanding debt.

The current ratio (the ratio of current assets available to pay current liabilities) decreased from the prior year from 1.40 to 1.27. This is mostly attributable to the increased current portion of long-term debt, caused by two storm water pollution remediation projects, anticipated to be completed during fiscal year 2017. The current ratio was 1.03 as of June 30, 2014 and increased to 1.40 as of June 30, 2015. This was mostly attributable to the Port's increased cash position and decrease in accounts payable.

Capital Asset and Debt Administration

Capital assets - The Port's investment in capital assets for its activities, as of June 30, 2016 was \$28,979,626 and for June 30, 2015, was \$30,046,324, net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, infrastructure, machinery and equipment. The total decrease in capital assets for the current fiscal year was \$1,066,698 or approximately 3.55% based on June 30, 2016 capital asset balances. The decline is caused by depreciation expense that exceeded current year capital asset additions. The major capital events for the current fiscal year included, airport runway predesign work, improvements to Pier 2, the installation of parking meters and IT infrastructure upgrades. Additional information about the Port's capital assets is discussed in Note 6 of the financial statements. In the prior year, capital assets decreased by \$637,455 or approximately 2.1%. The decline was caused by depreciation expense that exceeded current capital asset additions. The major capital events for the prior fiscal year included Pier 2 restoration, airport runway predesign work, and tenant improvements performed on the Pier 1 office building.

Long-term obligations - 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. These increases were partially offset by scheduled note payable debt payments. The long-term debt obligations as of June 30, 2015 were \$20,465,528, a decrease of \$732,271 from the prior year, the primary result of scheduled debt payments. Additional information regarding the Port's long-term debt 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 ongoing grant funds through ConnectOregon V and the Federal Aviation Administration for Airport Runway 13-31 Overlay and Drainage, currently budgeted at \$4.6 million, as well as the completion of the central waterfront storm water infrastructure project. In October 2016, the Port issued a financing agreement for \$1,750,000 in order to finance the construction of this storm water treatment facility. See Note 19 of the financial statements for additional information.

The Port's budget includes increased revenues from the loading of log ships during fiscal year ending June 30, 2017, and increases in rental income from various Port properties. Generally, operations are budgeted to remain relatively flat during the upcoming fiscal year, and there are no anticipated changes in lines of business.

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 Manager, Port of Astoria, 10 Pier One, Suite 308, Astoria, Oregon, 97103.

PORT OF ASTORIA
STATEMENT OF NET POSITION

	JUNE 30,	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,390,311	\$ 1,194,376
Cash and cash equivalents - restricted	449,155	370,880
Cash due from county treasurer	9,197	9,295
Accounts receivables, net	701,608	858,970
Property and other county taxes receivable	117,981	114,554
Current maturities, long-term receivable	405,137	391,519
Inventory	55,720	80,259
Prepaid expenses	311,560	283,840
Grants receivable	117,867	55,598
Total current assets	3,558,536	3,359,291
NONCURRENT ASSETS:		
Land and non-depreciable capital assets	3,099,245	2,937,160
Capital assets, net	25,880,381	27,109,164
Long-term receivables, less current maturities	7,681,924	8,477,061
Total noncurrent assets	36,661,550	38,523,385
Total assets	40,220,086	41,882,676
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources - pension items	188,616	146,999
Total assets and deferred outflows of resources	\$ 40,408,702	\$ 42,029,675
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 415,072	\$ 664,093
Accrued payroll and related expenses	19,363	18,355
Accrued interest payable	153,686	163,655
Unearned revenue	41,220	37,990
Long-term obligations, current portion	2,163,322	1,516,034
Total current liabilities	2,792,663	2,400,127
NONCURRENT LIABILITIES:		
Long-term obligations, net of current portion	18,581,212	18,949,494
Total noncurrent liabilities	18,581,212	18,949,494
Total liabilities	21,373,875	21,349,621
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources - pension items	155,576	538,228
NET POSITION:		
Net investment in capital assets	21,123,808	21,764,179
Restricted for capital improvements to Pier 3	449,155	370,880
Unrestricted	(2,693,712)	(1,993,233)
Total net position	18,879,251	20,141,826
Total liabilities, deferred inflows of resources and net position	\$ 40,408,702	\$ 42,029,675

