PORT OF NEWPORT
OREGON

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016

Prepared By
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
Newport, Oregon 97365

PORT OF NEWPORT, OREGON

BOARD OF COMMISSIONERS

Walter Chuck, President Newport, Oregon Position No. 1	Serving since November 22, 2011 Term Expires June 30, 2019
Ken Brown, Vice-President Newport, Oregon Position No. 4	Serving since January 13, 2014 Term Expires June 30, 2017
Patricia Patrick-Joling, Secretary/Treasurer Newport, Oregon Position No. 5	Serving since July 1, 2015 Term Expires June 30, 2019
Stewart Lamerdin Newport, Oregon Position No. 3	Serving since July 1, 2015 Term Expires June 30, 2019
Steve Beck Newport, Oregon Position No. 2	Serving since June 21, 2016 Term Expires June 30, 2017

REGISTERED AGENT

Kevin Greenwood, General Manager
Serving since February 1, 2014
600 SE Bay Boulevard
Newport, OR 97365

PORT OF NEWPORT, OREGON

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Certified Public Accountants

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December 14, 2016

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Newport
Newport, Oregon

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Port of Newport (Port) as of and for the year ended June 30, 2016, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members:
AICPA OSCPA & OAIA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussions and analysis and PERS' schedules and notes, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Newport's basic financial statements. The accompanying supplemental information, budget schedules and reconciliation to net position listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This supplemental information is the responsibility of management and was 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 my opinion, the budget schedules and reconciliation to net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated December 14, 2016 on my consideration of Port of Newport's compliance with certain 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 my testing of compliance and the results of that testing and not to provide an opinion on compliance.

SIGNE GRIMSTAD
Certified Public Accountant

PORT OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the Port of Newport, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Port for the fiscal year ended June 30, 2016. The readers are encouraged to read this narrative overview in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS (in thousands)

- Total assets of the Port are $91,895 with Capital assets of $82,607 net of accumulated depreciation. Current assets are $8,829 at June 30, 2016.
- The assets of Port exceeded its liabilities at the close of the fiscal year by $47,785 (Net Position). Of this amount $3,315 (unrestricted net position) may be used to meet the Port's ongoing obligations.
- The Port's net position decreased by $1,157 from June 30, 2015.
- Total operating revenue was $5,906 which is an increase of .8% over the prior year.
- Total operating expenses for the year were $6,268. This figure is 4% higher than the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Port of Newport's basic financial statements. The Statement of Net Position presents information on all of the Port's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Port's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing when the related cash flows occur. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Port's statements. The notes can be found on pages 6 through 26 of this report.

PORT OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
(in thousands)

	2016	2015
Assets		
Current assets	$ 8,829	$ 7,985
Other assets	5	262
Capital assets	82,607	85,670
Total assets	91,441	93,917
Deferred outflows	454	21
Total assets and deferred outflows	91,895	93,938
Liabilities		
Current liabilities	2,553	2,253
Noncurrent liabilities	41,405	42,378
Total liabilities	43,958	44,631
Deferred inflows	152	366
Total liabilities and deferred inflows	44,110	44,997
Net Position		
Net invested in capital assets	40,061	41,798
Restricted	4,409	4,342
Unrestricted	3,315	2,802
Total net position	$ 47,785	$ 48,942

By far the largest portion of the Port's net position (85%) reflects its investment in capital assets (i.e., land, dock infrastructure, marina, recreational vehicle park, construction in progress, etc.) less related outstanding debt used to acquire those assets. The Port uses these capital assets to provide services to facility patrons; consequently, these assets are not available for future spending. Although the Port's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

PORT-WIDE FINANCIAL STATEMENTS - Continued

Statement of Revenues, Expenses and Changes in Net Position
(in thousands)

	2016	2015
Revenues		
Operating revenue from services	$ 5,906	$ 5,858
Nonoperating revenue:		
Grants and contributions	2	207
Property taxes	1,073	1,060
Interest	19	18
Gain (loss) on sale of equipment	1	(2)
Total revenues	7,001	7,141
Expenses		
Operating expenses	6,268	6,006
Other	1,890	2,132
Total expenses	8,158	8,138
Excess (def) of revenue over expenses before contribution	(1,157)	(997)
Capital contribution	0	9
Change in net position	(1,157)	(988)
Net position - Beginning of the year	48,942	49,930
Net position - End of the year	$ 47,785	$ 48,942

The Port recognized a loss in net position during the most recent fiscal year of $(1,157). Operating revenues from moorages, leases, RV Park operations, and hoist dock revenue all increased compared to the prior fiscal year. Property taxes support the debt service for the General Obligation Bonds issued in 2007, 2008 and 2011 approved by voters for reconstructing the Newport International Terminal. Operating expenses increased as a result of increased operational services and projects.

PORT OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE PORT'S FUNDS

The Port operates as a special-purpose entity, reporting all of its activities as a single enterprise function. It accounts for various activities in separate funds to ensure and demonstrate compliance with finance-related legal and budget requirements.

The Port rolls all of its individual funds together for a single presentation in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, as well as the Statement of Cash Flows for Port-wide presentation.

GENERAL FUND BUDGETARY HIGHLIGHTS

A review of the Port's General Operating Fund indicates total revenues exceeded budgeted projections and total expenses were 77.8% of budgeted levels.

CAPITAL ASSETS (in thousands)

The following table lists the Port's capital assets and their values, net of depreciation, as of June 30:

	2016	2015
Land	$ 20,222	$ 20,222
Construction	183	40
Land improvements	10,336	10,794
Buildings and docks	51,465	54,168
Equipment	401	446
Total	$ 82,607	$ 85,670

As shown in the table above, the Port's net capital assets decreased by $3,063 during the current year. Current year activity includes work on Port Dock 5. For further information relating to the Port's capital assets, see Note 6 of the Notes to Basic Financial Statements.

DEBT OUTSTANDING

Figures presented in the following table illustrate balances outstanding (in the thousands) at June 30, 2016 and 2015.

	2016	2015
General obligation bonds	$ 13,175	$ 13,780
Revenue bond	20,885	21,725
Full faith and credit obligations	3,260	3,380
State of Oregon loans	4,482	4,655
Bank loans	368	409
Capital leases	24	36
Total	$ 42,194	$ 43,985

In the fiscal year 2013, full faith and credit obligations of $3,410,000 were issued to pay off two State of Oregon loans of $2,624,942 at a lower interest rate and provide $890,000 additional resources for the International Terminal project. An additional $3,400,000 State of Oregon loans were taken out for the International Terminal reconstruction. Reductions in debt year to year represent scheduled principal payments.

