PORT OF NEWPORT
600 SE Bay Blvd.
Newport, Oregon 97365

February 26, 2018

Signe Grimstad
Grimstad & Associates
PO Box 1930
Newport, OR 97365

This representation letter is provided in connection with your audit of the financial statements of Port of Newport, which comprise the respective financial position of business-type activities as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 26, 2018, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 25, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8. The effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Guarantees, whether written or oral, under which the Port is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the Port from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the Port and involves:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Port's financial statements communicated by employees, former employees, regulators, or others.

16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18. We have disclosed to you the identity of the Port's related parties and all the related party relationships and transactions of which we are aware.

Government - Specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. The Port has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

22. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

23. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

25. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.

26. As part of your audit, you assisted with the preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for the reconciled schedule of fixed assets and depreciation, and the financial statements and related notes.

27. The Port has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral other than what has been disclosed.

28. The Port has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.

30. Components of net position (net investment in capital assets, restricted; and unrestricted) and components of fund balance (nonspendable and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

31. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

32. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

33. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

34. Capital assets are properly capitalized, reported, and, if applicable, depreciated.

35. We have appropriately disclosed the Port's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position is properly recognized under the policy.

36. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

37. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

38. With respect to the budgetary schedules:

    a. We acknowledge our responsibility for presenting the budgetary schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the budgetary schedules, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the budgetary schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the budgetary schedules.

    b. If the budgetary schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the budgetary schedules no later than the date we issue the budgetary schedules and the auditor's report thereon.

We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustments to or disclosures in the aforementioned financial statements or in the schedule of findings and questioned cost.

Signature: ________________________ Title: ________________________

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
JE01	Adjusting	06/30/17					
		2-2202	GO Bonds - 2008		5.00		
		2-4500	Interest Income	5.00			
			To adjust Bond balance			(5.00)	R
JE05	Adjusting	06/30/17					
		2-1050	OCB - MM	7,786.00			
		1-1000	OCB - Operating Checking		7,786.00		
		1-2040	Due to other funds	7,786.00			
		2-1400	Due from Other Funds		7,786.00		
			to post outstanding transfer			0.00	T
JE06	Adjusting	06/30/17					
		1-1500	PERS - NPA/(NPL)		489,328.00		
		1-1900	PERS - Deferred Outflows	369,154.00			
		1-2900	PERS - Deferred Inflows	41,775.00			
		1-3720	PERS - Current Year (Income)/Ex	78,399.00			
		5-1500	PERS - NPA/(NPL)		45,912.00		
		5-1900	PERS - Deferred Outflows	26,690.00			
		5-2900	PERS - Deferred Inflows		7,949.00		
		5-3720	PERS - Current Year (Income)/Ex	27,171.00			
			To record current-year PERS activity			0.00	Z
JE07	Adjusting	06/30/17					
		2-1800	Bond Issue Costs		1,746.00		
		2-8020	D/S - Interest Expense		170.00		
		2-2700	Bond Discounts	9,574.00			
		2-2701	Bond Premiums	41,940.00			
		2-3600	F/B - discount/premium		49,598.00		
		1-2700	FF&C Bond Premium		10,029.00		
		1-3600	F/B - premium	10,029.00			
		5-3600	F/B-discount		14,303.00		
		5-2700	Bond Discounts	14,303.00			
			to adjust bond cost/premium/discounts			170.00	R
JE08	Adjusting	06/30/17					
		2-8050	Adv refunding-amortization	20,807.00			
		2-1810	Advance Refunding Valuation (De		20,807.00		
			to amortize advance refunding 2016			0.00	R

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
JE09	Adjusting	06/30/17					
		1-2000	Accounts Payable	16,306.00			
		1-2032	Accrued Interest Payable		6,700.40		
		1-2470	City of Newport SDC - 2016		9,605.60		
		1-3200	F/B - Debt Principal	9,612.00			
		1-8010	D/S - Principal		9,612.00		
						9,612.00	
			to adjust payables for debt---disclosure only				R
JE10	Adjusting	06/30/17					
		4-9440	Licenses, Permits & Fees		124,141.00		
		4-4350	Loan Proceeds	124,141.00			
		4-3800	F/B-Prior Period Adjustment	124,141.00			
		4-3210	FB - Loan Proceeds		124,141.00		
						0.00	
			to adjust for SDC, 6/15 event				R
		TOTAL		929,619.00	929,619.00	9,777.00	