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

	YEAR ENDED JUNE 30,	
	2016	2015
OPERATING REVENUES:		
Lease and rental operations	\$ 2,923,516	\$ 3,098,359
Fuel sales	920,195	1,278,628
Re-billed expenses	1,771,566	1,629,926
Pier revenue	1,573,659	1,789,323
Marina revenue	807,114	812,183
Finance charges	1,204	2,002
Other income	119,185	548,024
Total operating revenues	<u>8,116,439</u>	<u>9,158,445</u>
OPERATING EXPENSES:		
Materials and services	3,837,898	4,089,430
Personnel services	3,348,095	2,367,168
Depreciation	1,777,469	1,854,741
Bad debt expense	158,434	258,988
Pollution remediation	918,876	405,000
Total operating expenses	<u>10,040,772</u>	<u>8,975,327</u>
Operating gain/(loss)	<u>(1,924,333)</u>	<u>183,118</u>
NON-OPERATING INCOME (EXPENSE):		
Property taxes	685,672	658,375
Interest income	2,093	786
Grants	11,573	365,038
Timber receipts	228,611	171,444
Gain (Loss) on disposal of assets	9,425	500
Interest expense	(666,119)	(693,883)
Total non-operating income (expenses)	<u>271,255</u>	<u>502,260</u>
Net gain/(loss) before capital grants	(1,653,078)	685,378
CAPITAL GRANTS:		
Capital grants	<u>390,503</u>	<u>359,068</u>
Changes in net position	(1,262,575)	1,044,446
NET POSITION - BEGINNING OF YEAR AS PREVIOUSLY STATED	<u>20,141,826</u>	<u>19,575,094</u>
CUMULATIVE EFFECT OF IMPLEMENTING GASB 68 (NOTE 3)	<u>-</u>	<u>(477,714)</u>
NET POSITION - BEGINNING OF YEAR AS RESTATED	<u>20,141,826</u>	<u>19,097,380</u>
NET POSITION, - END OF YEAR	<u>\$ 18,879,251</u>	<u>\$ 20,141,826</u>

PORT OF ASTORIA
STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 8,430,897	\$ 8,705,378
Payments for personnel services	(2,940,294)	(2,717,064)
Payment to suppliers	(4,281,369)	(4,381,029)
Net cash provided (used) by operating activities	<u>1,209,234</u>	<u>1,607,285</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	682,245	605,434
Cash received from timber tax revenue	228,611	171,444
Repayments on line of credit, net	-	(2,354)
Payments received on non-capital grant agreements	11,573	365,038
Net cash provided (used) by non-capital financing activities	<u>922,429</u>	<u>1,139,562</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments received on capital grant agreements	328,234	430,029
Acquisition and construction of capital assets	(710,771)	(1,216,786)
Principal payment on long term debt	(810,346)	(733,410)
Interest paid on capital debt	(676,088)	(698,650)
Proceeds on sale of capital assets	9,425	-
Net cash provided (used) by capital and related financing activities	<u>(1,859,546)</u>	<u>(2,218,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investment	2,093	786
Net cash provided (used) by investing activities	<u>2,093</u>	<u>786</u>
Net increase (decrease) in cash and cash equivalents	274,210	528,816
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,565,256</u>	<u>1,036,440</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,839,466</u>	<u>\$ 1,565,256</u>
CLASSIFIED ON THE STATEMENT OF NET ASSETS AS:		
Cash and cash equivalents	\$ 1,390,311	\$ 1,194,376
Cash and cash equivalents - restricted	449,155	370,880
	<u>\$ 1,839,466</u>	<u>\$ 1,565,256</u>

PORT OF ASTORIA
STATEMENT OF CASH FLOWS (CONTINUED)

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (1,924,333)	\$ 183,118
Adjustments		
Depreciation	1,777,469	1,854,741
Pension expense	473,452	(365,418)
Loans forgiven	-	(358,813)
Decrease (increase) in:		
Accounts receivables, net	157,460	(113,378)
Inventory	24,539	17,301
Prepaid expenses	(27,720)	(61,489)
Long-term receivables, less current maturities	391,519	352,206
Increase (decrease) in:		
Accounts payable	(249,021)	(172,792)
Accrued payroll and related expenses	(90,260)	27,965
Tenant rent payable	(79,317)	(77,840)
Pollution remediation obligation	729,324	333,145
OPEB liability	24,609	(12,443)
Unearned revenue	3,230	3,746
Clatsop County Assessment	(1,717)	(2,764)
	<u>\$ 1,209,234</u>	<u>\$ 1,607,285</u>
Net cash provided (used) by operating activities		

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Debt forgiveness	<u>\$ -</u>	<u>\$ 358,813</u>
------------------	-------------	-------------------

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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 and 2015 was \$429,631 and \$300,551, respectively.

Inventories - Inventories consist of fuel inventories held for resale at the marina and airport. Inventories are valued at the lower of cost or market, using the first-in/first-out (FIFO) method. The costs of inventories are 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 fair market 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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (Continued) - 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

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. A portion of the balance of compensated absences generally utilized within one year is reported in the Statement of Net Position as current. The remaining balance is classified as long-term.

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 - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 not 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: personal 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, 2016, with the following exceptions:

General Fund	
Personnel services	\$17,046
The Special Revenue Fund	
Materials and services	27,132

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - RESTATEMENT OF NET POSITION DUE TO NEW ACCOUNTING STANDARD

Adoption of new GASB pronouncement in prior year - In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the Port are detailed below.

