



Financial Statements and Supplementary Schedules for
Port of Astoria, Oregon
For the Years ended June 30, 2020 and 2019

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**PORT OF ASTORIA
PRINCIPAL OFFICIALS**

As of June 30, 2020

Dirk Rohne, President
422 Gateway, Suite 100
Astoria, OR 97103
Dates of service: July 3, 2017 – present

Robert Stevens, Vice-President
422 Gateway, Suite 100
Astoria, OR 97103
Dates of service: July 3, 2017 – present

Frank Spence, Secretary
422 Gateway, Suite 100
Astoria, OR 97103
Dates of service: August 22, 2017 – present

James Campbell, Treasurer
422 Gateway, Suite 100
Astoria, OR 97103
Dates of service: July 1, 2013 – present

Scott McClaine, Assistant Secretary – Treasurer
422 Gateway, Suite 100
Astoria, OR 97103
Dates of service: July 1, 2019 – present

As of June 30, 2019

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

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

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

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

William Hunsinger, Assistant Secretary – Treasurer
10 Pier 1 Building, Suite 308
Astoria, OR 97103
Dates of service: July 1, 2013 – 2019

Will Isom, Executive Director
422 Gateway, Suite 100
Astoria, OR 97103
Dates of service: June 18, 2019 – present

Jim Knight, Executive Director
422 Gateway, Suite 100
Astoria, OR 97103
Dates of service: October 27, 2014 – June 18, 2019

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Astoria
Astoria, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Astoria, Oregon (the Port), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Commissioners
Port of Astoria

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis, Schedule of Pension Contributions, Schedule of Proportionate Share of Net Pension Liability(Asset), and Schedule of Changes in Total OPEB Liability and Related Ratios, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information and the Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The schedules, as listed in the Table of Contents as Supplementary Information, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Commissioners
Port of Astoria

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Continued)

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 16, 2020, on our consideration of the Port's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By: 
Julie B. Fahey, Partner

Portland, Oregon
November 16, 2020

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, 2020 and 2019, including all accompanying notes to the financial statements.

Mission Statement

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

Overall Performance and Goals

The Port's primary goals are as follows:

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

Financial Highlights

The Port's overall net position increased during fiscal year 2020 by \$3,329,077, which is an increase from the prior year in which the Port had a net loss of \$52,924. The Port had an operating loss in the current year of \$798,985, an improvement from the operating loss in the prior year of \$986,253.

The Port had a positive net position of \$24,730,099 as of June 30, 2020, an increase from \$21,401,022 as of June 30, 2019. This increase in net position was primarily due to \$3,594,507 in capital grants. The net position for the net investment in capital assets increased in 2020 by \$3,017,247 for a total of \$26,230,188, while the unrestricted net position remained negative at (\$1,500,089) as of June 30, 2020, a change from (\$1,811,919) as of June 30, 2019.

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

PORT OF ASTORIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Condensed Statement of Net Position

	June 30,		
	2020	2019	2018
Assets			
Current assets	\$ 4,079,262	\$ 3,577,484	\$ 4,588,404
Other assets	6,284,621	6,292,121	6,801,118
Capital assets	33,998,365	31,363,998	31,920,379
Total assets	<u>44,362,248</u>	<u>41,233,603</u>	<u>43,309,901</u>
Deferred pension outflows	589,506	599,075	548,478
Deferred OPEB outflows	110,606	-	-
Total outflows	<u>700,112</u>	<u>599,075</u>	<u>-</u>
Liabilities			
Current liabilities	2,002,166	2,050,256	2,886,566
Long-term liabilities	18,024,917	18,177,210	19,461,455
Total liabilities	<u>20,027,083</u>	<u>20,227,466</u>	<u>22,348,021</u>
Deferred pension inflows	147,527	204,190	56,412
Deferred OPEB inflows	157,651	-	-
Total inflows	<u>305,178</u>	<u>204,190</u>	<u>-</u>
Net position			
Net investment in capital assets	26,230,188	23,212,941	23,232,300
Unrestricted	(1,500,089)	(1,811,919)	(1,778,354)
Total net position	<u>\$ 24,730,099</u>	<u>\$ 21,401,022</u>	<u>\$ 21,453,946</u>

PORT OF ASTORIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Year Ended June 30,		
	2020	2019	2018
Operating revenues	\$ 7,282,437	\$ 8,015,338	\$ 8,601,324
Operating expenses	<u>(8,081,422)</u>	<u>(9,001,591)</u>	<u>(9,719,706)</u>
Loss from operations	(798,985)	(986,253)	(1,118,382)
Non-operating revenues	1,064,634	926,669	1,038,863
Non-operating expenses	<u>(531,079)</u>	<u>(585,524)</u>	<u>(651,225)</u>
Net loss before capital grants	(265,430)	(645,108)	(730,744)
Capital grants	<u>3,594,507</u>	<u>592,184</u>	<u>1,335,189</u>
Change in net position	3,329,077	(52,924)	604,445
Net position, beginning of the year, as previously stated	<u>21,401,022</u>	<u>21,453,946</u>	<u>21,784,904</u>
Restatement GASB 75	<u>-</u>	<u>-</u>	<u>(935,403)</u>
Net position, beginning of year, as restated	<u>21,401,022</u>	<u>21,453,946</u>	<u>20,849,501</u>
Net position, end of the year	<u>\$ 24,730,099</u>	<u>\$ 21,401,022</u>	<u>\$ 21,453,946</u>

Analysis of the Overall Financial Position and Results of Operations

During the fiscal year ended June 30, 2020, construction projects increased significantly from the prior year. At the airport, a taxiway realignment project was close to completion at the end of June, and a multi-phased apron rehabilitation project was moving on to the second and final phase. Both projects are primarily funded by the Federal Aviation Administration (FAA). These projects, along with smaller projects related to pier, marina, and boatyard improvements, contributed to capital asset additions of \$4,537,444. See Note 4 for more information on capital assets.