In 2016 the Port issued refunding bonds of $7,610,000 to pay off callable bonds in the 2007 and 2008 issues. The Port realized a net percent value savings of approximately $944,963.

For further information relating to the Port's debt, see Note 8 of the Notes to Basic Financial Statements.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

The Port is limited by State constitutional limits on property taxes. This limits the ability of the Port to increase property tax receipts. During the budget process, these factors were considered in the preparation and adoption of the Port's 2015-16 fiscal year budget. The goals of that budget were therefore to maintain the existing level of expenditure to serve customers in the most professional, accountable and efficient manner possible.

The Port, however, has submitted a number of grant applications to fund the costs of a $6.5-million International Terminal Shipping Facility (ITSF). The U.S. Dept. of Transportation awarded the Port a $2-million Transportation Investment Generating Economic Recovery (TIGER) grant. Staff is aggressively looking for additional grants and bridge loan financing to complete the project.

The project when complete would provide the Port of Newport with a new source of income – through tariffs – to fund a large number of capital projects, including overhauls to our commercial fishing docks, recreational marina and RV park, and future administration housing. Assuming financing comes through in the next fiscal year, the earliest income could be generated would be in winter of 2017-18.

There is a $2-million placeholder transfer from NOAA cash reserves to the Construction Fund as the Port will be required to show some level of local match for the project. Management's intent, however, is to continue applying for grants or loans to cover the construction costs and that other financing will make the transfer unnecessary.

A supplemental budget will be adopted when the financing is complete to begin construction.

During the General Manager's annual performance review, the Commission set a high priority goal of developing and implementing a Facility Maintenance and Operations Plan (FMOP) for the Port of Newport. This plan would focus on making maintenance and repair a priority in an effort to gain life to the Port's assets.

Quoting page 10 of the proposal:

"It should be noted that moving forward, the General Fund will not see growth in cash reserves, but rather making an investment in the ongoing maintenance and repair of Port assets and service. This proposal shows that increased maintenance and repair can be sustainable from net operating activities, but less will be available for cash reserves and capital projects."

As such, the next fiscal year does include funding for two new maintenance positions, associated materials and service expenditures and the purchase of an additional work truck. The financial impacts are contained to the Port's General Fund and are summarized as follows: $100,000 additional to Personnel Services, $7,000 additional to Materials and Service, and $20,000 to Capital Outlay for a total first year impact of $127,000.

The Port is excited about its new lease with the Oregon Brewing Company (aka Rogue). The two phase 43k sq. ft. expansion will ultimately add $100,000 in gross income to the Port's operating ledger.

As part of the negotiations with Rogue, the Commission was concerned about losing the dry camping or multi-use area (MUA) that is frequented by recreational fishermen during various seasons. The Port and Rogue agreed to split the costs of raising the decommissioned boat launch and asphalting the parking lot with Rogue paying the upfront costs of redeveloping the MUA (approximately $440k). In exchange the Port would receive $40,000 in cash annually and the balance (after Phase 1 about $30,000) would be applied to the Port's half of the development costs.

The $40,000 amount was negotiated since the Port received notice that long-time tenant, Yaquina Bay Fruit Processors (YBFP) would be moving their operation to the Salem area. The $40,000 will make up the loss of the YBFP lease income ($32,000).

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOAA FUND

The NOAA fund is a major component of the Port's budget, but is a relatively minor contributor to covering other much-needed improvements around the Port. The FY 16-17 budget anticipates positive operating income of over $200,000 though there will be some capital/major maintenance projects that will dip into the fund's cash reserves. Management anticipates a beginning fund balance of $5.56-million of which $2-million is restricted.

The budget committee earmarked a $2-million transfer into the construction fund that could provide some additional leveraging for financing related to the construction of the International Terminal Shipping Facility.

Other capital maintenance projects that the Port is obligated to perform includes maintenance dredging ($300k), developing recreational access ($30k), reconfiguration of office space ($75k), in addition to replacing storm vaults and pile caps.

The Port conducted a study to review alternatives to the current bi-annual dredging and the preferred option was to pursue permitting to allow for a deeper buffer along the berths. This will increase initial maintenance dredging costs but allow for less frequent dredging.

BONDED DEBT FUND

The Port Commission approved Res. No. 2016-01 on March 22, 2016 to authorize the issuance of new bonds. Working with the Special Districts Association of Oregon (SDAO), the Director of Finance was able to secure an improved rate for the debt that will save taxpayers in the Port district more than $1-million over the course of the next 11 years.

MAINTENANCE RESERVE FUND

There are a number of capital projects being budgeted this year, but only three of those projects are replacing existing assets which would be funded out of the Facilities Maintenance Reserve Fund: repairing the electrical distribution system on Swede's Dock ($25k), replacing storm basins at NIT ($7k), and beginning the process of repairing/replacing the PD-5 access pier ($25k). Those project budgets total $57,000.

It should be noted that the Port is transferred $25,000 of leftover terminal construction proceeds from the Construction Fund. $25,000 will be transferred in the current fiscal year.

PORT OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSTRUCTION FUND

The Port has used some unspent proceeds from the Terminal construction to pay for pre-construction soft costs related to the development of the International Terminal Shipping Facility (ITSF). Management is recommending that income and expenses related to the construction of the shipping facility (ITSF) – once funded – be accounted for out of the Construction Fund.

In FY 15-16, the Port transferred $25,000 from the leftover proceeds of the terminal project into the Facilities Maintenance Reserve Fund (FMRF) for future repairs to the terminal. Management is recommending a similar transfer this year, bringing the total available for maintaining the ITSF up to $50,000.

Though the Port lost one tenant (Yaquina Bay Fruit Processing), the Port will more than make up that loss through the expansion of the Rogue Brewery.

The biggest change this year is the addition of a Maintenance Department that will add two maintenance personnel to staff. Through close financial management and budget practices, the Port's net operating income has been positive for the last several years and the Commission has set a goal of implementing a program that will increase maintenance and repairs. This does come with costs.