Net pension liability – Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan’s fiduciary net position.

Deferred inflows of resources and deferred outflows of resources – Statement No. 68 includes recognition of deferred inflows and outflows of resources. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. The Port adopted this new pronouncement in fiscal year 2015 and, accordingly, restated amounts of effected balances within the financial statements as of June 30, 2014:

Statement of Net Position	<u>As Originally Reported</u>	<u>As Restated</u>	<u>Effect of Change</u>
Deferred outflow of resources:			
Payments made to OPERS since the measurement date	\$ -	\$ 150,259	\$ 150,259
Noncurrent liabilities: -			
Net pension liability	-	(627,973)	(627,973)
Net position	\$ 19,575,094	\$ 19,097,380	\$ (477,714)

NOTE 4 - CASH AND CASH EQUIVALENTS

Total cash and cash equivalents, as presented in the statements of net position as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 595	\$ 595
Bank deposits	578,220	1,098,559
Money market accounts	<u>1,260,651</u>	<u>466,102</u>
Total cash and cash equivalents	<u>\$ 1,839,466</u>	<u>\$ 1,565,256</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

A summary of cash and cash equivalents, by type as of June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,390,311	\$ 1,194,376
Cash and cash equivalents - restricted	<u>449,155</u>	<u>370,880</u>
Total cash and cash equivalents	<u>\$ 1,839,466</u>	<u>\$ 1,565,256</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 balance amounts \$1,856,293 and \$1,577,649 at June 30, 2016 and 2015, 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, 2016 and 2015, 100%, of its deposits were held in multiple deposit and money market accounts, with one bank.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PROPERTY TAX

The Port levied property taxes for the fiscal year ended June 30, 2016 and 2015 as follows:

	2016	2015
Total levy	\$ 701,314	\$ 673,282
Summary of property taxes receivable:		
General Fund		
Current levy	24,090	24,753
Prior levies	25,491	28,373
Total general fund	\$ 49,581	\$ 53,126

NOTE 6 - CAPITAL ASSETS

Capital asset activity and balances consist of the following for the year ended June 30, 2016:

	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	2,937,160	503,041	-	(340,957)	3,099,244
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	57,859,467	207,730	(111,791)	340,957	58,296,363
Less: accumulated depreciation	(30,750,303)	(1,777,469)	111,791		(32,415,981)
Net depreciable capital assets	27,109,164	(1,569,739)	-	340,957	25,880,382
Net capital assets	\$ 30,046,324	\$ (1,066,698)	\$ -	\$ -	\$ 28,979,626

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (Continued)

	Ending Balance 6/30/14	Additions	Deletions	Transfers	Ending Balance 6/30/15
Capital assets, non-depreciable:					
Land	\$ 2,584,837	\$ -	\$ -	\$ -	\$ 2,584,837
Construction in Progress	1,476,245	258,938	-	(1,382,860)	352,323
Total capital assets, non-depreciable	<u>4,061,082</u>	<u>258,938</u>	<u>-</u>	<u>(1,382,860)</u>	<u>2,937,160</u>
Capital assets, depreciable:					
Land Improvements	35,077,955	428,514	(138,971)	1,365,150	36,732,648
Buildings & Structures	11,841,352	524,483	-	17,710	12,383,545
Tongue Point	16,538	5,350	-	-	21,888
Airport Property	5,893,287	-	-	-	5,893,287
Leasehold Improvements	56,167	-	-	-	56,167
Intangibles	17,791	-	-	-	17,791
Machinery & Equipment	1,078,121	-	(28,404)	-	1,049,717
Dredge & Marine Equipment	902,548	-	(2,300)	-	900,248
Vehicles & Boats	441,525	-	-	-	441,525
Furniture & Fixtures	258,821	-	(7,727)	-	251,094
Computer & Equipment	111,557	-	-	-	111,557
Total capital assets, depreciable	<u>55,695,662</u>	<u>958,347</u>	<u>(177,402)</u>	<u>1,382,860</u>	<u>57,859,467</u>
Less: accumulated depreciation	<u>(29,072,965)</u>	<u>(1,854,740)</u>	<u>177,402</u>	<u>-</u>	<u>(30,750,303)</u>
Net depreciable capital assets	<u>26,622,697</u>	<u>(896,393)</u>	<u>-</u>	<u>1,382,860</u>	<u>27,109,164</u>
Net capital assets	<u>\$ 30,683,779</u>	<u>\$ (637,455)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,046,324</u>

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

NOTE 7 - LONG-TERM RECEIVABLE

The long-term receivable at June 30, 2016 consists of the following:

	Current	Long-term
Net investment in direct financing lease (Note 8)	\$ 397,637	\$ 7,576,299
Bornstein land lease	7,500	105,625
Total long-term receivable	<u>\$ 405,137</u>	<u>\$ 7,681,924</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM RECEIVABLE (Continued)

The long-term receivable at June 30, 2015 consists of the following:

	<u>Current</u>	<u>Long-term</u>
Net investment in direct financing lease (Note 8)	\$ 384,019	\$ 8,363,936
Tenant land lease	<u>7,500</u>	<u>113,125</u>
Total long-term receivable	<u>\$ 391,519</u>	<u>\$ 8,477,061</u>

NOTE 8 - 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 6). Rent agreements vary from month-to-month to 22 years.

