



**PORT OF NEWPORT
LINCOLN COUNTY, OREGON**

FINANCIAL STATEMENTS

Year Ended June 30, 2021

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

**PORT OF NEWPORT
LINCOLN COUNTY, OREGON
FOR THE YEAR ENDED JUNE 30, 2021**

BOARD OF COMMISSIONERS

| <u>Name</u> | <u>Position</u> | <u>Term Expires</u> |
|--------------------------------------|------------------------|----------------------------|
| Walter Chuck Newport, Oregon | 1 | June 30, 2023 |
| Kelley Retherford Newport, Oregon | 2 | June 30, 2025 |
| Gil Sylvia Newport, Oregon | 3 | June 30, 2023 |
| Jeff Lackey Newport, Oregon | 4 | June 30, 2025 |
| Jim Burke South Beach, Oregon | 5 | June 30, 2023 |

All Commissioners receive mail at the address below:

Registered Agent and Address:

**Paula J. Miranda, General Manager
600 SE Bay Boulevard
Newport, OR 97365**

PORT OF NEWPORT
FINANCIAL STATEMENTS
Year Ended June 30, 2021
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PORT OF NEWPORT
FINANCIAL STATEMENTS

Year Ended June 30, 2021

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**PORT OF NEWPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

This discussion and analysis of the Port of Newport (the Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Port's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS (in thousands)

- Total assets of the Port are \$85M with capital assets of \$72M net of accumulated depreciation. Current assets are \$10M at June 30, 2021.
- The assets of the Port exceeded its liabilities at the close of the fiscal year by \$46M (Net Position).
- The Port's net position increased by \$1.16M from June 30, 2020.
- Total operating revenue was \$8.9M which is an increase of 8.5% over the prior year.
- Total operating expenses for the year were \$7.7M which is 10% higher than the prior year.

Overview of the Financial Statements

This audit report consists of three parts – management's discussion and analysis (this section), the basic financial statements (including notes), and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB).

The basic financial statements are prepared on the accrual basis, similar to a private business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a statement of net position which includes the Port's assets, liabilities, and net position (assets minus liabilities) at year end; statement of revenues, expenses, and changes in net position, which includes all revenues, expenses, and grants received for construction for the year; and statement of cash flows, which represents the sources and uses of cash for the year.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, which further explains and supports the information in the financial statements.

The analysis in Table 1 following focuses on the net position of the Port; Table 2 focuses on the revenues and expenses of the Port.

**PORT OF NEWPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

Table 1 – Net Position

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------------------|-----------------------------|-----------------------------|
| Assets and deferred outflows | | |
| Cash and investments | \$ 9,517,085 | \$ 10,070,411 |
| Cash restricted for debt payments | - | - |
| Capital assets, net | 72,079,747 | 71,336,391 |
| Other | 3,278,442 | 2,473,055 |
| Total assets and deferred outflows | <u>84,875,274</u> | <u>83,879,857</u> |
| Liabilities and deferred inflows | | |
| Current | 4,338,555 | 3,027,863 |
| Other liabilities | 34,528,263 | 36,009,216 |
| Total liabilities and deferred inflows | <u>38,866,818</u> | <u>39,037,079</u> |
| Net position | | |
| Invested in capital assets, net of related debt | 49,836,101 | 47,155,421 |
| Unrestricted (deficit) | (3,827,645) | (2,312,643) |
| Restricted | - | - |
| Total net position | <u>\$ 46,008,456</u> | <u>\$ 44,842,778</u> |

Table 2 – Revenues and Expenses

| | <u>2021</u> | <u>2020</u> |
|----------------------------------------------|-----------------------------|-----------------------------|
| Operating revenues | | |
| Tenant rents | \$ 6,701,224 | \$ 7,146,750 |
| Taxes and assessments | 908,545 | 864,127 |
| Miscellaneous | 1,292,342 | 145,152 |
| Total operating revenues | <u>8,902,111</u> | <u>8,156,029</u> |
| Operating expenses | | |
| Personnel services | 2,306,146 | 1,791,386 |
| Materials and services | 2,156,811 | 1,977,102 |
| Depreciation | 3,252,775 | 3,237,455 |
| Total operating expenses | <u>7,715,732</u> | <u>7,005,943</u> |
| Total operating income (loss) | <u>1,186,379</u> | <u>1,150,086</u> |
| Non-operating revenues (expenses) | | |
| Grants | 1,050,077 | 11,600 |
| Interest income | 52,788 | 139,964 |
| Interest expense | (1,123,566) | (1,362,844) |
| Net non-operating revenues (expenses) | <u>(20,701)</u> | <u>(1,211,280)</u> |
| Change in net position | 1,165,678 | (61,194) |
| Net position, beginning of year | 44,842,778 | 44,903,972 |
| Net position, end of year | <u>\$ 46,008,456</u> | <u>\$ 44,842,778</u> |