Capital Outlay will see $515,000 in non-operating activity this year, primarily driven by pulling $300,000 out of last year's cash reserves for replacing dozens of pile at Port Dock 5. Other capital projects include acquisition of a maintenance truck and planning/engineering for South Beach amenities.

GENERAL OPERATING FUND

The General Operating Fund is budgeting approximately $670,000 of its reserves. The Port is anticipating beginning working capital of just over $1.615 million. Last year we anticipated beginning the year with just over $1.296 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PROFIT & LOSS BY OPERATING UNIT

The below schedule shows a profit and loss breakdown for fiscal year 2015-16 by operating business unit found in the General and NOAA funds.

	GENERAL					NOAA
	Admin.	NIT	So. Beach	No. Comm.	Total	Total
OPERATING						
Income	$ 615,479	$ 383,325	$1,661,489	$ 694,522	$3,354,815	$2,566,555
Expense	$ 754,100	$ 603,115	$1,007,954	$ 512,438	$2,877,607	$2,393,614
Personal Service	*$ 455,645*	*$ 59,543*	*$ 290,459*	*$ 234,902*	*$ 1,040,549*	*$ 97,394*
Materials & Service	*$ 280,603*	*$ 102,130*	*$ 546,676*	*$ 270,580*	*$ 1,199,989*	*$ 296,786*
Debt Service	*$ 17,852*	*$ 441,442*	*$ 170,819*	*$ 6,956*	*$ 637,069*	*$ 1,999,434*
NET OPERATING	$ (138,621)	$ (219,790)	$ 653,535	$ 182,084	$ 477,208	$ 172,941
NON-OPERATING	$ -					
Income	$ 100,240	$ -	$ -	$ -	$ 100,240	$ -
Expense	$ 113,427	$ -	$ -	$ 6,918	$ 120,345	$ 10,090
Capital	*$ 13,427*	*$ -*	*$ -*	*$ 6,918*	*$ 20,345*	*$ 10,090*
Transfers	*$ 100,000*	*$ -*	*$ -*	*$ -*	*$ 100,000*	*$ -*
Other	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*
NET NON-OPERATING	$ (13,187)	$ -	$ -	$ (6,918)	$ (20,105)	$ (10,090)
NET INCOME	$ (151,808)	$ (219,790)	$ 653,535	$ 175,166	$ 457,103	$ 162,851

REQUESTS FOR INFORMATION

The Port's financial statements are designed to present district taxpayers, customers and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Kevin Greenwood, General Manager, Port of Newport, 600 SE Bay Blvd., Newport, Oregon 97365.

PORT OF NEWPORT. OREGON

STATEMENT OF NET POSITION as of June 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	$ 8,288,041
Investment	60,419
Accounts receivable, net of allowance for doubtful accounts	311,246
Property taxes receivable	97,260
Prepaid expenses	71,856
Total current assets	8,828,822
Capital Assets	
Land	20,221,521
Construction in progress	183,397
Buildings and equipment, net of depreciation	62,202,423
Total capital assets	82,607,341
Other Assets	
Bond issue costs, net of amortization	4,662
Total other assets	4,662
Total assets	91,440,825
Deferred Outflows of Resources	
Advanced refunding outflows, net of amortization	436,957
Pension related outflows	17,803
Total assets and deferred outflows resources	91,895,585
LIABILITIES	
Current Liabilities	
Accounts payable	69,714
Accounts payable from restricted assets	13,869
Accrued payroll expenses	102,035
Accrued other expenses	6,390
Unearned revenue	136,664
Accrued interest payable	6,209
Accrued interest payable from restricted assets	476,972
Current portion of loans and capital leases payable	406,827
Current portion of bonds payable	1,335,000
Total current liabilities	2,553,680
Long-term Liabilities	
Loans and capital leases payable, net	7,726,953
Bonds payable, net	33,514,519
Net pension liability	163,496
Total long-term liabilities	41,404,968
Total liabilities	43,958,648
Deferred Inflows of Resources	
Pension related inflows	151,723
Total liabilities and deferred inflows of resources	44,110,371
Net Position	
Net invested in capital assets	40,060,999
Restricted	
Debt service	4,103,035
Maintenance reserve	305,789
Unrestricted	3,315,391
Total net position	$ 47,785,214

See accompanying notes to financial statements

PORT OF NEWPORT, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION for the Year Ended June 30, 2016

OPERATING REVENUES	
Moorages and leases	$ 4,385,639
RV Park	767,746
Terminals	19,287
Hoist dock	542,140
Launch ramp	73,596
Other	117,445
Total operating revenues	5,905,853
OPERATING EXPENSES	
Salaries and wages	966,420
Payroll taxes and benefits	294,972
Administration, promotion and marketing	97,047
Maintenance	150,368
Utilities	674,201
Insurance	282,721
Professional fees	60,571
Service fees	267,680
Supplies	78,462
Operating fees	62,144
Other	65,753
Depreciation	3,267,515
Total operating expenses	6,267,854
Operating Income (Loss)	(362,001)
NONOPERATING REVENUE (EXPENSES)	
Property taxes	1,073,295
Grants	1,800
Interest income	19,014
Interest expense	(1,871,959)
Gain/loss on sale of equipment	1,318
Amortization	(18,134)
Total nonoperating revenue (expense)	(794,666)
Change in Net Position	(1,156,667)
NET POSITION - Beginning of year	48,941,881
NET POSITION - End of year	$47,785,214

See accompanying notes to financial statements

PORT OF NEWPORT. OREGON

STATEMENT OF CASH FLOWS for the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 5,787,717
Cash payments for goods and services	(1,789,695)
Cash payments for employees and benefits	(1,035,908)
Net cash provided (used) by operating activities	2,962,114
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non capital grants	11,777
Property taxes collected	1,073,705
Net cash provided (used) by noncapital financing activities	1,085,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital financing	8,348,134
Acquisition and construction of capital assets	(205,143)
Proceeds from sale of assets	1,318
Debt related payments	229,284
Principal paid on debt	(9,834,763)
Interest paid on debt	(1,899,881)
Net cash provided (used) by capital and related financing activities	(3,361,051)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	19,014
Net increase (decrease) in cash and cash equivalents	705,559
Cash and cash equivalents - Beginning of year (restricted $4,592,764)	7,582,482
Cash and cash equivalents - End of year (restricted $4,839,263)	$ 8,288,041
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ (362,001)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	3,267,515
Pension expense	123,449
(Increase) decrease in operating assets	
Accounts receivable	(151,170)
Prepaid expenses	3,863
Increase (decrease) in operating liabilities	
Accounts payable	(32,347)
Accrued payroll liabilities	102,035
Accrued expenses	(22,264)
Unearned revenue	33,034
Net cash provided (used) by operating activities	$ 2,962,114

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices are disclosed below.