Operating revenues decreased by \$732,901, which represents a 9.1% decrease from the prior year. The decrease in revenues were driven in part by decreased re-billed expense revenue, pier revenue, and fuel sales as a result of the loss of logging income to the Port and the Covid-19 pandemic. In the prior year, operating revenues decreased by \$585,986, which represents a 6.8% decrease from fiscal year 2018. The decreased revenues were also caused by decreased re-billed expense revenue and pier revenues.

Operating expenses decreased by \$920,169 which represents a 10.2% decrease from fiscal year 2019. This decrease was primarily caused by a combination of reduced general operating expenses of \$440,439, professional service fees of \$355,261, longshore labor costs of \$273,117, and fuel costs of \$103,906. In the prior year, operating expenses decreased by \$718,115 which represents a 7.4% decrease from fiscal year 2018.

PORT OF ASTORIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Non-operating revenues, consisting primarily of property taxes, timber receipts, interest income, and grants, increased \$137,965 or 14.9% from fiscal year 2019 and decreased \$112,194, or 10.8% from fiscal year 2018. The increase in 2020 was primarily a result of non-capital Coronavirus Relief Fund grants of \$69,697 from the Federal CARES Act, in addition to smaller increases to property tax revenues, interest income, and timber receipts.

Non-operating expenses decreased in fiscal year 2020 by \$54,445, or 9.3%, primarily due to an ongoing decrease in interest expense caused by the normal pay down of outstanding debt. In fiscal year 2019, non-operating expense decreased by \$65,701, also as a result of decreasing interest expense.

The current ratio (the ratio of current assets available to pay current liabilities) increased from the prior year from 1.74 to 2.04. This is mostly attributable to an increase in grants receivable of \$1,163,483. In the prior year, the current ratio increased from 1.59 to 1.74. This was mostly attributable to a decrease in accounts payable, which had spiked as of June 30, 2018.

Capital Asset and Debt Administration

Capital Assets - The Port's investment in capital assets for its activities, as of June 30, 2020, was \$33,998,365 and for June 30, 2019, was \$31,363,998, net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, infrastructure, machinery and equipment. The total increase in capital assets for the current fiscal year was \$2,634,367 or approximately 8.4% based on June 30, 2019 capital asset balances. The increase was primarily attributable to a net increase to construction in progress of \$2,397,742, captured under noncurrent land and non-depreciable assets. These additions were primarily for the ongoing airport rehabilitation project. In fiscal year 2019, capital asset additions were \$1,377,615, while depreciation was \$1,933,996. Additional information about the Port's capital assets is discussed in Note 4 of the financial statements.

Long-Term Obligations - The Port had long-term obligations totaling \$18,364,370, a decrease of \$945,506 from the prior year, primarily the result of scheduled note payable debt payments as well as declines in the pollution remediation obligation of \$370,159. The Port had long-term obligations totaling \$19,309,876 as of June 30, 2019, a decrease of \$1,288,080 from fiscal year 2018, also the result of scheduled debt payments and declines in the pollution remediation obligation. Additional information regarding the Port's long-term obligations is discussed in Note 8 of the financial statements.

Description of Currently Known Facts, Decisions, or Conditions

With the exception of the capital projects included in the current year budget, the Port has no projects planned that would materially affect current revenues. Those projects include airport apron improvements, West Marina dredging, piling replacements, East Basin causeway repairs, planning for Pier 2 West rehabilitation, and a variety of other repairs and improvements.

Additionally, the Port of Astoria faces some uncertainty with the ongoing Covid-19 pandemic and the effects on cruise ship travel, fishing, and tourism. The Port was anticipating a banner year for cruise ship traffic in 2020 and the impact on lost revenue potential was significant. It is unclear what the short-term and long-term affects of the pandemic will be on the cruise ship industry, making it difficult for the Port to anticipate future revenues.

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 Staff Accountant, Port of Astoria, 422 Gateway Avenue, Suite 100, Astoria, Oregon, 97103.

PORT OF ASTORIA
STATEMENTS OF NET POSITION

	June 30,	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,828,714	\$ 2,245,248
Accounts receivables, net	710,990	452,073
Property and other county taxes receivable	44,654	42,843
Current maturities, long-term receivable	7,500	493,890
Inventory	23,716	39,221
Prepaid expenses	248,183	252,187
Grants receivable	1,215,505	52,022
Total current assets	4,079,262	3,577,484
NONCURRENT ASSETS:		
Land and non-depreciable capital assets	6,981,967	4,584,225
Capital assets, net	27,016,398	26,779,773
Long-term receivables, less current maturities	6,284,621	6,292,121
Total noncurrent assets	40,282,986	37,656,119
Total assets	44,362,248	41,233,603
DEFERRED OUTFLOWS:		
Deferred pension outflows	589,506	599,075
Deferred OPEB outflows	110,606	-
Total deferred outflows of resources	700,112	599,075
Total assets and deferred outflows	\$ 45,062,360	\$ 41,832,678
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,470,207	\$ 678,104
Accrued payroll and related expenses	29,208	35,515
Accrued interest payable	83,580	131,189
Unearned revenue	79,718	72,782
Long-term debt obligations, current portion	339,453	1,132,666
Total current liabilities	2,002,166	2,050,256
NONCURRENT LIABILITIES:		
Long-term debt obligations, net of current portion	18,024,917	18,177,210
Total liabilities	20,027,083	20,227,466
DEFERRED INFLOWS:		
Deferred pension inflows	147,527	204,190
Deferred OPEB inflows	157,651	-
Total deferred inflows of resources	305,178	204,190
NET POSITION:		
Net investment in capital assets	26,230,188	23,212,941
Unrestricted	(1,500,089)	(1,811,919)
Total net position	24,730,099	21,401,022
Total liabilities, deferred inflows and net position	\$ 45,062,360	\$ 41,832,678

See accompanying notes.