The minimum future lease payments to be received as of June 30, 2016, were as follows:

<u>Year Ended</u>	
2017	\$ 2,319,028
2018	2,135,202
2019	2,031,927
2020	1,934,816
2021	1,557,007
Thereafter	<u>11,943,351</u>
Total	<u>\$ 21,921,331</u>

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 8 - 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, 2016 and 2015:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Minimum lease payments receivable	\$ 10,520,331	\$ 11,599,331
Less unearned income	(2,437,635)	(2,742,616)
Less applicable credits	<u>(108,760)</u>	<u>(108,760)</u>
Net investment in direct financing lease	7,973,936	8,747,955
Less current maturities	<u>(397,637)</u>	<u>(384,019)</u>
Long-term portion	<u><u>\$ 7,576,299</u></u>	<u><u>\$ 8,363,936</u></u>

As of June 30, 2016 minimum lease payments for the next five years are as follows:

<u>Year Ended</u>	
2017	\$ 397,637
2018	411,738
2019	426,339
2020	471,087
2021	517,942
Thereafter	<u>5,749,193</u>
Total minimum payments required	<u><u>\$ 7,973,936</u></u>

NOTE 9 - 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 the greater of prime or 5.50%, which at June 30, 2016 and 2015 was 5.50%. The line of credit is secured by prior executed separate instruments and matures in March 2018. As of June 30, 2016 and 2015 there was no balance.

NOTE 10 - 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 18 years. The total amount outstanding as of June 30, 2016 and 2015 is \$14,153,982 and \$15,266,863 respectively. The current portion of these outstanding notes is \$757,005, payable in quarterly or annual installments. Port real property is pledged as security.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - 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 5.75% as of June 30, 2016 and 7.00% as of June 30, 2015. 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, 2016, the Port was not in compliance with the debt service coverage ratio. The Bank issued a covenant violation waiver and agreed to forbear a declaration of default based upon the violation until June 30, 2017. The Port met the debt service coverage ratio as of June 30, 2015

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, until the notes mature 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.

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

	Adjusted 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 16)	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 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 10 - LONG-TERM OBLIGATIONS (Continued)

Following is a summary of changes in long-term debt obligations for the fiscal year ended June 30, 2015:

	Balance 6/30/14	Additions	Reductions	Ending Balance 6/30/15	Due Within One Year
Notes payable	\$ 17,872,272	\$ -	\$ 733,410	\$ 17,138,862	\$ 808,660
Tenant rent payables:	433,109	-	77,840	355,269	78,671
Compensated absences:					
Accrued vacation	58,735	15,977	-	74,712	74,712
Accrued sick	145,341	23,997	-	169,338	26,586
Total compensated absences	204,076	39,974	-	244,050	101,298
Pollution remediation obligation, net (Note 17)	2,659,900	405,000	71,855	2,993,045	525,000
Other postemployment benefits liability (asset)	8,114	-	12,443	(4,329)	-
Net pension liability (asset)	-	-	278,933	(278,933)	-
Assessment Obligations:					
Clatsop County assessment	20,328	-	2,764	17,564	2,405
Total long-term debt obligations	<u>\$ 21,197,799</u>	<u>\$ 444,974</u>	<u>\$ 1,177,245</u>	<u>\$ 20,465,528</u>	<u>\$ 1,516,034</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