Port of Newport						
FYE 06/30/2017						
Passed Journal Entries Summary				Materiality		618,000
				Tolerable misstatement		460,000
	W/P	**Assets**	**Liabilities**	**Fund Balance**	**Revenue**	**Expense**
Ore Coast Bank	B-1	(30)				30
Property taxes receivable-#2	E-4	36			36	
Property taxes receivable-#1	E-4	56			56	
Asset held for sale	E	(7,346)				7,346
Accounts Payable	N-1		8,520			8,520
Toyota payable-reporting	N-1		(918)			
Toyota note--reporting	R		918			
Or Brewery Note-imputed interest	R		5,784			5,784
Or Brewery - Discount (disclosure)	R		(28,893)			
Or Brewery-Note (disclosure)	R		28,893			
Debt-Q10001	R		11,078			(11,078)
Debt-OCB	R		(270)			270
		(7,284)	25,112	-	92	10,872
					NI	(10,780)

PORT OF NEWPORT
OREGON

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017

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

Aaron Bretz, Interim General Manager
600 SE Bay Boulevard
Newport, OR 97365

PORT OF NEWPORT, OREGON

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Certified Public Accountants

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info@grimstad-assoc.com

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

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 the Port of Newport (Port) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 of Newport as of June 30, 2017, 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 defined employee pension plan (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 and actual 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 and actual 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 February 16, 2018 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
Newport, Oregon
February 16, 2018

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, 2017. 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 $90,281 with capital assets of $80,525 net of accumulated depreciation. Current assets are $8,941 at June 30, 2017.
- The assets of the Port exceeded its liabilities at the close of the fiscal year by $46,995 (Net Position). Of this amount $4,035 (unrestricted net position) may be used to meet the Port's ongoing obligations.
- The Port's net position decreased by $826 from June 30, 2016.
- Total operating revenue was $6,016 which is an increase of 1.2% over the prior year.
- Total operating expenses for the year were $6,301. This figure is .6% 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-WIDE FINANCIAL STATEMENTS

Statement of Net Position
(in thousands)

	2017	Restated 2016
Assets		
Current assets	$ 8,941	$ 8,865
Other assets	3	5
Capital assets	80,525	82,731
Total assets	89,469	91,601
Deferred outflows	812	454
Total assets and deferred outflows	90,281	92,055
Liabilities		
Current liabilities	2,675	2,553
Noncurrent liabilities	40,493	41,529
Total liabilities	43,168	44,082
Deferred inflows	118	152
Total liabilities and deferred inflows	43,286	44,234
Net Position		
Net invested in capital assets	39,020	40,061
Restricted	3,940	4,342
Unrestricted	4,035	3,418
Total net position - restated	$ 46,995	$ 47,821

Restated – It was determined in the current year that accounts receivable was understated by $35 in the previous year ending June 30, 2016. Also discovered was a system development charge assessed in December of 2015, resulting in capital assets and debt being understated by this amount. See Note 10.

By far the largest portion of the Port's net position (83%) 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 OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORT-WIDE FINANCIAL STATEMENTS - Continued

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

	2017	Restated 2016
Revenues		
Operating revenue from services	$ 6,016	$ 5,942
Nonoperating revenue:		
Grants	37	2
Property taxes	1,086	1,073
Interest	21	19
Gain (loss) on sale of equipment	(6)	1
Miscellaneous	36	0
Total revenues	7,190	7,037
Expenses		
Operating expenses	6,301	6,268
Other	1,933	1,890
Total expenses	8,234	8,158
Excess (def) of revenue over expenses before contribution	(1,044)	(1,121)
Capital contribution	218	0
Change in net position	(826)	(1,121)
Net position - Beginning of the year	47,821	48,942
Net position - End of the year	$ 46,995	$ 47,821

The Port recognized a loss in net position during the most recent fiscal year of $(826). 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 by $234 and total expenses were 90% 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:

	2017	Restated 2016
Land	$ 20,222	$ 20,222
Construction	307	307
Land improvements	10,339	10,336
Buildings and docks	49,299	51,465
Equipment	358	401
Total	$ 80,525	$ 82,731

Restated – In the current year, it was discovered a system development charge in December 2015 was not recognized for $124,140.

As shown in the table above, the Port's net capital assets decreased by $2,206 during the current year. Current year activity included land improvements to redevelop a multi-use area at the south Beach Marina and RV Park with Oregon Brewing Company contributing half the cost; new pilings, Swede's Dock improvements, and access pier engineering in the Commercial Marina; storm water catch basins and security fencing at the International Terminal, and improvements at the NOAA MOC-P facility. The decline was caused by depreciation expense that exceeded current capital asset additions. For further information relating to the Port's capital assets, see Note 6 of the Notes to Basic Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT OUTSTANDING

Figures presented in the following table illustrate balances outstanding (in the thousands) at June 30, 2017 and 2016.