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

	YEAR ENDED JUNE 30,	
	2020	2019
OPERATING REVENUES:		
Lease and rental operations	\$ 2,793,806	\$ 2,518,686
Fuel sales	848,304	987,669
Re-billed expenses	1,486,735	2,031,661
Pier revenue	996,881	1,206,564
Marina revenue	984,100	986,173
Finance charges	-	51
Other income	172,611	284,534
Total operating revenues	7,282,437	8,015,338
OPERATING EXPENSES:		
Materials and services	3,493,409	4,456,523
Personnel services	2,950,816	2,921,452
Depreciation	1,903,077	1,933,996
Bad debt expense	104,279	(98,064)
Pollution remediation	(370,159)	(212,316)
Total operating expenses	8,081,422	9,001,591
Operating loss	(798,985)	(986,253)
NON-OPERATING INCOME (EXPENSE):		
Property taxes	768,312	748,705
Interest income	13,536	6,632
Grants	69,697	-
Timber receipts	198,811	171,063
Gain on disposal of assets	14,278	269
Interest expense	(531,079)	(585,524)
Total non-operating income (expenses)	533,555	341,145
Net loss before capital grants	(265,430)	(645,108)
CAPITAL GRANTS	3,594,507	592,184
Changes in net position	3,329,077	(52,924)
NET POSITION - BEGINNING OF YEAR	21,401,022	21,453,946
NET POSITION - END OF YEAR	\$ 24,730,099	\$ 21,401,022

See accompanying notes.

PORT OF ASTORIA
STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 7,472,006	\$ 9,106,806
Payments for personnel services	(2,712,680)	(2,849,664)
Payment to suppliers	(2,684,471)	(5,346,082)
Net cash provided (used) by operating activities	2,074,855	911,060
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	766,501	753,296
Cash received from timber tax revenue	198,811	171,063
Payments received on non-capital grant agreements	69,697	-
Net cash provided by non-capital financing activities	1,035,009	924,359
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments received on capital grant agreements	2,431,024	826,630
Acquisition and construction of capital assets	(4,537,444)	(1,377,615)
Principal payment on long term debt	(1,011,744)	(978,142)
Proceeds from issuance of debt	142,640	-
Interest paid on capital debt	(578,688)	(595,116)
Proceeds on sale of capital assets	14,278	269
Net cash provided (used) by capital and related financing activities	(3,539,934)	(2,123,974)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investment	13,536	6,632
Net cash provided by investing activities	13,536	6,632
Net increase (decrease) in cash and cash equivalents	(416,534)	(281,923)
CASH AND CASH EQUIVALENTS, BEGINNING	2,245,248	2,527,171
CASH AND CASH EQUIVALENTS, ENDING	\$ 1,828,714	\$ 2,245,248

PORT OF ASTORIA
STATEMENTS OF CASH FLOWS (CONTINUED)

	YEAR ENDED JUNE 30,	
	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (798,985)	\$ (986,253)
Adjustments		
Depreciation	1,903,077	1,933,996
Decrease (increase) in:		
Accounts receivables, net	(258,917)	556,317
Inventory	15,505	20,110
Prepaid expenses	4,004	(26,088)
Long-term receivables, less current maturities	493,890	448,618
Increase (decrease) in:		
Accounts payable	792,103	(880,991)
Accrued payroll and related expenses	26,788	(34,261)
Tenant rent payable	51,939	(40,885)
Pollution remediation obligation	(370,159)	(212,316)
OPEB liability	32,490	33,156
Net pension liability and related deferrals	178,858	72,893
Unearned revenue	6,936	29,354
Clatsop County assessment	(2,674)	(2,589)
	<u>\$ 2,074,855</u>	<u>\$ 911,060</u>
Net cash provided by operating activities	<u>\$ 2,074,855</u>	<u>\$ 911,060</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 of Cash Flows, the Port considers cash and short-term investments with maturities of three months or less to be cash equivalents. The Port maintains merged bank accounts for its funds in a central pool of demand deposit bank accounts.

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

The Port provides an allowance for receivables if it believes it may not collect in full. It evaluates the collectability of its accounts based on a combination of factors. The Port's estimates of the recoverability of amounts due may change in the near term. The allowance for doubtful accounts as of June 30, 2020 and 2019 was \$488,435 and \$384,594, respectively.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory - Inventory consists of fuel inventories held for resale at the marina and airport. Inventory is valued at the lower of cost or market, using the first-in/first-out (FIFO) method. The costs of inventory 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 acquisition value at the date of donation. Maintenance and repairs of a routine nature are charged to expenses as incurred and are not capitalized.

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

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

The Port's actual expenditures were within budgeted amounts for the year ended June 30, 2020 and 2019, with the following exceptions:

	<u>6/30/2019</u>
General Fund	
Materials and services	\$ 3,074

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH AND CASH EQUIVALENTS

Total cash and cash equivalents, as presented in the statements of net position as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 595	\$ 595
Bank deposits	944,724	1,364,296
Money market accounts	883,395	880,357
Total cash and cash equivalents	<u>\$ 1,828,714</u>	<u>\$ 2,245,248</u>

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

Interest Rate Risk

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

Custodial Credit Risk

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

As required by ORS, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the office of the State Treasurer. The Port had bank balances of \$2,257,954 and \$1,985,786 at June 30, 2020 and 2019, 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, 2020 and 2019, 100% of its deposits were held in multiple deposit and money market accounts, with one bank.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity and balances consist of the following for the year ended June 30, 2020:

	Ending Balance 6/30/19	Additions	Deletions	Transfers	Ending Balance 6/30/20
Capital assets, non-depreciable:					
Land	\$ 2,584,837	\$ -	\$ -	\$ -	\$ 2,584,837
Construction in Progress	1,999,388	4,079,814	-	(1,682,072)	4,397,130
Total capital assets, non-depreciable	<u>4,584,225</u>	<u>4,079,814</u>	<u>-</u>	<u>(1,682,072)</u>	<u>6,981,967</u>
Capital assets, depreciable:					
Land Improvements	37,228,602	116,919	(249,177)	11,367	37,107,711
Buildings & Structures	13,469,587	161,917	(3,028)	103,928	13,732,404
Airport Property	10,637,239	925	(17,359)	1,443,681	12,064,486
Leasehold Improvements	6,532	-	-	-	6,532
Intangibles	17,791	25,832	-	65,986	109,609
Machinery & Equipment	967,094	-	(36,300)	63,010	993,804
Dredge & Marine Equipment	983,387	9,697	(13,492)	-	979,592
Vehicles & Boats	516,270	-	-	(5,900)	510,370
Furniture & Fixtures	479,747	142,340	(2,599)	-	619,488
Computer & Equipment	208,564	-	-	-	208,564
Total capital assets, depreciable	<u>64,514,813</u>	<u>457,630</u>	<u>(321,955)</u>	<u>1,682,072</u>	<u>66,332,560</u>
Less: accumulated depreciation	<u>(37,735,040)</u>	<u>(1,903,077)</u>	<u>321,955</u>	<u>-</u>	<u>(39,316,162)</u>
Net depreciable capital assets	<u>26,779,773</u>	<u>(1,445,447)</u>	<u>-</u>	<u>1,682,072</u>	<u>27,016,398</u>
Net capital assets	<u>\$ 31,363,998</u>	<u>\$ 2,634,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,998,365</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.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Continued)

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

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM RECEIVABLES

Long-term receivables at June 30, 2020 consists of the following:

	Current	Long-term
Net investment in direct financing lease (Note 6)	\$ -	\$ 6,208,996
Bornstein land lease	7,500	75,625
Total long-term receivables	\$ 7,500	\$ 6,284,621

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

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

NOTE 6 - LEASES

Operating leases - The Port leases several facilities to various individuals and businesses. These facilities include airport hangar space, marina slips, buildings, parcels of land, and pier and mooring space, among others. The cost and carrying amounts for these assets are included in the Port's Capital Assets (Note 4). Rent agreements vary from month-to-month to 18 years.

The minimum non-cancelable future lease payments to be received as of June 30, 2020, were as follows:

Year Ended	
2021	\$ 1,933,495
2022	1,916,493
2023	1,889,362
2024	1,755,159
2025	1,699,459
Thereafter	7,027,503
Total	\$ 16,221,471

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASES (Continued)

The minimum rental payments under the agreement call for monthly installments equal to the annual debt service on the state financing. In February 2010, the Port elected to use proceeds from a qualifying energy efficiency project performed at the facility to offset the final lease payment at the end of the state financing. In June of 2020, the Port arranged for a one-year deferment of rent for the period of July 1, 2020 through June 30, 2021.

The following lists the components of the net investment in the Port's direct financing lease as of June 30, 2020 and 2019:

	2020	2019
Minimum lease payments receivable	\$ 7,734,831	\$ 8,453,331
Less unearned income	(1,417,075)	(1,649,185)
Less applicable credits	(108,760)	(108,760)
Net investment in direct financing lease	6,208,996	6,695,386
Less current maturities	-	(486,390)
Long-term portion	\$ 6,208,996	\$ 6,208,996

As of June 30, 2020 minimum lease payments for the next five years are as follows:

Year Ended	
2021	\$ -
2022	533,789
2023	552,718
2024	572,318
2025	592,614
Thereafter	3,957,557
Total minimum payments required	\$ 6,208,996

NOTE 7 - LINE OF CREDIT

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

NOTE 8 - LONG-TERM OBLIGATIONS

Notes payable - The Port has 11 loans with the Oregon Business Development Department (OBDD) and the Special Public Works Fund (SPWF) of the State of Oregon. The loans were obtained to make various improvements to the Port's marine and airport facilities. Interest rates and maturity dates vary from 2.49% to 7.0% and 3 to 15 years. The total amount outstanding as of June 30, 2020 and 2019 is \$10,867,312 and \$11,753,235 respectively. In May of 2020, Oregon Business Development agreed to a one-year loan deferment, suspending payments for the period of May 2020 through April of 2021. Interest accrual was stopped for that period, and lease terms were extended one additional year. The current portion of these outstanding notes is \$23,771. Port real property is pledged as security.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

A note payable to the Clatsop Community Bank with an original face value of \$1,700,000 for the purchase of Pier 1 office building. The note is collateralized by the Pier 1 office building. The interest and principal payments are due in monthly installments of \$12,335. There is a required balloon payment of \$1,049,041 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, 2020 and 8% as of June 30, 2019. 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, 2020, the Port was in compliance with the debt service coverage ratio.

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

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

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

A note payable to KS State Bank with an original face value of \$142,340 for additional LED lighting improvements on Port property. The interest and principal payments are due in monthly installments of \$2,252 and carries an imputed interest rate of 4.42%. The note matures on March 25, 2026.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2020:

	Ending Balance 6/30/19	Additions	Reductions	Ending Balance 6/30/20	Due Within One Year
Notes payable	\$ 14,956,492	\$ 142,640	\$ 1,011,744	\$ 14,087,388	\$ 173,554
Tenant rent payables	109,200	68,040	16,101	161,139	21,771
Compensated absences:					
Accrued vacation	88,500	28,733	-	117,233	117,233
Accrued sick	148,292	4,362	-	152,654	24,480
Total compensated absences	236,792	33,095	-	269,887	141,713
Pollution remediation obligation, net (Note 13)	1,611,861	-	370,159	1,241,702	-
Total other postemployment benefits liability (Note 11)	1,052,478	85,504	100,059	1,037,923	-
Net pension liability (Note 10)	1,335,496	225,952	-	1,561,448	-
Assessment obligations:					
Clatsop County assessment	7,557	-	2,674	4,883	2,415
Total long-term debt obligations	<u>\$ 19,309,876</u>	<u>\$ 555,231</u>	<u>\$ 1,500,737</u>	<u>\$ 18,364,370</u>	<u>\$ 339,453</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