Fiscal Year	Bornstein Buildings Const		Lektro Building Expansion		West basin breakwater II		West basin breakwater	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 397,637	\$ 291,363	\$ 103,281	\$ 45,375	\$ 96,457	\$ 67,981	\$ 41,894	\$ 28,615
2018	411,738	277,262	105,853	42,803	102,478	64,026	42,221	26,625
2019	426,339	262,661	108,489	40,167	108,574	59,722	42,571	24,577
2020	471,087	247,413	111,190	37,466	114,751	55,054	47,942	22,491
2021	517,942	230,058	113,959	34,697	114,829	50,005	48,331	20,142
2022-26	2,976,724	859,276	669,201	127,455	605,262	167,358	288,338	60,778
2027-31	2,881,231	269,600	610,296	38,487	366,175	34,505	66,165	3,308
2032-36								
2037-41								
	<u>\$ 8,082,698</u>	<u>\$ 2,437,633</u>	<u>\$ 1,822,269</u>	<u>\$ 366,450</u>	<u>\$ 1,508,526</u>	<u>\$ 498,651</u>	<u>\$ 577,462</u>	<u>\$ 186,536</u>
Fiscal Year	Lektro hanger expansion		West basin floats		West basin improvements		Airport waterline/fuel tank	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 27,152	\$ 31,356	\$ 24,097	\$ 23,343	\$ 19,862	\$ 10,003	\$ 10,417	\$ 10,388
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
2022-26	189,892	102,645	165,623	71,577	54,755	4,976	72,083	31,942
2027-31	240,936	51,601	207,495	29,616			90,769	13,247
2032-36	84,197	3,564						
2037-41								
	<u>\$ 664,687</u>	<u>\$ 300,685</u>	<u>\$ 505,261</u>	<u>\$ 206,250</u>	<u>\$ 166,720</u>	<u>\$ 42,337</u>	<u>\$ 220,089</u>	<u>\$ 91,977</u>
Fiscal Year	Airport T-hangers		Lektro electrical upgrade		Connect II Pier 2		Flex (equipment) 2008 G	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 17,432	\$ 16,574	\$ 9,685	\$ 3,660	\$ 15,000		\$ 15,000	\$ 2,933
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	12,741	561	15,000			
2022-26	115,670	54,358			75,000			
2027-31	141,419	28,609			45,000			
2032-36	65,021	2,990						
2037-41								
	<u>\$ 416,719</u>	<u>\$ 161,376</u>	<u>\$ 55,858</u>	<u>\$ 10,821</u>	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 6,193</u>
Fiscal Year	Pier 1 Building		T-Hanger #E		SeaLift Flex 2011 A			
	Principal	Interest	Principal	Interest	Principal	Interest		
2017	\$ 46,099	\$ 86,768	\$ 9,091	\$ 7,567	\$ 5,000	\$ 185		
2018	48,820	84,046	9,605	7,053				
2019	51,703	81,164	10,149	6,509				
2020	45,230	65,493	10,723	5,934				
2021	57,422	75,445	11,330	5,327				
2022-26	1,280,260	275,723	67,029	16,260				
2027-31	-	-	15,766	892				
2032-36								
2037-41								
	<u>\$ 1,529,534</u>	<u>\$ 668,639</u>	<u>\$ 133,693</u>	<u>\$ 49,542</u>	<u>\$ 5,000</u>	<u>\$ 185</u>		

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT 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, 2016 is \$15,847 maturing as follows:

	Principal	Interest
2017	\$ 2,501	\$ 399
2018	2,555	345
2019	2,611	291
2020	2,668	235
2021	2,726	178
Thereafter	2,786	181
	\$ 15,847	\$ 1,629

NOTE 11 - 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 year ended June 30, 2016 were \$286,000 and June 30, 2015 were \$294,507. Lease payments are determined by the state annually, and minimum rentals are not specified.

The Port has commitments under various contracts amounting to approximately \$5,358,000 related to engineering design services for airport improvements. As of June 30, 2016, approximately \$4,406,000 of these contracts remain outstanding. The Port intends to complete these projects primarily through capital grants.

NOTE 12 - DEFINED BENEFIT 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.

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.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

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 (including OPERS judge members) 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.

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.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

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 fiscal year 2016 were based on the December 31, 2013 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2016 and June 30, 2015 were \$133,389 and \$127,024, respectively. The rates in effect for the fiscal year ended June 30, 2016 and June 30, 2015 were: (1) Tier1/Tier 2 – 11.02%, (2) OPSRP general service – 9.84%.

Actuarial Valuations:

The employer contribution rates effective July 1, 2013, through June 30, 2016, 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 12 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, 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 (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

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 7.75 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 12 - DEFINED BENEFIT 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 our 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:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	16.0	24.0	20.0
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	10.0	10.0
Opportunity Portfolio	0.0	3.0	0.0
Total			100.0%

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

Long-Term Expected Rate of Return:

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

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation – Mean		2.75

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$1,503,437	\$618,788	(\$119,092)

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - DEFINED BENEFIT 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.

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

At June 30, 2016, the Port reported a liability of \$618,788 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 and rolled forward to June 30, 2015. 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 12 - DEFINED BENEFIT 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, 2016 and 2015, the Port's proportion was 0.01 percent.

For the year ended June 30, 2016, the Port recognized pension expense of \$613,205 and net pension liability of \$622,938. For the year ended June 30, 2015, the Port recognized negative pension expense of \$251,711 and net pension asset of \$278,933.