**PORT OF NEWPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

Capital Assets

The following table lists the Port's capital assets and their value as of June 30, 2021:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Capital assets | | |
| Land | \$ 20,221,521 | \$ 20,221,521 |
| Construction in progress | 3,717,270 | 410,174 |
| Land improvements | 36,531,099 | 36,200,931 |
| Buildings and docks | 54,908,462 | 54,822,570 |
| Equipment | 2,146,587 | 1,273,613 |
| Accumulated depreciation | <u>(45,445,192)</u> | <u>(41,592,417)</u> |
| Total net capital assets | <u>\$ 72,079,747</u> | <u>\$ 71,336,392</u> |

For further information on the Port's capital assets, see Note E of the financial statements.

Long-Term Obligations

The following is a summary of long-term debt obligations of the Port as of June 30:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| Long-Term Debt | | |
| General obligation bonds | \$ 11,645,000 | \$ 11,980,000 |
| Revenue bond | 16,565,000 | 17,855,000 |
| Full faith and credit obligations | 2,270,000 | 2,480,000 |
| State of Oregon loans | 3,459,307 | 3,684,582 |
| Bank loans and other | <u>322,447</u> | <u>423,022</u> |
| Total long-term debt | <u>\$ 34,261,754</u> | <u>\$ 36,422,604</u> |

Additional information on the Port's long-term debt can be found in Note G of the financial statements.

Budgetary Highlights

The Port's budget for the fiscal year 2020-21 was adopted by the Port Commission in June 2020 and certified by the Lincoln County Clerk in July 2020. There was one supplemental budget adopted resulting in changes to the appropriations during the year. The budget to actual annual activity is presented for both the original and final budget amounts as required supplementary information.

Economic Factors and Next Year's Budgets and Rates

As part of the Port's strategic planning and business planning process, regional and national economic trends and forecasts are reviewed and forecasted to help produce the annual budget. In the Port's 2021-22 budget, operating expenditures and revenues are forecast to remain consistent with prior years. The capital improvement budget for 2021-22 assumes capital projects estimated at \$4.8 million for a new building, and additional work on pier docks.

Contacting the Port's Financial Management

If you have questions about this report or need additional information, contact the Port of Newport, 600 SE Bay Boulevard, Newport, OR 97365.

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Port of Newport
Newport, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Port of Newport, Oregon (the Port), as of and for the year ended June 30, 2021, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Port of Newport, Oregon as of June 30, 2021, and the changes in its financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iii, and the pension information schedules on pages 28 to 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Commissioners
Port of Newport

Other Information

Our audit was conducted for the purpose of forming an opinion on the Port of Newport's basic financial statements. The combining schedules, budgetary comparison schedules and the schedules of tax collections and unpaid balances, (collectively, the other supplementary information), as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Requirement by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of Port of Newport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Port of Newport's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Port of Newport's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 9, 2021, on our consideration of the Port's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

KERN & THOMPSON, LLC
Certified Public Accountants



Eric A. Zehntbauer, CPA
Partner

Portland, Oregon
December 9, 2021

PORT OF NEWPORT
STATEMENT OF NET POSITION

June 30, 2021

ASSETS

| | |
|--------------------------------------------------|-----------------------------|
| Current assets | |
| Cash and investments | \$ 9,517,085 |
| Property tax receivable | 55,331 |
| Receivables, net of allowances | 362,646 |
| Grant receivable | 441,217 |
| Prepaid expenses | 235,633 |
| Total current assets | <u>10,611,912</u> |
| Noncurrent assets | |
| Capital assets | |
| Depreciable capital assets | 93,586,147 |
| Non-depreciable capital assets | 23,938,792 |
| Accumulated depreciation | <u>(45,445,192)</u> |
| Capital assets, net | 72,079,747 |
| Bond cost | 359,660 |
| Unamortized bond discount | 6,805 |
| Total noncurrent assets | <u>72,446,212</u> |
| Deferred outflows of resources | |
| Advanced refunding outflows, net of amortization | 1,062,064 |
| Pension related outflows | <u>755,086</u> |
| Total noncurrent assets | <u>1,817,150</u> |
| Total assets and deferred outflows | \$ <u>84,875,274</u> |

LIABILITIES AND NET POSITION

| | |
|-------------------------------------------------------------|-----------------------------|
| Current liabilities | |
| Accounts payable | \$ 1,367,991 |
| Accrued payroll | 170,576 |
| Accrued interest payable | 215,384 |
| Lease deposits | 303,624 |
| Notes payable - current | 335,980 |
| Bond payable - current | <u>1,945,000</u> |
| Total current liabilities | <u>4,338,555</u> |
| Noncurrent liabilities | |
| Notes payable | 3,445,774 |
| Bonds payable, net | 28,535,000 |
| Unamortized bond premium | 744,435 |
| Net pension liability | <u>1,571,763</u> |
| Total noncurrent liabilities | <u>34,296,972</u> |
| Deferred inflows of resources | <u>231,291</u> |
| Net position | |
| Investment in capital assets, net of related debt | 49,836,101 |
| Unrestricted | <u>(3,827,645)</u> |
| Total net position | <u>46,008,456</u> |
| Total liabilities, deferred inflows and net position | \$ <u>84,875,274</u> |

See notes to financial statements.