	2017	Restated 2016
General obligation bonds	$ 12,710	$ 13,175
Revenue bond	20,015	20,885
Full faith and credit obligations	3,075	3,260
State of Oregon loans	4,292	4,482
Bank loans and others	666	492
Capital leases	13	24
Total	$ 40,771	$ 42,318

Restated – In December of 2015 the City of Newport issued a building permit to develop the shipping yard. Assessed were systems development charges of $117,669, attaching as a lien to the real property.

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.

In 2017 the Port partnered with Oregon Brewing Company for real property improvements, financing $210,295 in a no interest obligation payable over five years.

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

DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The Port placed plans to develop its property at McLean Point on hiatus after encountering unacceptable financial terms in the final iteration of documents that resulted from negotiations with Teevin Brothers Land and Timber Company and Sylvan Forest, LLC. Partial financing for the developments was rolled into that proposal and when the Port rejected the terms in the proposal, that financing was lost. Without enough time to renegotiate the terms, the Port returned the TIGER Grant to DOT with no fault and also returned the Oregon IRA loan. The Port would have had to leverage all of its unrestricted cash reserves in order to meet fund matching requirements for the TIGAR Grant. Without the TIGAR Grant, the Port could not accept the Oregon IRA loan.

PORT OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Manager, Director of Finance, and International Terminal Supervisor each resigned during the fiscal year 20017-18. The Port is actively seeking to fill these positions with permanent personnel but is currently operating with interim personnel in those roles.

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: Port of Newport, 600 SE Bay Blvd., Newport, Oregon 97365.

PORT OF NEWPORT. OREGON

STATEMENT OF NET POSITION as of June 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	$ 8,349,084
Investment	60,722
Accounts receivable, net of allowance for doubtful accounts	262,841
Property taxes receivable	97,260
Prepaid expenses	161,304
Other assets	9,346
Total current assets	8,940,557
Capital Assets	
Land	20,221,521
Construction in progress	307,009
Buildings and equipment, net of depreciation	59,996,774
Total capital assets	80,525,304
Other Assets	
Bond issue costs, net of amortization	2,916
Total other assets	2,916
Total assets	89,468,777
Deferred Outflows of Resources	
Advanced refunding outflows, net of amortization	416,150
Pension related outflows	395,844
Total deferred outflows of resources	811,994
Total assets and deferred outflows resources	90,280,771
LIABILITIES	
Current Liabilities	
Accounts payable	133,948
Accounts payable from restricted assets	28,391
Accrued payroll expenses	155,118
Unearned revenue	185,507
Accrued interest payable	16,533
Accrued interest payable from restricted assets	462,477
Current portion of loans and capital leases payable	268,179
Current portion of bonds payable	1,425,000
Total current liabilities	2,675,153
Long-term Liabilities	
Loans and capital leases payable, net	4,702,831
Bonds payable, net	35,108,905
Net pension liability	680,933
Total long-term liabilities	40,492,669
Total liabilities	43,167,822
Deferred Inflows of Resources	
Pension related inflows	117,896
Total liabilities and deferred inflows of resources	43,285,718
Net Position	
Net invested in capital assets	39,020,389
Restricted	
Debt service	3,666,765
Maintenance reserve	273,350
Unrestricted	4,034,549
Total net position	$ 46,995,053

See accompanying notes to financial statements

PORT OF NEWPORT, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION for the Year Ended June 30, 2017

OPERATING REVENUES	
Moorages and leases	$ 4,448,988
RV Park	785,972
Terminals	22,252
Hoist dock	620,766
Launch ramp	65,910
Other	71,967
Total operating revenues	6,015,855
OPERATING EXPENSES	
Salaries and wages	1,012,114
Payroll taxes and benefits	302,931
Administration, promotion and marketing	130,967
Maintenance	305,640
Utilities	499,184
Insurance	278,801
Professional fees	85,666
Service fees	257,016
Supplies	78,020
Operating fees	60,841
Other	83,452
Depreciation	3,206,692
Total operating expenses	6,301,324
Operating Income (Loss)	(285,469)
NONOPERATING REVENUE (EXPENSES)	
Property taxes	1,086,112
Grants	37,269
Grant expense	(60)
Interest income	20,628
Interest expense	(1,912,066)
Gain/loss on sale of equipment	(5,856)
Amortization	(20,807)
Miscellaneous	35,290
Total nonoperating revenue (expense)	(759,490)
Income (loss) before contributions	(1,044,959)
Contributed capital	218,878
Change in net position	(826,081)
NET POSITION - Beginning of year	47,785,214
Prior period adjustment	35,920
NET POSITION - Revised beginning of year	47,821,134
NET POSITION - End of year	$46,995,053