Reporting Entity

The Port is organized under the general laws of the State of Oregon. The governing body is a five-member elected Board of Commissioners (the Board). The daily management of the Port is under the supervision of the General Manager, who is appointed by the Board. The Port is the level of government financially accountable for all Port operations within its boundaries. As a result, all related activities have been included in the financial statements. There are various governmental agencies and special service districts that provide services within the Port's boundaries; however, the Port is not financially accountable for any of these entities, and accordingly their financial information is not included in these financial statements.

Measurement Focus, Basis of Presentation and Accounting

The Port is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are maintained on the flow of economic resources measurement focus using the accrual basis of accounting and accounting principles applicable to commercial enterprises. This measurement focus provides that all assets and liabilities associated with operations are included on the Statement of Net Position. The Port's net position is segregated into net position invested in capital assets, restricted net assets and unrestricted net assets. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in net position.

The financial statements of the Port have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

Operating Revenues, Non-Operating Revenues and Operating Expenses

The Port has defined operating revenues to include lease fees, RV park fees, launch dock, hoist and moorage fees. Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and administration expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenue and expenses. This includes property taxes, investment interest, gain (loss) on sale of capital assets, and non-operating grant revenue and amortization costs.

Deposits and Investments

The Port's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The Port's investment policies are governed by Oregon statutes. The statutes authorize the Port to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 3.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Terminal, marina and lease receivables are shown net of an allowance for doubtful accounts. The allowance is judgmentally determined by management based on a collectability analysis.

Property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Interest costs are capitalized as part of the costs of capital assets during the period of construction based on borrowing costs incurred. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The Port recognizes assets with an initial cost or donated value of more than $5,000 and an estimated life of over more than one year.

Capital assets constructed with tax-exempt borrowing may include capitalized interest as part of the costs of capital assets. All interest costs of the borrowing less any interest earned on investments acquired with the proceeds of the borrowing are capitalized from the date of the borrowing until the assets are ready for their intended use.

Assets subject to depreciation are depreciated over their estimated useful lives on the straight-line basis. Estimated useful lives for land improvements (marina and RV park) are 10 to 20 years, buildings - 25 to 40 years, docks - 20 to 40 years, and equipment from 5 to 10 years.

Compensated Absences

Employees are permitted to accumulate earned but unused vacation and related employee benefits. Vacation and holiday pay are recognized as expense when earned. Compensated absences are reported and accrued in the Statement of Net Position.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers and as a general rule are eliminated from the enterprise financial statements. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items.

Long-Term Liabilities

General obligation bonds are payable from property taxes. All other long-term obligations are payable from operations.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The Port has two items qualifying for reporting in this category, it's deferred amounts relating to pension and advance refunding. This amount is deferred and recognized as an outflow of resources in the period when the Port recognizes pension expense/expenditures.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Port has one item that qualifies for reporting in this category. The Port reports deferred amounts related to pension. This amount is deferred and recognized as an inflow of resources in the period when the Port's recognizes pension income.

Net Position

Net Position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Port's financial statements.

Net position is divided into three components:

Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net assets - consists of assets that are restricted by the Port's creditors, by enabling legislation, by grantors, and other contributors.

Unrestricted - all other net assets reported in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets and Related Liabilities

Assets whose use is restricted for construction related to the marine terminal redevelopment project, the National Oceanic and Atmospheric Administration (NOAA) Marine Operations Center - Pacific (MOC-P) project, the facilities maintenance reserve and the payment of bonded debt service, as well as all related liabilities are segregated on the Statement of Net Position.

Where both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

The Port legally adopts an annual budget for each proprietary fund prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law. The resolution authorizes fund appropriations at the following control levels: personnel services, materials and services, capital outlay, debt service, interfund transactions, operating contingency, and all other requirement levels. Expenditures cannot legally exceed appropriations at these control levels.

Budgets are prepared using the modified accrual basis of accounting. A reconciliation schedule brings the budget basis to full accrual for compliance with generally accepted accounting principles.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the Board. Only the Board may modify original and supplemental budgets by the use of appropriation transfers between the levels of control. In addition, Oregon Local Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require Board's approval by adoption of a resolution.

Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the Board. Appropriations are limited to a single fiscal year; therefore, all spending authority of the Port lapse at year end.

Over Expenditures

One fund over expended as follows:

	Balance
General Operating Fund - Debt Service	$ 36

PORT OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents and investments as of June 30 consist of the following:

	Balance	Restricted	Unrestricted
Cash on hand	$ 1,425	$ 0	$ 1,425
Deposits with financial institutions	8,286,616	4,778,844	3,282,136
Total cash and cash equivalents	8,288,041	4,778,844	3,283,561
Time certificate of deposit	60,419	60,419	0
Total cash, cash equivalents and time certificate of deposit	$8,348,460	$4,839,263	$ 3,283,561

Deposits

At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of $8,427,306, of which $1,000,000 was covered by FDIC. See *Custodial Credit Risk*.

Custodial Credit Risk

As required by Oregon Revised Statues, 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. As a result the Port has no exposure to custodial credit risk for deposits with financial institutions.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

Credit risk

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool. The Port has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Port places no limit on the amount the Port may invest in any one investment or issuer. For the current year, the Port held 74% of funds in Oregon Coast Bank.

PORT OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 4 - RECEIVABLES

Receivables at year end consist of the following:

	Balance	
Property taxes	$ 97,260	Restricted
Accounts receivable, net	311,246	Unrestricted
Total receivables	$ 408,506	

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Transfers

Operating transfers are for servicing debt. The following is a breakdown of these transfers:

	Source	Use
General Fund	$ 100,000	$ 0
Facilities Maintenance	0	125,000
NOAA	25,000	0
Total	$ 125,000	$ 125,000

The purpose of inter-fund transfers is to support debt and capital expenditures.