PORT OF NEWPORT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2021

| | |
|------------------------------------------------|-----------------------------|
| Operating revenues | |
| Moorages and leases | \$ 5,315,107 |
| Property tax | 908,545 |
| RV Park | 1,386,117 |
| Hoist dock | 1,026,366 |
| Launch ramp | 117,980 |
| Miscellaneous | 147,996 |
| Total operating revenues | <u>8,902,111</u> |
| Operating expenses | |
| Salary and wage | 1,466,247 |
| Payroll tax and benefit | 839,899 |
| Administration, promotion and marketing | 227,296 |
| Maintenance | 243,240 |
| Utilities | 584,635 |
| Insurance | 361,528 |
| Professional fees | 148,807 |
| Service fees | 320,450 |
| Supplies | 107,987 |
| Other | 162,868 |
| Depreciation | 3,252,775 |
| Total operating expenses | <u>7,715,732</u> |
| Operating income (loss) | <u>1,186,379</u> |
| Non-operating revenues (expenses) | |
| Grants and reimbursements | 1,050,077 |
| Interest income | 52,788 |
| Interest expense | (1,123,566) |
| Total non-operating revenues (expenses) | <u>(20,701)</u> |
| Change in net position | 1,165,678 |
| Net position, beginning of year | <u>44,842,778</u> |
| Net position, end of year | <u>\$ 46,008,456</u> |

See notes to financial statements.

PORT OF NEWPORT
STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

| | |
|---------------------------------------------------------------------------------------------------------|----------------------------|
| Cash flows from operating activities: | |
| Cash received from tenants | \$ 7,674,173 |
| Cash received from property taxes | 1,958,622 |
| Payments to vendors | (1,577,069) |
| Payments to employees | (1,466,247) |
| Net cash provided by (used in) operating activities | <u>6,589,479</u> |
| Cash flows from investing activities: | |
| Interest income | <u>52,788</u> |
| Cash flows from capital and related financing activities: | |
| Acquisitions of capital assets | (3,996,131) |
| Bond discount | - |
| Bond premium | 972 |
| Advance from new debt | - |
| Bonds refunded | - |
| Payments on notes and bonds payable | (2,204,879) |
| Interest paid | (995,555) |
| Net cash provided by (used in) capital and related financing activities | <u>(7,195,593)</u> |
| Change in cash and cash equivalents | (553,326) |
| Cash and cash equivalents | |
| Beginning of year | <u>10,070,411</u> |
| End of year | <u>\$ 9,517,085</u> |
| Reported in the Balance Sheet as: | |
| Unrestricted | \$ 9,517,085 |
| Restricted | <u>-</u> |
| Total | <u>\$ 9,517,085</u> |
| Reconciliation of operating income (loss) to cash provided by (used in) operating activities: | |
| Operating income (loss) | \$ 1,186,379 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | |
| Depreciation and amortization | 3,252,775 |
| Non operating revenues | 1,050,077 |
| (Increase) decrease in current assets: | |
| Operating receivables | (319,393) |
| Prepaid expense | (104,184) |
| Increase (decrease) in current liabilities: | |
| Accounts payable and compensated absences | 1,191,302 |
| Changes to debt related deferred inflows | - |
| Pension liabilities | 337,128 |
| Debt related | <u>(4,605)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 6,589,479</u> |

See notes to financial statements.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – DESCRIPTION OF ORGANIZATION

The Port of Newport, located in Lincoln County, Oregon (the Port) was established in 1910 pursuant to Section 8 Chapter 31 of the Session Laws of the State of Oregon 1909. The Port's mission is to build and maintain waterfront facilities and promote/support projects and programs in cooperation with other community organizations and businesses that will retain and create new jobs and increase community economic development.

Control of the Port is vested in its five-member commission. Commissioners are elected to office by voters within the Port District, which encompasses the majority of Lincoln County. Administrative functions are delegated to individuals who report to and are responsible to the commission. The chief administrative officer is the general manager.

The accompanying basic financial statements present all funds, for which the Port is considered to be financially accountable. The criteria used in making this determination includes the appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependence on the primary government. Based upon the evaluation of these criteria, the Port is a primary government with no includable component units.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accounts of the Port are organized on the basis of proprietary fund types, specifically enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing goods and services be financed or recovered primarily through user charges. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Port's assets, liabilities, net position, revenues and expenses. The Port uses several individual funds for state legal compliance that are combined and reported as a unitary enterprise similar to a commercial entity organized for profit for financial reporting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of an activity; or (ii) that are required by laws and regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these fund types are included on the Statement of Net Position. Net position (i.e. total assets net of total liabilities) is segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds utilize the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

The following funds collectively comprise the enterprise activities reported by the Port:

General Fund - This 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 personnel services.