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

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

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

Fiscal Year	Bornstein Buildings Construction		Lektro Building Expansion		West Basin Breakwater II		West Basin Breakwater	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	533,789	214,211	113,959	34,697	114,829	50,005	48,331	20,142
2023	552,718	195,282	116,797	31,859	122,312	44,837	53,748	17,725
2024	572,318	175,682	133,049	28,951	122,440	39,272	54,185	15,038
2025	592,614	155,386	136,362	25,638	135,223	33,609	59,645	12,329
2026-30	3,604,059	423,941	893,291	75,538	591,462	78,184	186,925	15,686
2031-35	463,713	6,931	-	-	-	-	-	-
	<u>\$ 6,319,211</u>	<u>\$ 1,171,433</u>	<u>\$ 1,393,458</u>	<u>\$ 196,683</u>	<u>\$ 1,086,266</u>	<u>\$ 245,907</u>	<u>\$ 402,834</u>	<u>\$ 80,920</u>
Fiscal Year	Lektro Hangar Expansion		West Basin Floats		West Basin Improvements		Airport Waterline/Fuel Tank	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 7,971	\$ 6,656	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	32,848	25,659	28,868	18,572	25,076	4,790	12,527	8,278
2023	34,450	24,057	30,202	17,238	54,755	3,285	13,118	7,687
2024	36,130	22,377	31,597	15,843	-	-	13,738	7,067
2025	37,892	20,615	33,057	14,383	-	-	14,386	6,419
2026-30	219,050	73,487	189,655	47,545	-	-	82,779	21,246
2031-35	187,501	15,564	88,606	4,094	-	-	38,831	1,833
	<u>\$ 555,842</u>	<u>\$ 188,415</u>	<u>\$ 401,985</u>	<u>\$ 117,675</u>	<u>\$ 79,831</u>	<u>\$ 8,075</u>	<u>\$ 175,379</u>	<u>\$ 52,530</u>
Fiscal Year	Airport E Hangar		Lektro Electrical Upgrades		Connect II Pier 2		Pier 1 Building	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 15,800	\$ 277	\$ 15,000	\$ -	\$ 50,771	\$ 97,249
2022	20,473	13,533	-	-	15,000	-	54,948	93,072
2023	21,312	12,693	-	-	15,000	-	59,153	88,866
2024	22,187	11,819	-	-	15,000	-	63,680	84,339
2025	23,097	10,909	-	-	15,000	-	1,105,260	79,466
2026-30	130,494	39,533	-	-	60,000	-	-	-
2031-35	125,019	10,161	-	-	-	-	-	-
	<u>\$ 342,582</u>	<u>\$ 98,648</u>	<u>\$ 15,800</u>	<u>\$ 277</u>	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 1,333,812</u>	<u>\$ 442,992</u>
Fiscal Year	Airport T-Hanger Building		2016 LED Lighting Project		Key Government Finance		2020 LED Lighting Project	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 8,672	\$ 663	\$ 53,899	\$ 47,368	\$ 21,441	\$ 5,579
2022	11,330	5,327	7,591	188	55,523	45,744	22,699	4,321
2023	11,972	4,686	-	-	57,195	44,071	23,400	3,620
2024	12,649	4,009	-	-	58,918	42,349	24,446	2,574
2025	13,365	3,293	-	-	60,693	40,574	25,538	1,482
2026-30	44,808	4,273	-	-	332,016	174,318	19,900	365
2031-35	-	-	-	-	385,128	121,205	-	-
2036-40	-	-	-	-	446,736	59,597	-	-
2041-2045	-	-	-	-	147,469	4,431	-	-
	<u>\$ 94,124</u>	<u>\$ 21,588</u>	<u>\$ 16,263</u>	<u>\$ 851</u>	<u>\$ 1,597,577</u>	<u>\$ 579,657</u>	<u>\$ 137,424</u>	<u>\$ 17,941</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

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

The Port's obligation as of June 30, 2020 and 2019 is \$4,883 and \$7,557, respectively, maturing as follows:

	Property Tax Assessment	
	Principal	Interest
2021	\$ 2,415	\$ 158
2022	2,468	160
	<u>\$ 4,883</u>	<u>\$ 318</u>

NOTE 9 - COMMITMENTS

The Port leases various parcels of submerged and submersible lands claimed by the State of Oregon. Lease payments made to the State for the years ended June 30, 2020 and 2019 were \$135,846 and \$126,625, respectively. Lease payments are determined by the state annually, and minimum rentals are not specified.

Project commitments relate to unperformed contracts for goods or services, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes specified quantities. The Port has commitments under various contracts amounting to approximately \$5,133,500 primarily related to engineering design services and construction for airport improvements. As of June 30, 2020, approximately \$1,338,600 of these contracts remain outstanding. The Port intends to complete these projects primarily through capital grants.

NOTE 10 - PENSION PLAN

General Information about the Pension Plan

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

Employees of the Port are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. OPERS issues a publicly available financial report that can be obtained at <https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>.

NOTE 10 - PENSION PLAN (Continued)

Benefits provided under Chapter 238-Tier One / Tier Two

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

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

2. *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
 - Member was employed by a OPERS employer at the time of death,
 - Member died within 120 days after termination of OPERS-covered employment,
 - Member died as a result of injury sustained while employed in a OPERS-covered job, or
 - Member was on an official leave of absence from a OPERS-covered job at the time of death.
3. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.
4. *Benefit Changes After Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

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

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

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

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

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

NOTE 10 - PENSION PLAN (Continued)

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

2. *Death Benefits.* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
3. *Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
4. *Benefit Changes after Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

Contributions:

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

Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019.

Employer contributions for the year ended June 30, 2020 and June 30, 2019 were \$209,618 and \$171,706, respectively. The rates in effect for the fiscal year ended June 30, 2020 were: (1) Tier1/Tier 2 - 15.64%, (2) OPSRP general service - 12.83%. The rates in effect for the fiscal year ended June 30, 2019 were: (1) Tier1/Tier 2 - 14.51%, (2) OPSRP general service - 9.27%.