Interfund Payables/Receivables

Below is an interfund loan balance as of June 30:

	Receivable	Payable
Bonded Debt	$ 0	$ 1,503
NOAA	58	3,141
General Fund	4,644	58
Total	$ 4,702	$ 4,702

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30 was as follows:

	7/01 Balance	Increases	Decreases	6/30 Balance
Capital assets not being depreciated				
Land	$ 20,221,521	$ 0	$ 0	$ 20,221,521
Construction in progress	40,084	143,313	0	183,397
Total assets not being depreciated	20,261,605	143,313	0	20,404,918

NOTE 6 - CAPITAL ASSETS - Continued

	7/01 Balance	Increases	Decreases	6/30 Balance
Capital assets being depreciated				
Land improvements	19,173,376	0	0	19,173,376
Buildings	16,450,127	7,856	0	16,457,983
Docks and piers	54,193,437	9,785	0	54,203,222
Equipment	1,031,580	43,892	(6,445)	1,069,026
Total depreciable at historical cost	90,848,519	61,533	(6,445)	90,903,607
Accumulated depreciation				
Land improvements	(8,378,989)	(458,150)	0	8,837,140
Buildings	(4,333,125)	(520,957)	0	4,854,082
Docks and piers	(12,141,963)	(2,199,994)	0	14,341,957
Equipment	(586,037)	(88,414)	6,445	668,006
Total accumulated depreciation	(25,440,115)	$(3,267,515)	$ 6,445	28,701,185
Total depreciable capital assets	65,408,404			62,202 423
Total capital assets, net	$ 85,670,009			$ 82,607,341

Depreciation expense for the year was $3,267,515. The Port has financed two fork lifts totaling $56,124 through capital leases. Amortization of the leases is included in the depreciation expense.

NOTE 7 - LEASES

Port as Lessor

The Port, as a lessor, leases certain properties with a total approximate net capitalized cost of $24,450,000 and annual depreciation expense of approximately $1,290,000 under long-term operating leases. On August 7, 2009, the Port entered into a 20-year lease for a MOC-P with the United States of America, through the NOAA, expiring June 30, 2031, commonly referred to as the NOAA lease. NOAA lease revenue is pledged first to pay bond principal and interest, second to credit the reserve account to eliminate any deficiency in the required reserve and third for any other lawful Port purpose. The annual rent under this lease is approximately $2,500,000 which is included in the schedule below.

The minimum future payments to be received under non-cancelable leases are as follows:

Year Ending June 30,	Balance
2017	$ 2,940,000
2018	2,840,000
2019	2,820,000
2020	2,800,000
2021	2,790,000
Thereafter	25,500,000
Total	$ 39,690,000

Total minimum future lease payments do not include amounts for lease payments based on the lessee's gross sales. These payments amounted to approximately $60,000 for the fiscal year. Amounts for future lease extensions are not included as they are cancelable.

NOTE 8 - LONG TERM DEBT - Continued

Bonds, Loans and Capital Leases Payable

The general obligation bonds, full faith and credit obligation bond, and State of Oregon loans are direct obligations and pledge the full faith and credit of the Port. The revenue bonds are secured by the NOAA lease revenue and the required reserve was fully funded with bond proceeds. The funds provided by the obligations and the Oregon Coast Bank loans, were and continue to be used for the acquisition, repair and construction of capital assets.

In the fiscal year ending June 30, 2013, the Port obtained financing for construction of the International Terminal. The Port negotiated a $3,000,000 loan with a $500,000 grant from the Oregon Infrastructure Finance Authority (IFA), fully drawn down by June 30, 2013. Also additional financing was obtained under a forgivable loan from the State of Oregon Business Development in the amount of $400,000. The no interest loan is secured by a promissory note and will be forgiven by the State upon meeting the creation of a number of jobs positions by September 2017. If that date is not met, Business Oregon indicated they are flexible on the terms.

In the fiscal year ending June 30, 2013, the Port refinanced two Special Public Works Fund Community Facility loans outstanding of $2,624,942 and received new funding of $890,000 deposited into the Construction Fund for improvements to the Port's International Terminal.

On June 16, 2016 the Port issued Series 2016 refunding bonds for $7,610,000. The amount of $8,348,133 was sent to the escrow agent for refunding of GO Bond Series 2007 callable portion in the amount of $4,135,878 and GO Bond Series 2008 callable portion in the amount of $4,272,080. The Port realized a net present value savings of approximately $944,963.

General Obligation Bonds of $7,915,000 are considered to be defeased. Defeased debt is debt legally turned over to an escrow agent with sufficient funding to allow the agent to pay off the debt as it becomes callable.

The Port has various capital leases for certain equipment. The balance outstanding on these leases at June 30, 2016 was $24,532. The cost of leased equipment was $56,124, with accumulated depreciation of $21,814 and net book value of $34,310.

Below is a summary of the Port's obligations:

	Original Issue	Original Amount	Rates	Payoff Date
GO BONDS				
Series 2007	2007	$ 5,000,000	4 to 4.25%	7/1/2029
Series 2008	2008	5,000,000	3.5 to 4.25%	7/1/2038
Series 2011	2011	5,452,000	2 to 5.5%	7/1/2041
Series 2016	2016	7,610,000	2 to 4%	1/1/2037
FULL FAITH AND CREDIT OB				
Series 2013	2013	3,410,000	2.45%	6/1/2034

PORT OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2016

NOTE 8 - LONG TERM DEBT

Bonds, Loans and Capital Leases Payable

Bonds, loans and capital leases payable are as follows:

	7/01 Balance	Increase	Decrease	6/30 Balance	Due in One Year Principal	Due in One Year Interest	Due in One Year Total
BONDED DEBT FUND							
General Obligation Bonds							
Series 2007	$ 4,215,000	$ 0	$4,090,000	$ 125,000	$ 125,000	$ 5,000	$ 130,000
Series 2008	4,305,000	0	4,060,000	245,000	120,000	9,800	129,800
Series 2011	5,260,000	0	65,000	5,195,000	65,000	271,605	336,605
Series 2016	0	7,610,000	0	7,610,000	155,000	152,235	307,235
Total Bonded Debt Fund	13,780,000	7,610,000	8,215,000	13,175,000	465,000	438,640	903,640
GENERAL FUND							
Full Faith and Credit OB							
Series 2013	3,380,000	0	120,000	3,260,000	185,000	100,257	285,257
State of Oregon Loans							
Special Public Works Fund Loans							
- L00012	55,299	0	4,202	51,097	4,454	3,066	7,520
- Q10010	1,239,400	0	50,290	1,189,110	58,776	34,824	93,600
- L12005	2,897,888	0	106,063	2,791,825	110,168	108,044	218,212
- Promissory	400,000	0	0	400,000	0	0	0
Oregon Port Revolving Loans	63,067	0	14,388	48,679	15,271	2,581	17,852
Oregon Coast Bank Loans							
Loan payable	20,366	0	20,366	0	0	0	0
Loan payable	388,677	0	20,139	368,538	21,466	21,829	43,295
Toyota Financial Services							
Capital lease	13,147	0	5,076	8,071	5,320	255	5,575
Capital lease	22,566	0	6,105	16,461	6,373	583	6,956
Total General Fund	8,480,410	0	346,629	8,133,781	406,828	271,439	678,267
NOAA FUND							
Revenue Bond							
Series 2010	21,725,000	0	840,000	20,885,000	870,000	1,127,334	1,997,334
Totals	$43,985,410	$7,610,000	$9,401,629	$42,193,781	$1,741,828	$1,837,413	$3,579,241

NOTE 8 - LONG TERM DEBT - Continued

Bonds, Loans and Capital Leases Payable

	Original Issue	Original Amount	Rates	Payoff Date
STATE OF OREGON				
Special Public Works				
Loan Q10010	2013	1,300,000	3%	6/1/2032
Loan L00012	2004	86,683	6%	12/1/2024
Loan L0005	2013	3,000,000	3.87%	7/1/2034
Promissory Note	2012	400,000		9/1/2017
Oregon Port Revolving	1999	366,065	6%	6/15/2019
OREGON COAST BANK				
Loan Payable	2014	79,879	7%	11/15/2015
Loan Payable	2014	412,352	6%	7/15/2025
TOYOTA FINANCIAL SERVICES				
Capital Lease	2012	24,767	4.75%	12/2/2017
Capital Lease	2013	31,357	4.30%	1/1/2019
REVENUE BOND				
Series 2010	2010	24,095,000	3 to 6.125%	7/1/2032

* Note that amounts do not represent variable interest debt, but rather stated rates related to various maturities for the respective issuances.

Future maturities are as follows:

Year Ending June 30	General Obligation Bonds	Full Faith& Credit Obl. Bond	State of Oregon Loans	Oregon Coast Bank Loans	Capital Leases	Revenue Bond	Total	Total Interest
2017	$ 465,000	$ 185,000	$ 188,669	$ 21,466	$ 11,693	$ 870,000	$ 1,741,828	$ 2,026,087
2018	325,000	190,000	235,924	22,809	9,352	910,000	1,693,085	1,901,983
2019	340,000	200,000	243,471	24,236	3,487	945,000	1,756,144	1,835,746
2020	350,000	205,000	233,069	25,704	0	995,000	1,808,773	1,762,651
2021	355,000	210,000	240,121	27,360	0	1,045,000	1,877,481	1,684,492
2022-26	2,035,000	1,155,000	1,308,355	246,963	0	6,135,000	10,880,318	7,053,022
2027-31	2,495,000	935,000	1,324,775	0	0	8,065,000	12,819,775	4,160,109
2032-36	3,095,000	180,000	699,660	0	0	1,920,000	5,894,666	1,456,907
2037-41	3,715,000	0	0	0	0	0	3,715,000	641,400
Total	$13,175,000	$3,260,000	$4,480,711	$ 368,538	$ 24,532	$20,885,000	42,193,781	$22,333,723

Adjustment - current portion	(1,741,828)
- premium/discounts	789,519
Total long-term debt, net	$41,241,472

NOTE 9 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report (CAFR) and Actuarial Valuation that can be obtained by writing to: Oregon PERS, PO Box 23700, Tigard OR 97281-3700 or at: http://www.oregon.gov/PERS/EMP/Pages/section/er_general_information/gasb-68.aspx.

1. PERS Tier One/Tier Two Pension (Chapter 238)

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options including survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. 1.67% 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 contribution 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 had reached at least 50 years of age before ceasing employment with a participating employer (age 55 general service members). Participants are eligible for retirement after reaching age 55. Tier One general service member benefits are reduced if retirement occurs prior to age 58 with fewer than 25 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.

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 that one or more of the following conditions is met:

1. The member was employed by a OPERS employer at the time of death,
2. The member died within 120 days of after termination of OPERS-covered employment,
3. The member died as a result of injury sustained while employed in a OPERS-covered job,or
4. The member was on an official leave of absence from an OPERS-covered job at the time of death.

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

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 related injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty-related disability, service time is computed to age 58 when determining the monthly benefit.

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 adjustments (COLAs). The cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits over $60,000.

2. OPSRP Defined Benefit Pension Program (238A)

Pension Benefits - The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

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

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes at least 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.

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.

Disability Benefits - A member who has accrued 10 or more years of retirement credit 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.

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through COLAs. The cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits over $60,000.

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

3. OPSRP Individual Account Program (238A)

Pension Benefits - An OPSRP Individual Account Program (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 IAP may receive amounts in his or her employee, rollover, and vested employer accounts as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20- year period or an anticipated lifespan 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, rollover account, and vested employer optional contribution account balances. If a retired member dies before the instalment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump sum payment.

Recordkeeping - PERS contracts with Voya Financial to maintain IAP participant records.

***Contributions*:**

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. 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. The funding policy applies to the OPERS defined benefit plan and the other Post-Employment Benefit Plans. In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements. This was not the case for the District for the fiscal year ending June 30, 2016 or for any other periods reflected in these Financial Statements, the Notes to the Financial Statements, or the Supplementary Information section. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates, expressed as a percentage of payroll, first became effective July 1, 2015. District contributions for the year ending June 30, 2016 were $8,986, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 6.68 percent for Tier One/Tier Two General Service Members, 0.45 percent of OPSRP General Service Members, and 6 percent for OPSRP Individual Account Members.