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

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

Construction Fund - This fund is used for the construction of major capital facilities.

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

Budget Policies and Budgetary Control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except for agency funds. A budget is prepared for each fund in accordance with the modified accrual basis of accounting with certain modifications and legal requirements set forth in the Oregon Local Budget Law (ORS 294.305 to 294.565). The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Port established the levels of budgetary control at the object (personnel services, material and services, capital outlay, operating contingencies, debt service, and all other requirements) levels for all funds. Appropriations lapse at the end of each fiscal year.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policies and Budgetary Control (Continued)

The Port begins its budgeting process by appointing Budget Committee members for three year terms. Budget recommendations are developed by management through early spring, with the budget committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in April or May and the hearing is held in June. The Board of Commissioners adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

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.

Cash 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 C.

Receivables

Terminal, marina, and tenant lease receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivable.

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.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, and equipment. In addition, certain capital assets purchased may be capitalized regardless of the thresholds established.

Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method according to the following criteria:

| <u>Asset Classification</u> | <u>Capitalization Threshold</u> | <u>Useful Life in Years</u> |
|-----------------------------|-------------------------------------|---------------------------------|
| Land improvements | \$ 5,000 | 10 - 20 |
| Buildings | 5,000 | 25 - 40 |
| Docks | 5,000 | 30 - 60 |
| Equipment | 5,000 | 5 - 10 |

Compensated Absences

Employees are permitted to accumulate earned but unused paid time off (“PTO”). PTO is recognized as expense when earned. Compensated absences are reported and accrued with other payroll liabilities in the Statement of Net Position.

Long-Term Obligations

Long-term obligations are reported at face value, net of applicable discounts. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues.

Estimates

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

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, *deferred outflows of resources*, represents a consumption of net position that apply to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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, *deferred inflows of resources*, represents an acquisition of net position that apply to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Pension Retirement Plan

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

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 granters, and other contributors.

Unrestricted - all other net assets reported in this category.

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.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE C – CASH AND INVESTMENTS

The Port's cash and investments are held in bank financial institutions listed as qualified bank depositories by the Oregon State Treasurer.

The Port uses money market bank accounts and time certificates of deposit for its temporary investments. Amounts held in such accounts are treated as cash equivalents, as the accounts can be accessed as needed. Cash and investments consist of the following at June 30, 2021:

| | |
|---------------------------------------|---------------------|
| Deposits with financial institutions: | |
| Demand deposits | \$ 9,453,454 |
| Time certificate of deposit | <u>63,631</u> |
| Total | <u>\$ 9,517,085</u> |
| Reported in: | |
| Statement of net position | |
| Cash and investments | \$ 9,517,085 |
| Cash restricted for debt payments | <u>-</u> |
| Total | <u>\$ 9,517,085</u> |

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 policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Credit Risk

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. 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 does not have a formal policy that places a limit on the amount that may be invested with any one issuer. The Port's investments are 100% invested in time certificates of deposit.

Custodial Credit Risk

This is the risk that, in the event of a bank failure, the Port's deposits may not be returned. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance was \$9,495,098. As required by Oregon Revised Statutes, 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.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE D – RECEIVABLES

Receivables consist of the following at June 30, 2021:

| | | |
|------------------------------------------|----|-----------------|
| Property taxes receivable | \$ | 55,332 |
| Grant receivable | | 441,217 |
| Tenant receivables | | 392,646 |
| Allowance for uncollectible tenant rents | | <u>(30,000)</u> |
| | \$ | <u>889,195</u> |

NOTE E – CAPITAL ASSETS

The following table is a summary of capital assets:

| | Balances June 30, 2020 | Additions | Transfers/ Deletions | Balances June 30, 2021 |
|--------------------------------|---------------------------|--------------------|-------------------------|---------------------------|
| Land | \$ 20,221,521 | \$ - | \$ - | \$ 20,221,521 |
| Construction in process | 410,174 | 3,333,248 | (26,152) | 3,717,270 |
| Building and land improvements | 36,200,931 | 330,168 | - | 36,531,099 |
| Docks & Piers | 54,822,570 | 85,892 | - | 54,908,462 |
| Equipment | <u>1,273,613</u> | <u>872,974</u> | - | <u>2,146,587</u> |
| Total property and equipment | 112,928,809 | 4,622,282 | (26,152) | 117,524,939 |
| Less accumulated depreciation | <u>(41,592,417)</u> | <u>(3,852,775)</u> | - | <u>(45,445,192)</u> |
| Total capital assets, net | <u>\$ 71,336,392</u> | <u>\$ 769,507</u> | <u>\$ (26,152)</u> | <u>\$ 72,079,747</u> |