See accompanying notes to financial statements

PORT OF NEWPORT. OREGON

STATEMENT OF CASH FLOWS for the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 6,100,180
Cash payments for goods and services	(1,757,172)
Cash payments for employees and benefits	(1,156,393)
Net cash provided (used) by operating activities	3,186,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non capital grants	37,209
Property taxes collected	1,086,112
Net cash provided (used) by noncapital financing activities	1,123,321
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital financing	210,295
Acquisition and construction of capital assets	(1,068,806)
Proceeds from sale of assets	62,435
Loss on sale of capital assets	196,695
Debt related payments	5,856
Principal paid on debt	(1,757,206)
Interest paid on debt	(1,918,487)
Net cash provided (used) by capital and related financing activities	(4,269,218)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	20,325
Net increase (decrease) in cash and cash equivalents	61,043
Cash and cash equivalents - Beginning of year (restricted $4,839,263)	8,288,041
Cash and cash equivalents - End of year (restricted $4,402,592)	$ 8,349,084
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ (285,469)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	3,206,692
Pension expense	105,569
(Increase) decrease in operating assets	
Accounts receivable	84,325
Prepaid expenses	(89,448)
Increase (decrease) in operating liabilities	
Other assets	(9,346)
Accounts payable	78,756
Accrued payroll liabilities	53,083
Accrued expenses	(6,390)
Unearned revenue	48,843
Net cash provided (used) by operating activities	$ 3,186,615

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

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27*, the Port's net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 one item that qualifies for reporting in this category, it's deferred amounts relating to pensions which consist of employer contributions to the Oregon Public Employees Retirement System (OPERS) after the measurement date, experience differences, and changes in proportion. This amount is deferred and recognized as an outflow of resources in the period when the Port recognizes pension expense/expenditures. Deferred outflows are included in the proprietary funds Statement of Net Position.

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, it's deferred amounts relating to pensions. This amount is deferred and recognized as an inflow of resources in the period when the Port's recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

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

The following funds over expended as follows:

	Balance
NOAA Lease Revenue Fund - Capital Outlay	$ 12,296

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	Balance	Restricted	Unrestricted
Cash on hand	$ 1,375	$ 0	$ 1,375
Deposits with financial institutions	8,347,709	4,341,870	4,005,839
Total cash and cash equivalents	8,349,084	4,341,870	4,007,214
Time certificate of deposit	60,722	60,722	0
Total cash, cash equivalents and time certificate of deposit	$8,409,806	$4,402,592	$ 4,007,214

Deposits

At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of $8,408,204 of which $750,000 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.

NOTE 4 - RECEIVABLES

Receivables at year end consist of the following:

	Balance	
Property taxes	$ 97,260	Restricted
Accounts receivable, net	262,841	Unrestricted
Total receivables	$ 360,101	

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	$ 0	$ 60,000
Facilities Maintenance	60,000	0
Total	$ 60,000	$ 60,000

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

Interfund Payables/Receivables

Below are interfund receivable/payable balances as of June 30:

	Receivable	Payable
Construction	$ 0	$ 480
NOAA	846	3,094
General Fund	11,360	8,632
Total	$ 12,206	$ 12,206

NOTE 6 - CAPITAL ASSETS

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

	Restated 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	307,537	67,764	(68,292)	307,009
Total assets not being depreciated	20,529,058	67,764	(68,292)	20,528,530

NOTE 6 - CAPITAL ASSETS - Continued

	Restated 7/01 Balance	Increases	Decreases	6/30 Balance
Capital assets being depreciated				
Land improvements	19,173,376	468,226	0	19,641,602
Buildings	16,457,983	7,375	0	16,465,358
Docks and piers	54,203,222	487,761	0	54,690,983
Equipment	1,069,026	37,680	0	1,106,706
Total depreciable at historical cost	90,903,607	1,001,042		91,904,649
Accumulated depreciation				
Land improvements	(8,837,140)	(465,803)	0	(9,302,943)
Buildings	(4,854,082)	(521,162)	0	(5,375,244)
Docks and piers	(14,341,957)	(2,139,755)	0	(16,481,712)
Equipment	(668,006)	(79,972)	0	(747,978)
Total accumulated depreciation	(28,701,185)	(3,206,692)	0	(31,907,877)
Total depreciable capital assets	62,202,422	(2,205,650)	0	59,996 772
Total capital assets, net	$ 82,731,480	$(2,137,886)	$ (68,292)	$ 80,525,304

Depreciation expense for the year was $3,206,692. The Port financed two fork lifts totaling $56,124 through capital leases. Amortization of the leases is included in the depreciation expense. Restated - see Note 10.

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
2018		$ 3,150,000
2019		3,110,000
2020		3,090,000
2021		3,070,000
2022		2,980,000
Thereafter		22,960,000
	Total	$ 38,360,000

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.