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Net Pension Liability

At June 30, 2016, the District reported a net pension liability of $163,496 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2015, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The District's proportionate share of the system-wide net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. These proportion percentages for the District were 0.002784764 and 0.007526890 for the fiscal years ending June 30, 2015 and 2014 respectively. For the year ended June 30, 2016, the District recognized pension expense (income) of $123,449. At June 30, 2016, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,817	$ 0
Net difference between projected and actual earnings on investments	0	34,272
Changes in proportionate share	0	80,339
Contributions made subsequent to measurement date	8,986	0
Differences between employer contributions and employer's proportionate share of system contributions	0	37,112
Total	$ 17,803	$ 151,723

Deferred outflows of resources of $8,986 relates to pensions resulting from District contributions subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Year Ended June 30	Deferred Outflow/(Inflow) of resources (prior to post-measurement date contributions)
2017	$ (42,480)
2018	(42,480)
2019	(42,480)
2020	(8,181)
2021	(7,286)
Thereafter	0
Total	$ (142,907)

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit 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 employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS 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 employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16 years. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Actuarial Valuations

Valuation Date	December 31, 2013, rolled forward to June 30, 2014
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities 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 future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2014 experience study, which reviewed experience for the four-year period ending December 31, 2014.

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Long-Term Expected Rate of Return

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

	Assumed Asset Allocation		
Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Private equity	16.0	24.0	20.0
Real estate	9.5	15.5	12.5
Alternative equity	0	10.0	10.0
Opportunity portfolio	0	3.0	0
Total			100.0%

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Discount Rate

The following presents the District's net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) and one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75)%	Current Disc. Rate (7.75)%	1% Increase (8.75)%
Net Pension Liability (Asset)	$ 394,592	$ 163,496	$ (31,257)

Changes in Plan Provisions from Prior Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

NOTE 9 - RETIREMENT BENEFITS - Continued

B. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Description

As a member of OPERS, the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer defined benefit other post-employment benefit plan (OPEB) administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. OPERS issues a publicly available financial report that may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require 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 this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.53 and 0.45 percent of annual covered payroll for OPERS members and OPSRP respectively. The OPERS Board of sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2016, 2015, and 2014 were paid and equaled the required contributions for each year.

NOTE 10 - OTHER INFORMATION

Risk Management

The Port is exposed to various risks of loss related to theft of; damage to and destruction of assets; torts; errors and omissions; injuries to employees; and natural disasters. The Port purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Evaluation of Subsequent Events

The Port continues to work towards finding financing to complete the construction of a $6.5-million shipping facility at the International Terminal. As of the end of 2016, the Port still had $2-million obligated from USDOT and the Commission had agreed to incur debt up to $2-million leaving a $2.5-million balance to be generated. The Port is currently negotiating with a private party at this time, but no decision has been made.

The Port has evaluated subsequent events through December 14, 2016, the date which the financial statements were available to be issued.

PORT OF NEWPORT
OREGON

REQUIRED SUPPLEMENTAL INFORMATION

PORT OF NEWPORT, OREGON

SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY as of June 30, 2016

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

	2016	2015
Port's proportion of the net pension liability (asset)	0.00285%	0.00753%
Port's proportionate share of the net pension liability (asset)	163,496	(170,613)
Port's covered employee payroll	607,922	689,517
Port's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	26.9%	(24.7)%
Plan's net fiduciary position as a percentage of the total pension liability	91.9%	103.6%

PORT OF NEWPORT, OREGON

SCHEDULE OF THE PORT'S CONTRIBUTIONS
as of June 30, 2016

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

	2016	2015
Contractually required contribution	$ 8,986	$ 21,005
Contributions in relation to the contractually required contribution	14,539	21,371
Contribution deficiency (excess)	$ (5,553)	$ (366)
Port's covered-employee payroll	$ 736,082	$ 607,922
Contributions as a percentage of covered-employee payroll	1.98%	3.52%

PORT OF NEWPORT, OREGON

NOTES TO THE SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED CONTRIBUTIONS for the Year Ended June 30, 2016

Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipient.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Changes in Assumptions

Details and a comprehensive list of changes and methods and assumptions can be found in the 2012 and 2014 Experience Studies for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/mercer_reports.aspx.

PORT OF NEWPORT
OREGON

SUPPLEMENTAL INFORMATION

PORT OF NEWPORT, OREGON

DESCRIPTION OF BUDGETARY FUNDS

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

Budgetary comparison schedules include the following funds:

General Operating Fund
The fund is used to account for the financial resources of the Port that are not accounted for in any other fund. Principal sources of revenue are from property taxes, service fees and lease revenue. Primary expenditures are for maintenance and general administration.

Bonded Debt Fund
The fund accounts for the redemption of general obligation bonds and interest thereon. The principal source of revenue is property taxes.

Facilities Maintenance Fund
The fund is used to account for the accumulation of funds for the maintenance, repairs and capital improvements.

Construction Fund
The fund is used for capital improvements and acquisitions.

NOAA Lease Revenue Fund
The fund accounts for expenditures relating to capital improvements for the NOAA MOC-P facility. Primary resources were initially proceeds from the Revenue Bond and grant funding. Current resources consist primarily of lease payments. This fund services the bond repayment and covers facilities maintenance costs over the term of the lease.

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016

GENERAL OPERATING FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Moorage	$ 1,273,600	$ 1,233,497	$ (40,103)
Leases	608,051	611,004	2,953
RV park	610,000	767,746	157,746
Terminals	231,500	19,287	(212,213)
Hoist dock	0	542,140	542,140
Intergovernmental	183,000	1,800	(181,200)
Launch ramp	62,000	73,596	11,596
Property taxes	92,350	100,240	7,890
Interest	2,500	6,850	4,350
Miscellaneous	84,200	98,895	14,695
Total revenues	3,147,201	3,455,055	307,855
EXPENDITURES			
Personnel services	1,143,935	1,040,549	103,386
Materials and services	1,527,507	1,199,989	327,518
Capital outlay	215,000	20,345	194,655
Debt service	637,033	637,069	(36)
Operating contingency	200,000	0	200,000
Total expenditures	3,723,475	2,897,952	825,523
Excess (def) of revenues over expenditures	(576,274)	557,103	1,133,377
OTHER FINANCING SOURCES (USES)			
Transfers out	(100,000)	(100,000)	0
Excess (def) of revenues over expenditures and transfers	(676,274)	457,103	1,133,377
Unappropriated ending fund balance	(919,859)	0	919,859
FUND BALANCE - Beginning of year (Budget)	1,596,133	1,415,035	(181,098)
FUND BALANCE - End of year (Budget)	$ 0	1,872,138	$ 1,872,138
GAAP ADJUSTMENTS - Reconciled to June 2015		77,224,909	
Capital asset activity			
Additions		20,345	
Transfers in		184,501	
Depreciation		(3,267,515)	
Bond payments		346,629	
Interest accrued		5,484	
Amortization		6,776	
Pension activity, net		(147,940)	
FUND BALANCE - End of year (GAAP)		$ 76,245,327	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016