Actuarial Valuations:

The employer contribution rates effective July 1, 2018, through June 30, 2020, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN (Continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study Report	2016, published July, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of Living Adjustment	Blend of 2.00 percent COLA and graded COLA (1.25/.15 percent) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale.</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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

Discount Rate:

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN (Continued)

Depletion Date Projection

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

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

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

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

Assumed Asset Allocation:

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5	42.5	37.5
Real Estate	9.5	15.5	12.5
Private Equity	14.0	21.0	17.5
Alternative Equity	0.0	12.5	12.5
Opportunity Portfolio	0.0	3.0	<u>0.0</u>
Total			<u><u>100.0%</u></u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN (Continued)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

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

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$2,500,520	\$1,561,448	\$775,574

NOTE 10 - PENSION PLAN (Continued)

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

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

At June 30, 2020, the Port reported a liability of \$1,561,448 for its proportionate share of the net pension liability, an increase from \$1,335,496 as of June 30, 2019. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 and rolled forward to June 30, 2019. The Port's proportion of the net pension liability was based on the Port's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

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

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN (Continued)

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

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

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

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

At June 30, 2020 and 2019, the Port's proportion was 0.00902696 and 0.00881592 percent, respectively.

For the years ended June 30, 2020 and 2019, the Port recognized pension expense of \$390,432 and \$243,899, respectively.

At June 30, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	\$ 86,109	\$ -
Changes in assumptions	211,828	-
Net difference between projected and actual earnings on investments	-	44,265
Changes in proportionate share	20,087	103,262
Differences between employer contributions and proportionate share of contributions	61,864	-
Total (prior to post-measurement date contributions)	379,888	147,527
Contributions made subsequent to measurement date	209,618	-
Deferred Outflow/Inflow of Resources	<u>\$ 589,506</u>	<u>\$ 147,527</u>

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN (Continued)

Amounts reported as deferred outflows of resources related to pensions resulting from Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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)
2021	\$ 141,662
2022	7,532
2023	36,452
2024	42,263
2025	4,452
Total	<u>\$ 232,361</u>

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

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

Changes in Plan Provisions Subsequent to Measurement Date

On June 11, 2019, Senate Bill 1049 was enacted by the People of the State of Oregon. The elements of the bill include a variety of policy and program changes which will affect the District's pension plan. Most prominent are a onetime 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. On August 6, 2020, the court released a statement denying both claims brought by petitioners. The District cannot predict whether SB 1049 will be subject to additional legal challenges that could affect some or all of its provisions.

NOTE 10 - PENSION PLAN (Continued)

Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

Death Benefits

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

Contributions

The Port has elected to pay the employee contributions to the plan for some employees equating to 6 percent of covered payroll. The Port paid \$26,810 and \$31,455 for fiscal years ended June 30, 2020 and 2019, respectively.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

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

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

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

Of the Port's 43 plan participants, 36 are active plan participants and 7 are inactive plan participants.

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2019 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal, level percent of salary
General inflation	2.5 percent
Salary increases	3.5 percent
Mortality rates	General Service and Beneficiary table: Pub-2010 general employees table, employee/healthy annuitant, sex distinct, generational, set back 12 months for males, no set back for females
Discount rate	2.25 percent
Healthcare cost trend rate	6.3% in 2019/20, declining annually By 0.1% until 2037; 4.5% thereafter

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

For the year ended June 30, 2020 and 2019, the Port recognized OPEB expense of \$79,624 and \$81,826, respectively.

Change in the total OPEB liability.

	FY 2020	FY 2019
Total OPEB liability - beginning of year	\$ 1,052,478	\$ 1,019,322
Changes for the year:		
Service cost	45,224	43,695
Interest	40,280	38,131
Benefit payments	(47,134)	(48,670)
Differences between expected and actual experience	(177,357)	-
Changes of assumptions	124,432	-
Total OPEB liability - end of year	\$ 1,037,923	\$ 1,052,478

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the Port's total OPEB liability calculated using the discount rate of 2.25 percent, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Total OPEB Liability	\$ 1,220,096	\$ 1,037,923	\$ 891,024

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 859,569	\$ 1,037,923	\$ 1,272,418

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	\$ -	\$ 157,651
Changes of assumptions or other input	110,606	-
Deferred Outflow/Inflow of Resources	\$ 110,606	\$ 157,651

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2021	\$ (5,880)
2022	(5,880)
2023	(5,880)
2024	(5,880)
2025	(5,880)
Thereafter	(17,645)
Total	\$ (47,045)

At June 30, 2019, the Port reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

OPERS Retirement Health Insurance Account (RHIA)

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

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

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.06% of annual covered payroll for Tier One/Tier Two, and 0.00% for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. With its funded status over 100%, the RHIA UAL contribution rate was set to 0.00% for 2019-2021, a decrease of .43% from the UAL rate in effect for the 2017-2019 biennium. The Port's contributions to RHIA for the years ended June 30, 2020, 2019 and 2018 were approximately \$660, \$7,400, and \$6,900, respectively, and were included in the Port's pension contributions.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - DEFERRED COMPENSATION PLAN

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

NOTE 13 - POLLUTION REMEDIATION OBLIGATION

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

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

In June 2019, the ODEQ issued a Record of Decision with estimated cleanup costs of \$3,300,000. Consequently, the Port reduced the estimated cleanup costs from \$4,378,026 at June 30, 2018, to \$3,300,000 at June 30, 2019. The Port had anticipated successfully recovering Port incurred investigation and cleanup costs from other PRPs, and in April of 2020 a settlement was agreed upon with McCall Oil and Exxon Mobile for the collective sum of \$2.9 million. As of June 30, 2020 and 2019, the pollution remediation liabilities were reduced to \$1,241,702 and \$1,611,861, respectively, for unrealized recoveries less attorney fees, and expenses incurred to-date.