PORT OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2017

NOTE 8 - LONG TERM DEBT

Bonds, Loans and Capital Leases Payable

Bonds, loans and capital leases payable are as follows:

	Restated 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	$ 125,000	$ 0	$ 125,000	$ 0	$ 0	$ 0	$ 0
Series 2008	245,000	0	120,000	125,000	125,000	2,500	127,500
Series 2011	5,195,000	0	65,000	5,130,000	65,000	269,655	334,655
Series 2016	7,610,000	0	155,000	7,455,000	135,000	277,950	412,950
Total Bonded Debt Fund	13,175,000	0	465,000	12,710,000	325,000	550,105	875,105
GENERAL FUND							
Full Faith and Credit OB							
Series 2013	3,260,000	0	185,000	3,075,000	190,000	95,588	285,588
State of Oregon Loans							
Special Public Works Fund Loans							
- L00012	51,097	0	4,454	46,642	4,721	2,799	7,520
- Q10010	1,189,110	0	58,915	1,130,195	60,563	33,037	93,600
- L12005	2,791,825	0	110,168	2,681,657	114,432	103,780	218,212
- Promissory	400,000	0	0	400,000	0	0	0
Oregon Port Revolving Loans	48,679	0	15,270	33,409	16,208	1,644	17,852
Oregon Coast Bank Loans							
Loan payable	368,538	0	21,732	346,806	22,809	20,486	43,295
Toyota Financial Services							
Capital lease	8,071	0	5,320	2,751	2,751	36	2,787
Capital lease	16,461	0	6,372	10,088	6,601	304	6,905
City of Newport - SDC	124,140	0	0	124,140	10,144	6,162	16,306
Oregon Brewing Company	0	210,295	14,975	195,320	29,950	0	29,950
Total General Fund	8,257,921	210,295	422,206	8,046,010	458,179	263,836	722,015
NOAA FUND							
Revenue Bond							
Series 2010	20,885,000	0	870,000	20,015,000	910,000	1,091,734	2,001,734
Total	$42,317,921	$ 210,295	$1,757,206	$40,771,010	$1,693,179	$1,905,675	$3,598,854

Restated - see Note 10.

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.

In December of 2015 the City issued a building permit to develop the shipping yard. With the permit the City levied systems development charges of $117,669, attaching a lien to the real property.

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. As of June 30, 2017, remaining defeased GO bonds consist of 2008 series of $4,070,000. In the prior year the bonds were legally turned over to an escrow agent with sufficient funding (principal received combined with the earnings on that principal during the time the agent holds the funds) to service this debt due January 1, 2018. Defeased debt is no longer a liability of the Port.

In January of 2017 the Port signed a letter of understanding with Oregon Brewing Company on improvements to property. The cost of the improvements were shared with the Port, resulting in the Port recognizing a contribution and a no interest obligation of $210,295, payable over five years to Oregon Brewing Company.

The Port has various capital leases for certain equipment. The balance outstanding on these leases at June 30, 2017 was $12,839. The cost of leased equipment was $56,124, with accumulated depreciation of $29,831 and net book value of $26,283.

NOTE 8 - LONG TERM DEBT - Continued

Bonds, Loans and Capital Leases Payable

	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
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 L12005	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
City of Newport - SDC	2016	124,140	5.5%	12/5/2035
Oregon Brewing Company	2017	210,295	0%	12/1/2021
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	SDC & Oregon Brewing	Total	Total Interest
2018	$ 325,000	$ 190,000	$ 202,592	$ 22,809	$ 9,352	$ 910,000	$ 49,703	$ 1,709,456	$ 1,912,342
2019	340,000	200,000	243,471	24,236	3,487	945,000	40,660	1,796,854	1,841,342
2020	350,000	205,000	233,069	25,704	0	995,000	58,357	1,867,130	1,767,650
2021	355,000	210,000	240,121	27,360	0	1,045,000	76,088	1,953,569	1,688,860
2022	375,000	215,000	247,436	29,071	0	1,100,000	36,823	2,003,330	1,607,269
2023-27	2,115,000	1,150,000	1,341,277	217,626	0	6,465,000	57,830	11,346,733	6,548,433
2028-32	2,605,000	785,000	1,371,602	0	0	8,555,000	0	13,316,602	3,476,294
2033-37	3,230,000	120,000	412,336	0	0	0	0	3,762,336	1,240,077
2038-41	3,015,000	0	0	0	0	0	0	3,015,000	450,450
Total	$12,710,000	$3,075,000	$4,291,904	$ 346,806	$12,839	$20,015,000	$319,461	40,771,010	$20,532,717

NOTE 8 - LONG TERM DEBT - Continued

Bonds, Loans and Capital Leases Payable

	Total
Carryover total debt	40,771,010
Adjustment - premium/discounts	733,905
Subtotal	41,504,915
Adjustment - current portion	(1,693,179)
Total long-term debt, net	$39,811,736

Total interest expense is $1,912,066 and $6,421 was capitalized.