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
Net difference between projected and actual earnings on investments	\$ -	(\$538,228)
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,975	-
Total (prior to post-measurement date contributions)	19,975	(538,228)
Contributions made subsequent to measurement date	127,024	-
Net Deferred Outflow/(Inflow) of Resources	\$146,999	(\$538,228)

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - DEFINED BENEFIT 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, 2016. 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)	
2017	\$	(54,645)
2018		(54,645)
2019		(54,645)
2020		62,257
2021		1,330
Thereafter		-
Total	<u>\$</u>	<u>(100,348)</u>

At June 30, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
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	<u>21,636</u>	<u>(24,994)</u>
Total (prior to post-measurement date contributions)	55,228	(155,576)
Contributions made subsequent to measurement date	<u>133,388</u>	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 188,616</u>	<u>\$ (155,576)</u>

NOTE 12 - DEFINED BENEFIT 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 \$25,346 for fiscal year ended 2016 and \$12,930 for fiscal year ended 2015.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

NOTE 13 - 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."

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 actually contributed to the plan, and changes in the Port's OPEB obligation for both the explicit and implicit benefits.

	6/30/2016	6/30/2015
Annual required contributions (ARC)	\$ 92,483	\$ 32,916
Interest on net OPEB obligation	(173)	1,029
Adjustment to ARC	237	(1,044)
Annual OPEB cost	92,547	32,901
Less OPEB contributions (amounts paid by the Port during the year)	(67,938)	(45,344)
Increase in net OPEB obligation	24,609	(12,443)
Net OPEB obligation - beginning of year	(4,329)	8,114
Net OPEB obligation/(asset) - end of year	\$ 20,280	\$ (4,329)

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)
6/30/2014	\$ 31,986	\$ -	139%	\$ 8,114
6/30/2015	32,901	45,344	138%	(4,329)
6/30/2016	92,547	67,938	73%	20,280

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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

NOTE 14 - 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 15 - NET POSITION

The components of net position at June 30, 2016 and 2015 were as follows:

	2016	2015
Net investment in capital assets:		
Net capital assets	\$ 28,979,626	\$ 30,046,324
Bornstein note payable	8,082,698	8,856,717
Less:		
Current portion of long term debt	838,104	808,660
Long term debt	15,100,412	16,330,202
	21,123,808	21,764,179
Restricted for capital improvements to Pier 3	449,155	370,880
Unrestricted	(2,693,712)	(1,993,233)
Total net position	\$ 18,879,251	\$ 20,141,826

NOTE 16 - 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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - POLLUTION REMEDIATION OBLIGATION (Continued)

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 \$5,311,352 as of June 30, 2016 and at \$5,319,800 as of June 30, 2015, 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, 2016 and 2015, the pollution remediation liabilities were reduced to \$2,579,597 and \$2,588,045, 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, 2016, construction of the storm water infrastructure project is in progress, and the Port's estimated cost to satisfy the Tier II violation is \$2,066,527, an increase from \$1,630,650 as of June 30, 2015. These estimates are based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port's implementation cost estimate does not include components that are not yet reasonably measurable. The Port's cost estimate will change over time due to changes in costs of goods and services, changes in design configuration, and changes in governing laws and regulations.

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. As of June 30, 2016, the pollution remediation liabilities were increased to \$1,033,473, an increase from \$405,000 as of June 30, 2015 for estimated unrealized recoveries.

Tongue Point storm water violation – During the current fiscal year, 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 16 - POLLUTION REMEDIATION OBLIGATION (Continued)

As of June 30, 2016, bids were solicited and construction was in progress in order to make the required storm water system modifications to the infrastructure. The current estimated costs are \$121,381, of which \$12,082 was spent toward the completion of the project as of June 30, 2016. These estimates are based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port's cost estimate will change over time due to changes in costs of goods and services, changes in design configuration, and changes in governing laws and regulations.

	Estimated Remediation Costs June 30, 2015	Additions	Reductions	Pollution remediation obligation, net June 30, 2016
Area-Wide groundwater contamination	\$ 5,319,800		\$ (8,448)	\$ 5,311,352
Waterfront district storm water violation	1,630,650	604,899	(169,022)	2,066,527
Tongue Point storm water violation	-	121,381	(12,082)	109,299
Total pollution remediation obligation	<u>6,950,450</u>	<u>726,280</u>	<u>(189,552)</u>	<u>7,487,178</u>
Less estimated third-party recoveries	<u>(3,957,405)</u>		<u>192,596</u>	<u>(3,764,809)</u>
Total pollution remediation obligation, net	<u>\$ 2,993,045</u>	<u>\$ 726,280</u>	<u>\$ 3,044</u>	<u>\$ 3,722,369</u>

NOTE 17 - 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 18 - 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 19 - SUBSEQUENT EVENTS

In October 2016, the Port of Astoria entered into a Full Faith and Credit Financing Agreement (the "Bonds") with Key Government Finance to borrow \$1,750,000 in order to finance the construction of a storm water treatment facility in the central waterfront. This project is in response to the Tier II storm water violation and required remediation efforts. The Bonds contain an initial fixed interest rate term of 10 years at 2.99%, adjustable at three 5-year period reset dates thereafter. The Bonds are secured by the full faith and credit of the Port.