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - POLLUTION REMEDIATION OBLIGATION (Continued)

Following is a summary of changes to pollution remediation obligation for the fiscal year ended June 30, 2020:

	Pollution remediation obligation, net June 30, 2019	Additions	Reductions	Pollution remediation obligation, net June 30, 2020
Area-Wide groundwater contamination	\$ 3,300,000	\$ -	\$ -	\$ 3,300,000
Less third-party recoveries	<u>(1,688,139)</u>	<u>-</u>	<u>(370,159)</u>	<u>(2,058,298)</u>
Total pollution remediation obligation, net	<u>\$ 1,611,861</u>	<u>\$ -</u>	<u>\$ (370,159)</u>	<u>\$ 1,241,702</u>

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

PORT OF ASTORIA
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - RISK MANAGEMENT

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

NOTE 15 - CONTINGENCIES

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

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

At the end of fiscal year 2020, the Port was actively engaged in a lawsuit over the implementation of a \$300 harbor fee on each oceangoing ship over 250 feet long headed up the Columbia. While the Port maintains that the fee is reasonable and is necessary for the maintenance of a deep-water emergency berth on Pier 1, the arguments of both sides hinge largely on competing U.S. Supreme Court cases related to harbor fees. As of June 30, 2020, the total earned revenue from Harbor Fees was \$370,800.

NOTE 16 - CONCENTRATIONS

In 2019, the Port had two major customers that separately accounted for approximately 13% and 14% of total 2019 revenue. As a result of trade tariffs imposed on imports and exports with China, one of the Port's major customers effectively shut down operations over the course of 2019 and 2020. With the decrease in revenues from this customer and the increase in 2020 revenues from capital grants, one major customer accounted for approximately 12% of total 2020 revenue.

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF ASTORIA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

Schedule of Pension Contributions
Oregon Public Employee Retirement Pension Plan *

	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Contractually required contribution	\$209,618	\$ 171,706	\$ 155,368	\$ 143,700	\$ 133,389	\$ 127,024	\$ 150,259
Contributions in relation to the contractually required contribution	<u>209,618</u>	<u>171,706</u>	<u>155,368</u>	<u>143,700</u>	<u>133,389</u>	<u>127,024</u>	<u>150,259</u>
Contribution deficiency/(excess)	-	-	-	-	-	-	-
Port's covered payroll	\$1,588,448	\$1,748,512	\$1,795,642	\$1,758,400	\$1,713,293	\$1,557,971	\$1,398,824
Contributions as a percentage of covered payroll	13.1%	9.8%	8.7%	8.2%	7.8%	8.2%	10.7%

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

	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Port's proportion of the net pension liability (asset)	0.00902696%	0.00881592%	0.01008739%	0.01051450%	0.01084981%	0.01230561%
Port's proportionate share of the net pension liability (asset)	\$ 1,561,448	\$ 1,335,496	\$ 1,359,784	\$ 1,578,471	\$ 622,938	\$ (278,933)
Port's covered payroll	\$ 1,748,512	\$ 1,795,642	\$ 1,758,400	\$ 1,713,293	\$ 1,557,971	\$ 1,398,824
Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	89.3%	74.4%	77.3%	92.1%	40.0%	(19.9)%
Plan fiduciary net position as a percentage of the total pension liability	80.23%	82.07%	83.12%	80.52%	91.90%	103.6%

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

Notes to Schedules

Changes in Assumptions

A summary of key changes implemented with the December 31, 2017 actuarial valuation which was used in the pension calculations and amounts reported for the fiscal year ended June 30, 2020, along with additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2016 actuarial valuation can be found at: www.oregon.gov/pers.

PORT OF ASTORIA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

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

	FY 2020	FY 2019	FY 2018
Total OPEB liability - beginning of year	\$ 1,052,478	\$ 1,019,322	\$ 986,862
Changes for the year:			
Service cost	45,224	43,695	43,695
Interest	40,280	38,131	36,924
Benefit payments	(47,134)	(48,670)	(48,159)
Differences between expected and actual experience	(177,357)	-	-
Changes of assumptions	124,432	-	-
Total OPEB liability - end of year	<u>\$ 1,037,923</u>	<u>\$ 1,052,478</u>	<u>\$ 1,019,322</u>
Port's covered payroll	\$ 1,850,010	\$ 1,969,781	\$ 1,903,170
Total OPEB liability as a percentage of covered payroll	56.10%	53.43%	53.56%

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

Notes to Schedule

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

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

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

Budgetary Comparison schedules include the following funds:

General Fund

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

Special Revenue Fund

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

Capital Improvement Reserve Fund

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

**PORT OF ASTORIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, OTHER
FINANCING SOURCES (USES), AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Lease & rental income	\$ 2,967,200	\$ 2,967,200	\$ 3,346,571	\$ 379,371
Fuel sales	923,681	923,681	848,304	(75,377)
Rebilled expenses	2,275,300	2,275,300	1,486,735	(788,565)
Pier revenue	1,774,112	1,774,112	996,881	(777,231)
Marina revenue	1,025,500	1,025,500	984,100	(41,400)
Other income	91,000	91,000	186,889	95,889
Property taxes	785,341	785,341	766,501	(18,840)
Intergovernmental grants	4,538,333	4,538,333	3,664,204	(874,129)
Investment earnings	8,400	8,400	13,536	5,136
Total revenues	14,388,867	14,388,867	12,293,721	(2,095,146)
EXPENDITURES:				
Materials and services	4,269,414	4,269,414	3,580,851	688,563
Personnel services	2,864,655	2,864,655	2,706,375	158,280
Debt service*				
Principal	1,031,403	1,031,403	1,011,744	19,659
Interest	560,284	560,284	578,688	(18,404)
Capital outlay	5,843,111	5,843,111	4,537,444	1,305,667
Total expenditures	14,568,867	14,568,867	12,415,102	2,153,765
Revenues over (under) expenditures	(180,000)	(180,000)	(121,381)	58,619
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	142,640	142,640
Transfers in	180,000	180,000	180,000	-
Total other financing sources (uses)	180,000	180,000	322,640	142,640
Changes in fund balance	-	-	201,259	201,259
FUND BALANCE, BEGINNING BUDGETARY BASIS	-	-	822,380	822,380
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 1,023,639	\$ 1,023,639

*Budgeted as a single debt service item.