NOTE 9 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

Employees of the Port 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. A percentage (1.67 percent for general service members) 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 had reached at least 50 years of age before ceasing employment with a participating employer (age 55 for general service members). Participants are eligible for retirement after reaching age 55 for general service members. 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:

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

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.

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 for general service members 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 (COLA). The COLA is capped at 2.0 percent.

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 COLA is capped at 2.0 percent.

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 Port for the year ending June 30, 2017 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. The rates, expressed as a percentage of payroll, first became effective July 1, 2015. Port contributions for the year ending June 30, 2017 were $2,682, excluding amounts to fund employer specific liabilities. The rates in effect for the year ended June 30, 2017 were 13.54 percent for Tier One/Tier Two General Service Members, 4.61 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, 2017, the Port reported a net pension liability of $680,933 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2016, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. The Port's proportionate share of the system-wide net pension liability was based on a projection of the Port'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 Port were 0.00453583 and 0.00284764 for the years ending June 30, 2016 and 2015 respectively. For the year ended June 30, 2017, the Port recognized pension expense (income) of $105,570. At June 30, 2017, the Port 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	$ 22,528	$ 0
Changes of assumptions	145,227	0
Net difference between projected and actual earnings on investments	134,524	0
Changes in proportionate share	90,883	62,080
Contributions made subsequent to measurement date	2,682	0
Differences between employer contributions and employer's proportionate share of system contributions	0	55,816
Total	$ 395,844	$ 117,896

Deferred outflows of resources of $2,682 relates to pensions resulting from Port contributions subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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)
2018	$ 40,759
2019	40,759
2020	93,517
2021	84,934
2022	15,298
Thereafter	0
Total	$ 275,267

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017 and July 1, 2017, through June 30, 2019, 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, 2015 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, 2014
Measurement date	June 30, 2016
Experience study	2014, published September 2015
Actuarial Assumptions:	
Inflation rate	2.50% (reduced from 2.75%)
Long-term expected rate of return	7.50% (reduced from 7.75%)
Discount Rate	7.50% (reduced from 7.75%)
Projected salary increases	3.50% (reduced from 3.75%)
Cost of living adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.
Mortality	*Healthy retirees and beneficiaries*: RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000, Sex-distinct, generational per Scale BB, disabled mortality 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 2015 experience study, which reviewed experience for the four-year period ending December 31, 2015.

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 2015 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	13.5	21.5	17.5
Real estate	9.5	15.5	12.5
Alternative equity	0	12.5	12.5
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	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.02%	
Assumed Inflation - Mean		2.50%

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

Sensitivity to Discount Rate

The following presents the Port's net pension liability calculated using the discount rate of 7.50 percent, as well as what the Port's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) and one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50)%	Current Disc. Rate (7.50)%	1% Increase (8.50)%
Net Pension Liability (Asset)	$ 1,099,480	$ 680,933	$ 331,101

Changes in Plan Provisions from Prior Measurement Date

We are aware of no changes in plan provisions from the June 30, 2015 measurement date.

Changes in Plan Provisions Subsequent to Measurement Date

We are aware of no changes in plan provisions subsequent to the June 30, 2016 measurement date.

OPSRP IAP (INDIVIDUAL ACCOUNT PROGRAM) DESCRIPTION

Record Keeping

PERS contracts with VOYA Financial to maintain IAP participant records.

NOTE 9 - RETIREMENT BENEFITS - Continued

B. 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 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 Port's contributions to RHIA for the years ended June 30, 2017, 2016, and 2015 were paid and equaled the required contributions for each year.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

During the current year two items arose, determined to be a prior period events. The first is the Port, in the permit process, was assessed System Development Charges of $124,140 in December of 2015. This event was not recorded, resulting in assets (capitalized fee) and debt being understated by this amount. The second was the determination software was not reflecting total receivables when specific areas were being requested. This reporting became apparent when staff was reviewing and tracking unearned revenue monthly. As a result, accounts receivable and revenue were understated June of 2016 by $35,920.

NOTE 11 - 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

In the fall of 2017 the General Manager Kevin Greenwood resigned from his position, followed by the Director of Finance and the International Terminal Supervisor. Interim personnel have filled these positions; however the Port is seeking to fill these positions permanently.

The Port has evaluated subsequent events through February 16, 2018, the date which the financial statements were available to be issued.