REQUIRED SUPPLEMENTAL INFORMATION

PORT OF ASTORIA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Other Postemployment Benefits (OPEB) Funding Progress for the Port

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 Port's Pension Contributions

	FY 2016	FY 2015	FY 2014
Contractually required contribution	\$ 133,389	\$ 127,024	\$ 150,259
Contribution's in relation to the contractually required contribution	<u>133,389</u>	<u>127,024</u>	<u>150,259</u>
	\$ 266,778	\$ 254,048	\$ 300,518
Port's covered employee payroll	\$ 1,713,293	\$ 1,557,971	\$ 1,398,824
Contributions as a percentage of covered employee payroll	7.8%	8.2%	10.7%

Schedule of Port's Proportionate Share of Net Pension Liability (Asset)

	FY 2016	FY 2015
Port's proportion of the net pension liability (asset)	0.01084981%	0.01230561%
Port's proportionate share of the net pension liability (asset)	\$ 622,938	\$ (278,933)
Port's covered employee payroll	\$ 1,557,971	\$ 1,398,824
Port's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	40.0%	-19.9%
Plan fiduciary net position as a percentage of the total pension liability	91.9%	103.6%

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual 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.

The 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.

PORT OF ASTORIA
COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Lease & rental income	\$ 3,517,532	\$ 3,517,532	\$ 3,701,805	\$ 184,273
Fuel sales	1,387,000	1,387,000	920,195	(466,805)
Rebilled expenses	1,679,820	1,679,820	1,771,566	91,746
Pier revenue	2,113,517	2,113,517	1,573,659	(539,858)
Marina revenue	943,600	943,600	807,114	(136,486)
Other income	19,200	19,200	85,046	65,846
Property taxes	669,500	669,500	682,245	12,745
Timber revenue	150,000	150,000	228,611	78,611
Intergovernmental grants	5,003,325	5,003,325	402,076	(4,601,249)
Investment earnings	2,000	2,000	2,093	93
Other county revenues	35,000	35,000	35,343	343
Total revenues	<u>15,520,494</u>	<u>15,520,494</u>	<u>10,209,753</u>	<u>(5,310,741)</u>
EXPENDITURES:				
Materials and services	4,446,820	4,446,820	4,190,782	256,038
Personnel services	2,924,256	2,924,256	2,941,302	(17,046)
Debt service				
Principal	886,950	886,950	810,346	76,604
Interest	683,355	683,355	676,088	7,267
Capital outlay	6,346,113	6,346,113	710,771	5,635,342
Contingency	18,000	18,000	-	18,000
Total expenditures	<u>15,305,494</u>	<u>15,305,494</u>	<u>9,329,289</u>	<u>5,976,205</u>
Revenues over (under) expenditures	<u>215,000</u>	<u>215,000</u>	<u>880,464</u>	<u>665,464</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	120,000	120,000	-	(120,000)
Total other financing sources (uses)	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
Changes in net position	335,000	335,000	880,464	545,464
NET POSITION, BEGINNING BUDGETARY BASIS	<u>549,109</u>	<u>549,109</u>	<u>2,427,363</u>	<u>1,878,254</u>
NET POSITION, ENDING BUDGETARY BASIS	<u>\$ 884,109</u>	<u>\$ 884,109</u>	<u>\$ 3,307,827</u>	<u>\$ 2,423,718</u>

PORT OF ASTORIA
COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Revenues	Expenditures
Total revenue and expenditures above	\$ 10,209,753	\$ 9,329,289
Expenditures capitalized	-	(710,771)
Depreciation expense	-	1,777,469
Gain on disposal of capital assets	9,425	-
Debt service principal payments	-	(810,346)
Property taxes receivable	3,427	-
Interest payable	-	(9,969)
Prepaid expenses	-	(27,720)
Inventory	-	24,539
Net pension liability	-	897,721
Deferred outflows of resources - pension	-	(41,617)
Lease receivable	(781,519)	-
Pollution remediation	-	729,324
Clatsop County Assessment	-	(1,717)
Deferred inflows of resources - pension	-	(382,652)
Unearned revenue	3,230	-
Compensated absences	-	(91,268)
OPEB liability	-	24,609
	\$ 9,444,316	\$ 10,706,891
Total revenues and expenses - generally accepted accounting principles		
		\$ (1,262,575)
Change in net position		