**PORT OF ASTORIA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, OTHER FINANCING USE, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Timber revenue	\$ 180,000	\$ 180,000	\$ 198,811	\$ 18,811
OTHER FINANCING USE:				
Transfer out	180,000	180,000	180,000	-
Net changes in fund balance	-	-	18,811	18,811
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>1,113,343</u>	<u>1,113,343</u>	<u>1,113,343</u>	<u>-</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 1,113,343</u>	<u>\$ 1,113,343</u>	<u>\$ 1,132,154</u>	<u>\$ 18,811</u>

**PORT OF ASTORIA
CAPITAL IMPROVEMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

PORT OF ASTORIA
RECONCILIATION OF REVENUES AND EXPENDITURES
TO CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Revenues	Expenditures	Revenues Over (Under) Expenditures
BUDGETARY BASIS REVENUES AND EXPENDITURES			
General Fund	\$ 12,293,721	\$ 12,415,102	\$ (121,381)
Special Revenue Fund	198,811		198,811
Capital Improvement Reserve Fund	-	-	-
TOTAL	\$ 12,492,532	\$ 12,415,102	\$ 77,430
ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS			
Capital outlay expenditures capitalized			4,537,444
Depreciation expense			(1,903,077)
Payment of principal on notes payable			1,011,744
Change in property tax receivable			1,811
Change in lease receivables			(493,890)
Change in inventory			(15,505)
Change in prepaid expenses			(4,004)
Change in accrued interest payable			47,609
Change in unearned revenue			(6,936)
Change in tenant rent payable			(51,939)
Change in compensated absences			(33,095)
Change in pollution remediation			370,159
Change in Clatsop County assessment			2,674
Change in total OPEB liability			14,555
Change in net pension liability			(225,952)
Change in deferred outflows of resources – pension and OPEB			101,037
Change in deferred inflows of resources – pension and OPEB			(100,988)
CHANGES IN NET POSITION - GAAP			\$ 3,329,077

COMPLIANCE SECTION



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

Board of Commissioners
Port of Astoria
Astoria, Oregon

We have audited the financial statements of the Port of Astoria, Oregon (the Port), as of and for the year ended June 30, 2020, and have issued our report thereon dated November 16, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the Port was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.



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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

PURPOSE OF THIS REPORT

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

Talbot, Korwala & Warwick, LLP

Portland, Oregon
November 16, 2020



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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Astoria
Astoria, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Port of Astoria, Oregon (the Port), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated November 16, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

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

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

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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

PURPOSE OF THIS REPORT

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

Talbot, Kowala & Warwick, LLP

Portland, Oregon
November 16, 2020



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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Astoria
Astoria, Oregon

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the Port of Astoria, Oregon's (the Port) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Port's major federal program for the year ended June 30, 2020. The Port's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION ON MAJOR FEDERAL PROGRAM

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.



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

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a significant deficiency.

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

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

Talbot, Kowale & Warwick, LLP

Portland, Oregon
November 16, 2020

PORT OF ASTORIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Number	Expenditures	Amounts Provided to Subrecipients
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Federal Aviation Administration:				
Direct:				
AIP 23 - Taxiway A Predesign Phase 2	20.106	DIRECT	833	-
AIP 24 - Taxiway A Design & Construction	20.106	DIRECT	2,567,833	-
AIP 25 - Apron Rehabilitation	20.106	DIRECT	736,298	-
AIP 26 - Apron Rehabilitation	20.106	DIRECT	52,128	-
AIP 27 - COVID-19 CARES Act Grant	20.106	DIRECT	30,000	-
Total CFDA 20.106			\$ 3,387,092	\$ -
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Passed through Oregon Department of Administrative Services				
COVID-19 Coronavirus Relief Fund	21.019	1220	39,697	-
Total CFDA 21.019			\$ 39,697	\$ -
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,426,789	\$ -

Notes to Schedule of Expenditures of Federal Awards

Basics of Presentation

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal award activity of the Port under programs of the federal government for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Port.

Summary of Significant Accounting Policies

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

PORT OF ASTORIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No

PORT OF ASTORIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2020-001

Federal Program: Airport Improvement Program, CFDA No. 20.106

Award Year: 2019-2020

Federal Agency: Federal Aviation Administration

Criteria: In accordance with Uniform Guidance, the grant agreement, and 49 CFR 18.41(4), the Port is required to maintain a structure of internal control to ensure compliance with reporting. Annual reports are due within 90 days after the federal grant year.

Condition: The Port did not file the annual SF-425 form within 90 days of the federal grant year ended September 30, 2019.

Questioned Costs: There are no questioned costs noted as the expenditures reported on the SF-425 form appeared eligible.

Context: The Port filed the SF-425 form on January 24, 2020 but it was due by December 29, 2019.

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

Cause: Port personnel appeared unaware of the requirement.

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

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

**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020**

Identifying Number: Finding 2020-001

Finding:

Federal Program: Airport Improvement Program, CFDA No. 20.106

Award Year: 2019-2020

Federal Agency: Federal Aviation Administration

Criteria: In accordance with Uniform Guidance, the grant agreement, and 49 CFR 18.41(4), the Port is required to maintain a structure of internal control to ensure compliance with reporting. Annual reports are due within 90 days after the federal grant year.

Condition: The Port did not file the annual SF-425 form within 90 days of the federal grant year ended September 30, 2019.

Questioned Costs: There are no questioned costs noted as the expenditures reported on the SF-425 form appeared eligible.

Context: The Port filed the SF-425 form on January 24, 2020 but it was due by December 29, 2019.

Corrective Actions Taken or Planned:

The Port has implemented a process whereby the airport grant manager, Gary Kobes, will prepare required grant reporting documents and the Deputy Director, Matt McGrath, will review before submission. Additionally, the airport grant manager and deputy director will ensure that all grant reporting requirements are known and adhered to going forward.