NOTE F – TENANT LEASING ACTIVITIES

The Port leases certain properties to tenants under long-term non-cancelable operating leases. The depreciated cost of the leased properties aggregated approximately \$29,807,000 as of June 30, 2021 with annual depreciation expense of approximately \$520,000. Tenant leases include a 20-year lease for a MOC-P with the National Oceanic and Atmospheric Administration (“NOAA”). NOAA lease revenue is pledged for the 2010 Revenue Bonds (see Note G). The annual rent under this lease is approximately \$2,545,000 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, | |
|-------------------------|----------------------|
| 2022 | \$ 3,220,000 |
| 2023 | 3,130,000 |
| 2024 | 3,090,000 |
| 2025 | 3,070,000 |
| 2026 | 3,010,000 |
| Thereafter | <u>12,670,000</u> |
| | <u>\$ 28,190,000</u> |

PORT OF NEWPORT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – LONG-TERM OBLIGATIONS

Bonds and Loans 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). 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 was to be forgiven by the State upon meeting the creation of a number of jobs positions by September 2017. That date was not met. The note is payable over ten years, with \$360,417 remaining at June 30, 2021.

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 for improvements to the Port's International Terminal.

On June 16, 2016 the Port issued Series 2016 refunding bonds for \$7,610,000. The amount of \$8,348,133 was sent to the escrow agent for refunding of GO Bond Series 2007 callable portion in the amount of \$4,135,878 and GO Bond Series 2008 callable portion in the amount of \$4,272,080. The Port realized a net present value savings of approximately \$944,963. As of June 30, 2021, remaining defeased GO bonds consist of 2007 series of \$3,255,000 and 2008 series of \$3,395,000. In 2016 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. Defeased debt is no longer a liability of the Port.

In December of 2019, the Port issued Series 2019 refunding bonds for \$5,320,000 realizing a net present value savings of \$802,184. The amount of \$5,612,972 was sent to the escrow agent for refunding of GO Bond Series 2011 callable portion in the amount of \$4,855,000. As of June 30, 2021, the remaining defeased GO Bond balance is \$4,855,000. The bond was 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. The defeased debt is no longer a liability of the Port.

In December of 2019, the Port issued another Series 2019 refunding bonds for \$17,855,000 realizing a net present value savings of \$2,548,900. The amount of \$17,976,861 was sent to the escrow agent for refunding of Revenue Bond Series 2010 callable portion in the amount of \$17,165,000. As of June 30, 2021, the remaining defeased revenue bond balance is \$15,020,000. The bond was 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. The defeased debt is no longer a liability of the Port.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

As of June 30, 2021 the defeased General Obligation bonds are as follows:

| | |
|----------------------------------|----------------------|
| GO 2007 defeased bonds | \$ 3,255,000 |
| GO 2008 defeased bonds | 3,395,000 |
| Revenue Bond 2010 defeased bonds | 15,020,000 |
| GO Bond 2011 defeased bonds | <u>4,855,000</u> |
| Total balance of defeased bonds | \$ <u>26,525,000</u> |

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 equipment lease purchase contracts aggregating approximately \$30,000 as of June 30, 2021.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

Transactions for notes payable for the year ended June 30, 2021 were as follows:

| Bonded Debt Fund | Balance | Additions | Reductions | Balance | Due Within One Year | | |
|---------------------------------|----------------------|-------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | 30-Jun-20 | | | 30-Jun-21 | Principal | Interest | Total |
| General Obligation Bonds | | | | | | | |
| Series 2016 | \$ 6,770,000 | \$ - | \$ 285,000 | \$ 6,485,000 | \$ 295,000 | \$ 242,950 | \$ 537,950 |
| Series 2019 | 5,210,000 | - | 50,000 | 5,160,000 | 115,000 | 170,649 | 285,649 |
| Total Bonded Debt Fund | \$ 11,980,000 | \$ - | \$ 335,000 | \$ 11,645,000 | \$ 410,000 | \$ 413,599 | \$ 823,599 |
| | | | | | | | |
| General Fund | Balance | Additions | Reductions | Balance | Due Within One Year | | |
| | 30-Jun-20 | | | 30-Jun-21 | Principle | Interest | Total |
| Full Faith and Credit OB | | | | | | | |
| Series 2013 | \$ 2,480,000 | \$ - | \$ 210,000 | \$ 2,270,000 | \$ 215,000 | \$ 68,983 | \$ 283,983 |
| State of Oregon Loans | | | | | | | |
| Special Public Works Fund Loans | | | | | | | |
| L00012 | 31,611 | - | 5,623 | 25,988 | 5,961 | 1,559 | 7,520 |
| Q10001 | 942,649 | - | 66,414 | 876,235 | 68,275 | 25,325 | 93,600 |
| L12005 | 2,324,905 | - | 128,238 | 2,196,667 | 133,200 | 85,012 | 218,212 |
| Promissory | 385,417 | - | 25,000 | 360,417 | 25,000 | - | 25,000 |
| Oregon Coast Bank Loans | | | | | | | |
| Loan Payable No. 10032077 | - | - | - | - | - | - | - |
| First Interstate | | | | | | | |
| 2019 129700956 | 271,588 | - | 52,299 | 219,289 | 54,200 | 7,064 | 61,264 |
| Toyota | | | | | | | |
| 2017 CM Forklift Capital Lease | 16,266 | - | 7,300 | 8,966 | 7,654 | 261 | 7,915 |
| Financial Pacific Leasing | | | | | | | |
| 2017 NIT Forklift Capital Lase | 29,699 | - | 11,026 | 18,673 | 11,740 | 572 | 12,312 |
| City of Newport - SDC | - | - | - | - | - | - | - |
| Oregon Brewing Company | 105,469 | - | 29,950 | 75,519 | 29,950 | - | 29,950 |
| Total Bonded Debt Fund | \$ 6,587,604 | \$ - | \$ 535,850 | \$ 6,051,754 | \$ 550,980 | \$ 188,776 | \$ 739,756 |
| | | | | | | | |
| NOAA Fund | Balance | Additions | Reductions | Balance | Due Within One Year | | |
| | 30-Jun-20 | | | 30-Jun-21 | Principle | Interest | Total |
| Revenue | | | | | | | |
| Series 2010 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Series 2019 | 17,855,000 | - | 1,290,000 | 16,565,000 | 1,320,000 | 440,923 | 1,760,923 |
| | 17,855,000 | - | 1,290,000 | 16,565,000 | 1,320,000 | 440,923 | 1,760,923 |
| Totals | \$ 36,422,604 | \$ - | \$ 2,160,850 | \$ 34,261,754 | \$ 2,280,980 | \$ 1,043,298 | \$ 3,324,278 |

PORT OF NEWPORT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

Future maturities of notes payable as of June 30, 2021 were as follows:

| Year Ended June 30, | Full Faith Series 2013 | | NOAA Series 2019 | | L00012 | |
|------------------------|------------------------|-------------------|----------------------|---------------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 215,000 | 68,983 | \$ 1,320,000 | 440,923 | \$ 5,960.71 | \$1,559.29 |
| 2023 | 225,000 | 61,257 | 1,350,000 | 410,717 | \$6,318.35 | \$1,201.65 |
| 2024 | 235,000 | 53,233 | 1,380,000 | 378,214 | \$6,697.45 | \$822.55 |
| 2025 | 235,000 | 46,182 | 1,415,000 | 343,365 | \$7,011.72 | \$420.70 |
| 2026 | 245,000 | 38,983 | 1,455,000 | 306,226 | - | - |
| 2027-31 | 935,000 | 96,064 | 7,915,000 | 883,683 | - | - |
| 2032-36 | 180,000 | 9,450 | 1,730,000 | 27,645 | - | - |
| 2037-41 | - | - | - | - | - | - |
| 2042-46 | - | - | - | - | - | - |
| | <u>\$ 2,270,000</u> | <u>\$ 374,152</u> | <u>\$ 16,565,000</u> | <u>\$ 2,790,773</u> | <u>\$ 25,988</u> | <u>\$ 4,004</u> |

| Year Ended June 30, | Q10001 | | L12005 | | Promissory Note | |
|------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 68,275 | 25,325 | \$ 133,200 | 85,011 | \$ 25,000 | \$ - |
| 2023 | 70,352 | 23,248 | 138,355 | 79,856 | 25,000 | - |
| 2024 | 72,491 | 21,109 | 143,710 | 74,502 | 25,000 | - |
| 2025 | 74,696 | 18,904 | 149,271 | 68,940 | 25,000 | - |
| 2026 | 76,968 | 16,632 | 155,048 | 63,163 | 25,000 | - |
| 2027-31 | 513,453 | 48,044 | 870,028 | 221,031 | 125,000 | - |
| 2032-36 | - | - | 607,055 | 47,580 | 110,417 | - |
| 2037-41 | - | - | - | - | - | - |
| 2042-46 | - | - | - | - | - | - |
| | <u>\$ 876,235</u> | <u>\$ 153,262</u> | <u>\$ 2,196,667</u> | <u>\$ 640,083</u> | <u>\$ 360,417</u> | <u>\$ -</u> |