BONDED DEBT FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Property taxes	$ 927,022	$ 973,055	$ 46,033
Interest	150	1,031	881
Miscellaneous	0	3,705	3,705
Total revenues	927,172	977,791	50,619
EXPENDITURES			
Debt service	927,172	756,789	170,383
Excess (def) of revenues over expenditures	0	221,002	221,002
OTHER FINANCING SOURCES (USES)			
Proceeds of refunding bonds	0	8,348,134	(8,348,134)
Payent to refunded bond escrow agent	0	(8,348,134)	(8,348,134)
Excess (def) of revenues over expenditures and transfers	0	221,002	221,002
FUND BALANCE - Beginning of year (Budget)	0	166,326	166,326
FUND BALANCE - End of year (Budget)	$ 0	387,328	$ 387,328
GAAP ADJUSTMENTS - Reconciled to June 2015		(13,634,582)	
Bond payments		300,000	
Bond issuance costs		(229,284)	
Amortization		(13,329)	
FUND BALANCE - End of Year (GAAP)		$ (13,189,867)	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016

FACILITIES MAINTENANCE FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	$ 125	$ 185	$ 60
EXPENDITURES			
Contingency	24,000	0	24,000
Capital outlay	166,125	99,785	66,340
Total expenditures	190,125	99,785	(90,340)
Excess (def) of revenues over expenditures	(190,000)	(99,600)	90,400
OTHER FINANCING SOURCES (USES)			
Transfers in	250,000	125,000	(125,000)
Excess (def) of revenues over expenditures and transfers	60,000	25,400	(34,600)
Reserve for future expenditures	(100,000)	0	100,000
FUND BALANCE - Beginning of year (Budget)	40,000	48,378	8,378
FUND BALANCE - End of year (Budget)	$ 0	73,778	$ 73,778
GAAP ADJUSTMENTS			
Capital asset acquisition		94,997	
Transfer		(94,997)	
FUND BALANCE - End of Year (GAAP)		$ 73,778	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016

CONSTRUCTION FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	$ 100	$ 376	$ 276
EXPENDITURES			
Capital outlay	500,100	79,414	420,686
Excess (def) of revenues over expenditures	(500,000)	(79,038)	420,962
OTHER FINANCING SOURCES (USES)			
Transfers in	500,000	0	(500,000)
Transfers out	(150,000)	(25,000)	125,000
Total other financing sources (uses)	350,000	(25,000)	(375,000)
Excess (def) of revenues over expenditures and tranfers	(150,000)	(104,038)	45,962
FUND BALANCE - Beginning of year (Budget)	150,000	183,267	33,267
FUND BALANCE - End of year (Budget)	$ 0	79,229	$ 79,229
GAAP ADJUSTMENTS			
Capital asset acquisition		79,414	
Transfer		(79,414)	
FUND BALANCE - End of Year (GAAP)		$ 79,229	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2016

NOAA LEASE REVENUE FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Leases	$ 2,542,000	$ 2,541,138	$ (862)
Interest	10,500	10,572	72
Miscellaneous	0	14,845	14,845
Total revenues	2,552,500	2,566,555	14,056
EXPENDITURES			
Personnel services	109,660	97,394	12,266
Materials and services	605,120	296,786	308,334
Capital outlay	56,000	10,090	45,910
Debt service	1,999,434	1,999,434	0
Contingency	100,000	0	100,000
Total expenditures	2,870,214	2,403,704	466,510
Excess (def) of revenues over expenditures	(317,714)	162,851	480,565
OTHER FINANCING SOURCES (USES)			
Transfers out	(500,000)	0	500,000
Excess (def) of revenues over expenditures and transfers	(817,714)	162,851	980,565
Unappropriated ending fund balance	(4,784,596)	0	4,784,596
FUND BALANCE - Beginning of year (Budget)	5,602,310	5,565,928	(36,382)
FUND BALANCE - End of year (Budget)	$ 0	5,728,779	$ 5,728,779
GAAP ADJUSTMENTS - Reconciled to June 2015		(22,027,380)	
Capital asset activity			
Additions		10,090	
Transfers		(10,090)	
Interest accrued		22,438	
Amortization		(11,581)	
Bond payment		840,000	
Pension activity, net		24,491	
FUND BALANCE - End of year (GAAP)		$ (15,423,253)	

PORT OF NEWPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2016

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
General Operating Fund	$ 3,455,055	$ 2,997,952	$ 457,103
Bonded Debt Fund	9,325,925	9,104,923	221,002
Facilities Maintenance Fund	125,185	99,785	25,400
Construction Fund	376	104,414	(104,038)
NOAA Lease Revenue Fund	2,566,555	2,403,704	162,851
Total budgetary basis	$ 15,473,096	$ 14,710,778	762,318
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Capital outlay			204,846
Depreciation			(3,267,515)
Payment of long-term debt			1,486,629
Accrued interest			27,922
Debt issue costs			(229,284)
Amortization of bond premium/discount			(18,134)
Pension			(123,449)
Change in net position			(1,156,667)
NET POSITION - Beginning of year			48,941,881
NET POSITION - End of year			$ 47,785,214

PORT OF NEWPORT
OREGON

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES
Certified Public Accountants

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December 14, 2016

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Port of Newport
Newport, Oregon

I have audited the basic financial statements of the Port of Newport as of and for the year ended June 30, 2016, and have issued my report thereon December 14, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Port of Newport financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion.

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

- Accounting records and related internal control structure.
- 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.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- Programs funded from outside sources.

In connection with my testing nothing came to my attention that caused me to believe the Port of Newport was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following as noted below:

General Operating Fund - Debt Service overexpended by $36.

Members:
AICPA OSCPA & OAIA

Internal Control Over Financial Reporting

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

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

Purpose of This Report

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

SIGNE GRIMSTAD
Certified Public Accountant