PORT OF NEWPORT
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REQUIRED SUPPLEMENTAL INFORMATION

PORT OF NEWPORT, OREGON

SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) as of June 30, 2017

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal. Year Ended	Port's Proportion of the Net Pension (Asset)/Liability	Port's Proportionate Share of the Net Pension (Asset)/Liability	Port's Covered Employee Payroll	Port's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2014	0.00753%	$ 384,108	$ 771,581	49.78%	90.7%
2015	0.00753%	(170,613)	689,517	(24.74)	103.6
2016	0.00285%	163,496	607,922	26.89	91.9
2017	0.00454%	680,933	736,082	92.51	80.5

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date for each year presented.

The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

PORT OF NEWPORT, OREGON

SCHEDULE OF THE PORT'S CONTRIBUTIONS
as of June 30, 2017

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Defeciency /(Excess)	Port's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	$ 24,249	$ 25,214	$ (965)	$ 689,517	3.66%
2015	21,005	21,371	(366)	607,922	3.52
2016	8,986	9,108	(122)	736,082	1.24
2017	2,682	2,682	0	817,153	0.33

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date for each year presented.

The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

PORT OF NEWPORT, OREGON

NOTES TO THE SCHEDULES OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED CONTRIBUTIONS for the Year Ended June 30, 2017

Changes in Benefit Terms

We are aware of no changes in plan provisions from the June 30, 2015 measurement date.

Changes in Assumptions

Details and a comprehensive list of changes and methods and assumptions can be found in the 2012, 2014, and 2016 Experience Studies for the System, which were published on September 18, 2013, September 23, 2015, and July 26, 2017 respectively. These reports can be found at: http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

PORT OF NEWPORT
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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, 2017

GENERAL OPERATING FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Moorage	$ 1,175,000	$ 1,175,000	$ 1,283,884	$ 108,884
Leases	616,081	616,081	631,802	15,721
RV park	700,000	700,000	785,972	85,972
Terminals	205,000	205,000	22,252	(182,748)
Hoist dock	265,000	265,000	620,766	355,766
Intergovernmental	168,000	168,000	10,828	(157,172)
Launch ramp	70,000	70,000	65,910	(4,090)
Property taxes	94,500	94,500	103,548	9,048
Interest	4,000	4,000	8,195	4,195
Miscellaneous	103,000	103,000	101,273	(1,727)
Total revenues	3,400,581	3,400,581	3,634,430	233,850
EXPENDITURES				
Personnel services	1,300,616	1,260,616	1,134,147	126,469
Materials and services	1,425,200	1,465,200	1,337,289	127,911
Capital outlay	500,000	710,295	654,831	55,464
Debt service	684,934	699,934	699,934	0
Operating contingency	100,000	100,000	0	100,000
Total expenditures	4,010,750	4,236,045	3,826,201	409,844
Excess (def) of revenues over expenditures	(610,169)	(835,464)	(191,771)	643,693
OTHER FINANCING SOURCES (USES)				
Capital contributions	0	0	218,878	218,878
Loan proceeds	0	225,295	210,295	(15,000)
Transfers out	(60,000)	(60,000)	(60,000)	0
Total other financing sources (uses)	(60,000)	165,295	369,173	233,850
Excess (def) of revenues over expenditures and other financing sources (uses)	(670,169)	(670,169)	177,402	847,571
Unappropriated ending fund balance	(944,866)	(944,866)	0	944,866
FUND BALANCE - Beginning of year (Budget)	1,615,035	1,615,035	1,872,138	257,103
FUND BALANCE - End of year (Budget)	$ 0	$ 0	2,049,540	$ 2,049,540
GAAP ADJUSTMENTS - Reconciled to June 2016			74,373,189	
Capital asset activity acquistions				
Additions			654,831	
Depreciation			(3,206,692)	
Debt principal			422,204	
Loan proceeds			(210,295)	
Interest expense			(13,658)	
Interfund transfers			116,290	
Pension activity, net			(78,399)	
Prior period adjustment			35,920	
FUND BALANCE - End of year (GAAP)			$ 74,142,930	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017

BONDED DEBT FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	$ 925,123	$ 1,371,334	$ 982,564	$ (388,770)
Interest	700	700	1,248	548
Total revenues	925,823	1,372,034	983,812	(388,222)
EXPENDITURES				
Debt service	925,823	1,372,034	1,036,740	335,294
Excess (def) of revenues over expenditures	0	0	(52,928)	(52,928)
FUND BALANCE - Beginning of year (Budget)	0	0	387,328	387,328
FUND BALANCE - End of year (Budget)	$ 0	$ 0	334,400	$ 334,400
GAAP ADJUSTMENTS - Reconciled to June 2016			(13,577,195)	
Bond principal			465,000	
Bond premium/discount			49,598	
Amortization			(20,807)	
FUND BALANCE - End of Year (GAAP)			$ (12,749,004)	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017