**PORT OF ASTORIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Lease & rental income	\$ 3,517,532	\$ 3,517,532	\$ 3,701,805	\$ 184,273
Fuel sales	1,387,000	1,387,000	920,195	(466,805)
Rebilled expenses	1,679,820	1,679,820	1,771,566	91,746
Pier revenue	2,113,517	2,113,517	1,573,659	(539,858)
Marina revenue	943,600	943,600	807,114	(136,486)
Other income	19,200	19,200	85,046	65,846
Property taxes	669,500	669,500	682,245	12,745
Intergovernmental grants	5,003,325	5,003,325	402,076	(4,601,249)
Investment earnings	2,000	2,000	2,093	93
Total revenues	15,335,494	15,335,494	9,945,799	(5,389,695)
EXPENDITURES:				
Materials and services	4,326,820	4,326,820	4,043,650	283,170
Personnel services	2,924,256	2,924,256	2,941,302	(17,046)
Debt service				
Principal	886,950	886,950	810,346	76,604
Interest	683,355	683,355	676,088	7,267
Contingency	18,000	18,000	-	18,000
Capital outlay	6,346,113	6,346,113	710,771	5,635,342
Total expenditures	15,185,494	15,185,494	9,182,157	6,003,337
Revenues over (under) expenditures	150,000	150,000	763,642	613,642
OTHER FINANCING SOURCES (USES):				
Transfers in	120,000	120,000	-	(120,000)
Total other financing sources (uses)	120,000	120,000	-	(120,000)
Changes in net position	270,000	270,000	763,642	493,642
NET POSITION, BEGINNING BUDGETARY BASIS	-	-	1,807,618	1,807,618
NET POSITION, ENDING BUDGETARY BASIS	\$ 270,000	\$ 270,000	\$ 2,571,260	\$ 2,301,260

**PORT OF ASTORIA
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Other county revenues	35,000	35,000	35,343	343
Timber revenue	150,000	150,000	228,611	78,611
Total revenues	<u>185,000</u>	<u>185,000</u>	<u>263,954</u>	<u>78,954</u>
EXPENDITURES:				
Materials and services	120,000	120,000	147,132	(27,132)
Total expenditures	<u>120,000</u>	<u>120,000</u>	<u>147,132</u>	<u>(27,132)</u>
Changes in net position	65,000	65,000	116,822	51,822
NET POSITION, BEGINNING BUDGETARY BASIS	<u>549,109</u>	<u>549,109</u>	<u>619,745</u>	<u>70,636</u>
NET POSITION, ENDING BUDGETARY BASIS	<u>\$ 614,109</u>	<u>\$ 614,109</u>	<u>\$ 736,567</u>	<u>\$ 122,458</u>

OTHER FINANCIAL SCHEDULES

PORT OF ASTORIA
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND
OUTSTANDING BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Fiscal Year	Uncollected Balance June 30, 2015	2015-2016 Levy	Discounts & Adjustments	Collections	Uncollected Balance June 30, 2016
2015-16	\$ -	\$ 701,314	\$ (18,484)	\$ (658,741)	\$ 24,090
2014-15	24,753		(50)	(13,979)	10,724
2013-14	12,362		(29)	(5,278)	7,054
2012-13	8,016		(13)	(4,986)	3,017
2011-12	3,445		(22)	(2,254)	1,168
2010-11	1,555		(35)	(513)	1,007
2009-10	1,014		(31)	(282)	701
Prior years	1,981		3	(110)	1,820
Totals	<u>\$ 53,126</u>	<u>\$ 701,314</u>	<u>\$ (18,661)</u>	<u>\$ (686,143)</u>	<u>\$ 49,581</u>

COMPLIANCE REPORTS

REPORT OF INDEPENDENT AUDITORS 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*

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 years ended June 30, 2016 and 2015, 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, 2016.

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 were not identified. Given the 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 responses that we consider to be a significant deficiency.

MOSS ADAMS_{LLP}

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*.

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 responses. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams, LLP

Eugene, Oregon
December 21, 2016

FINDINGS RELATED TO FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING 2016-001 - Physical Inventory of Capital Assets (Significant Deficiency in Internal Controls over Financial Reporting) – 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.

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 retirements, and capital assets on-hand, but not currently used in operations. In addition to periodic physical inspections of recorded capital assets, we recommend the implementation of a periodic reconciliation of the County tax assessor real property records with the Port's capital asset listing.

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL
 OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
 PERFORMED IN ACCORDANCE WITH OREGON MINIMUM AUDIT STANDARDS**

Board of Commissioners
 Port of Astoria
 Astoria, Oregon

We have audited the basic financial statements of Port of Astoria, Oregon (the Port), as of and for the years ended June 30, 2016 and 2015, and have issued our report thereon dated December 21, 2016. We conducted our audit 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 provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules (OAR) 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2016 and 2017.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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. Except as discussed below, the results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State.

Awarding Public Contracts

During our testing of contracts, we tested one contract approved in a prior year where insufficient documentation was available to substantiate compliance with purchasing policies and procedures.

MOSS ADAMS_{LLP}

Excess of Expenditures over Appropriations

As described in Note 2, *Stewardship, Compliance and Accountability*, the results of testing indicated instances of non-compliance related to excess expenditures over appropriations.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (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 were not identified. Given the 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 responses that we consider to be a significant deficiency.

Purpose of this Report

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



For Moss Adams LLP
Eugene, Oregon
December 21, 2016