| Year Ended June 30, | Loan 129700956 | | Toyota 2017 CM Forklift | | Finance Pacific 2017 Forklift | |
|------------------------|-------------------|------------------|-------------------------|---------------|----------------------------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 54,200 | 7,064 | \$ 7,654 | 261 | \$ 11,740 | 572 |
| 2023 | 56,155 | 5,109 | 1,312 | 8 | 5,067 | 63 |
| 2024 | 58,173 | 3,091 | - | - | 1,866 | - |
| 2025 | 50,762 | 986 | - | - | - | - |
| 2026 | - | - | - | - | - | - |
| 2027-31 | - | - | - | - | - | - |
| 2032-36 | - | - | - | - | - | - |
| 2037-41 | - | - | - | - | - | - |
| 2042-46 | - | - | - | - | - | - |
| | <u>\$ 219,289</u> | <u>\$ 16,250</u> | <u>\$ 8,966</u> | <u>\$ 269</u> | <u>\$ 18,673</u> | <u>\$ 635</u> |

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

| Year Ended June 30, | Oregon Brewing Company | | GO 2019 | | GO 2016 | |
|------------------------|------------------------|-------------|---------------------|---------------------|------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 29,950 | - | \$ 115,000 | 170,649 | 295,000 | 242,950 |
| 2023 | 29,950 | - | 110,000 | 168,181 | 310,000 | 230,850 |
| 2024 | 15,619 | - | 115,000 | 165,609 | 320,000 | 218,250 |
| 2025 | - | - | 120,000 | 162,739 | 335,000 | 205,150 |
| 2026 | - | - | 120,000 | 159,613 | 350,000 | 191,450 |
| 2027-31 | - | - | 660,000 | 744,311 | 1,955,000 | 733,550 |
| 2032-36 | - | - | 795,000 | 628,773 | 2,385,000 | 311,750 |
| 2037-41 | - | - | 3,125,000 | 340,733 | 535,000 | 8,025 |
| 2042-46 | - | - | - | - | - | - |
| | <u>\$ 75,519</u> | <u>\$ -</u> | <u>\$ 5,160,000</u> | <u>\$ 2,540,608</u> | <u>6,485,000</u> | <u>\$ 2,141,975</u> |

NOTE H – COMMITMENTS AND CONTINGENCIES

Paid Time Off

As of June 30, 2021, the Port recorded a liability for accumulated unused paid time off (“PTO”) of \$99,936. It is the Port’s policy to pay unused PTO upon retirement or termination of employment, subject to limitations based on years of service.

Risk Management

The Port is exposed to various risks of loss related to theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Port purchases commercial insurance to minimize its exposure to these risks. Settled claims resulting from these risks have historically not exceeded commercial insurance coverage.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN

Defined Benefit Pension Plan

General Information about the Pension Plan:

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

Plan description. Employees of the Port are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. OPERS issues a publicly available financial report that can be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Benefits provided under Chapter 238-Tier One / Tier Two:

1. *Pension Benefits.* The ORS 238 Defined Benefit Pension Plan provides benefits to members hired *before* August 29, 2003.

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

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

2. *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

PORT OF NEWPORT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

3. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.
4. *Benefit Changes after Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

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

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

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

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

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

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

Contributions:

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

PORT OF NEWPORT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

Employer contribution rates during the period were based on the December 31, 2018 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. The Port has not established any such side accounts.

Employer contributions for the year ended June 30, 2021 were \$88,633, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2021 were: (1) Tier1/Tier 2 – 13.99% and (2) OPSRP general service – 6.14%.

Actuarial Valuations:

The employer contribution rates effective July 1, 2016, through June 30, 2020, 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 the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

Actuarial Methods and Assumptions:

| | |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | December 31, 2018 |
| Experience Study Report | 2018, published July 24, 2019 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years. |
| Asset Valuation Method | Market value of assets |
| Actuarial Assumptions: | |
| Inflation Rate | 2.50 percent |
| Investment Rate of Return | 7.20 percent |
| Projected Salary Increases | 3.50 percent |
| Cost of living adjustments (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service. |
| Mortality | <p>Healthy retirees and beneficiaries: Pub-2010 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> |

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Discount Rate:

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

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

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 | 14.0 | | 21.5 | | 17.5 | |
| Real Estate | 9.5 | | 15.5 | | 12.5 | |
| Alternative Equity | 0.0 | | 12.5 | | 12.5 | |
| Opportunity Portfolio | 0.0 | | 3.0 | | 0.0 | |
| Total | | | | | 100.0 | % |