FACILITIES MAINTENANCE FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	$ 125	$ 161	$ 36
EXPENDITURES			
Capital outlay	170,125	61,616	108,509
Excess (def) of revenues over expenditures	(170,000)	(61,455)	108,545
OTHER FINANCING SOURCES (USES)			
Transfers in	85,000	60,000	(25,000)
Excess (def) of revenues over expenditures and transfers	(85,000)	(1,455)	83,545
FUND BALANCE - Beginning of year (Budget)	85,000	73,778	(11,222)
FUND BALANCE - End of year (Budget)	$ 0	72,323	$ 72,323
GAAP ADJUSTMENTS			
Asset additions		61,616	
Interfund transfers		(61,616)	
FUND BALANCE - End of year (GAAP)		$ 72,323	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017

CONSTRUCTION FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Grants	$ 0	$ 26,441	$ 26,441
Interest	100	62	(38)
Total revenues	100	26,503	26,403
EXPENDITURES			
Capital outlay	2,050,100	52,892	1,997,208
Excess (def) of revenues over expenditures	(2,050,000)	(26,389)	2,023,611
OTHER FINANCING SOURCES (USES)			
Transfers in	2,000,000	0	(2,000,000)
Transfers out	(25,000)	0	25,000
Total other financing sources (uses)	1,975,000	0	(1,975,000)
Excess (def) of revenues over expenditures and transfers	(75,000)	(26,389)	48,611
FUND BALANCE - Beginning of year (Budget)	75,000	79,229	4,229
FUND BALANCE - End of year (Budget)	$ 0	52,840	$ 52,840
GAAP ADJUSTMENTS			
Capital asset acquisition		52,892	
Interfund transfers		(52,412)	
FUND BALANCE - End of Year (GAAP)		$ 53,320	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017

NOAA LEASE REVENUE FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Leases	$ 2,542,000	$ 2,533,302	$ (8,698)
Interest	10,500	10,962	462
Miscellaneous	0	128	128
Total revenues	2,552,500	2,544,392	(8,107)
EXPENDITURES			
Personnel services	75,759	75,328	431
Materials and services	689,320	442,358	246,962
Capital outlay	0	12,296	(12,296)
Debt service	1,997,335	1,997,334	1
Contingency	100,000	0	100,000
Total expenditures	2,862,414	2,527,316	335,098
Excess (def) of revenues over expenditures	(309,914)	17,076	326,990
OTHER FINANCING SOURCES (USES)			
Transfers out	(2,000,000)	0	2,000,000
Excess (def) of revenues over expenditures and transfers	(2,309,914)	17,076	2,326,990
Unappropriated ending fund balance	(3,256,014)	0	3,256,014
FUND BALANCE - Beginning of year (Budget)	5,565,928	5,728,779	162,851
FUND BALANCE - End of year (Budget)	$ 0	5,745,855	$ 5,745,855
GAAP ADJUSTMENTS - Reconciled to June 2016		(21,152,032)	
Capital asset activity			
Additions		12,296	
Interest expense		28,798	
Bond payment		870,000	
Pension activity, net		(27,171)	
Interfund transfers		(2,262)	
FUND BALANCE - End of year (GAAP)		$ (14,524,516)	

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, 2017

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
General Operating Fund	$ 4,063,603	$ 3,886,201	$ 177,402
Bonded Debt Fund	983,812	1,036,740	(52,928)
Facilities Maintenance Fund	60,161	61,616	(1,455)
Construction Fund	26,503	52,892	(26,389)
NOAA Lease Revenue Fund	2,544,392	2,527,316	17,076
Total budgetary basis	$ 7,678,471	$ 7,564,765	113,706
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Capital outlay			781,635
Depreciation			(3,206,692)
Payment of long-term debt			1,757,204
Accrued interest expense			10,866
Advance refund amortization			(20,807)
Loan proceeds			(210,295)
Debt issue costs			53,872
Pension			(105,570)
Change in net position			(826,081)
NET POSITION - Beginning of year			47,785,214
Prior period adjustment			35,920
NET POSITION - Revised beginning of year			47,821,134
NET POSITION - End of year			$ 46,995,053

PORT OF NEWPORT
OREGON

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES
Certified Public Accountants

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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, 2017, and have issued my report thereon February 16, 2018. 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 grant agreements, 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 grant agreements, 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:

Budget Compliance

NOAA Lease Revenue Fund - Capital Outlay overexpended by $12,296.

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
Newport, Oregon
February 16, 2018