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 the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows the actuary'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.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

| Asset Class | Target | | Compound Annual Return (Geometric) | |
|-------------------------------|--------|---|---------------------------------------|---|
| Core Fixed Income | 9.60 | % | 4.07 | % |
| Short-Term Bonds | 9.60 | | 3.68 | |
| Bank / Leveraged Loans | 3.60 | | 5.19 | |
| High Yield Bonds | 1.20 | | 5.74 | |
| Large / Mid Cap US Equities | 16.17 | | 6.30 | |
| Small / Micro Cap US Equities | 2.70 | | 13.47 | |
| Developed Foreign Equities | 13.48 | | 6.91 | |
| Emerging Foreign Equities | 4.24 | | 7.69 | |
| Non-US Small Cap Equities | 1.93 | | 7.25 | |
| Private Equity | 17.50 | | 8.33 | |
| Real Estate (Property) | 10.00 | | 5.55 | |
| Real Estate (REITS) | 2.50 | | 6.69 | |
| Hedge Funds | 1.88 | | 9.65 | |
| Timber & Farmland | 2.26 | | 11.73 | |
| Infrastructure | 2.25 | | 6.67 | |
| Commodities | 1.13 | | 3.79 | |
| | | | | |
| Assumed Inflation – Mean | | | 2.50 | |

Sensitivity of the Port's proportionate share of the net pension liability to changes in the discount rate:

The following presents the Port's proportionate share of the net pension (liability) asset calculated using the current discount rate as well as the Port's net pension liability as if it were calculated using a discount rate 1 percentage point lower or higher than the current rate:

| | | |
|----------------|----------------|----------------|
| 1% Decrease | Current Rate | 1% Increase |
| <u>(6.20%)</u> | <u>(7.20%)</u> | <u>(8.20%)</u> |

| | | | |
|-------------------------------------------------------------|--------------|--------------|------------|
| Proportionate share of the net pension (liability)/asset | \$ 2,333,939 | \$ 1,571,763 | \$ 932,644 |
|-------------------------------------------------------------|--------------|--------------|------------|

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

PORT OF NEWPORT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

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

At June 30, 2021, the Port reported a liability of \$1,571,763 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 and rolled forward to June 30, 2020. The Port's proportion of the net pension asset was based on the Port's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.
2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.

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

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

At June 30, 2020 measurement date, the Port's proportionate share of the net pension liability was 0.00720%, which changed from its proportionate share measured as of June 30, 2020 of 0.00394%.

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2021, the Port recognized pension expense of \$309,545. At June 30, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|-------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------|
| Differences between expected and actual experience | \$ 69,177 | \$ - |
| Changes of assumptions | 84,352 | 2,956 |
| Net difference between projected and actual earnings on investments | 184,819 | - |
| Changes in proportionate share | 416,738 | 124,987 |
| Differences between employer contributions and proportionate share of contributions | <u>-</u> | <u>103,348</u> |
| Total (prior to post-measurement date contributions) | 755,086 | 231,291 |
| Contributions made subsequent to measurement date | <u>TBD</u> | <u>N/A</u> |
| Net Deferred Outflow/(Inflow) of Resources | \$ <u><u>755,086</u></u> | \$ <u><u>231,291</u></u> |

Deferred outflows of resources related to pensions resulting from Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year subsequent to June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Employer subsequent fiscal years</u> | <u>Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)</u> |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| 2021 | \$ 113,317 |
| 2022 | 129,875 |
| 2023 | 125,315 |
| 2024 | 131,466 |
| 2025 | 23,822 |
| Thereafter | <u>-</u> |
| Net Deferred Outflow/(Inflow) of Resources | \$ <u><u>523,795</u></u> |

PORT OF NEWPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

Changes in Plan Provisions Subsequent to Measurement Date:

There were no changes in Plan provisions subsequent to the June 30, 2020 measurement date.

Changes in Assumptions:

There were no key changes implemented since the December 31, 2018 valuation. Additional detail and a comprehensive list of methods and assumptions can be found in the 2016 Experience Study for the System, which was published July 24, 2019.

Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

Death Benefits

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

Contributions

The Port has chosen to pay the employees' contributions to the plan. Six percent of covered payroll is paid for general service employees. For fiscal year 2021 the Port paid \$106,402. OPERS contracts with VOYA Financial to maintain IAP participant records.

PORT OF NEWPORT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE J – OTHER POST EMPLOYMENT BENEFITS

The Port provides other postemployment benefits (“OPEB”) for the benefit of its employees. The Port’s OPEB combines two separate plans. The Port provides an implicit rate subsidy for retiree health insurance premiums administered by the Special District Association of Oregon (SDAO), and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan (RHIA). The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs.

The OPEB liability for both components was measured as of June 30, 2020, and was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The Port’s proportionate share of the OPEB liability was based on the Port’s projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. Based on the Port’s small impact on the state-wide pool, the Port’s proportionate share of the OPEB liability as of June 30, 2021 was \$11,543, which was insignificant to the Port’s financial statements.

NOTE K – OPERATING LEASE

The Port leases submerged and submersible land under five separate agreements with the Oregon State Land Board and Department of State Lands, the last expiring November 30, 2031. The lease terms require an annual rental payment due on the lease anniversary date each year, subject to adjustment in accordance with the provisions of OAR 141-082-011. The agreements may also be renewed for unlimited successive 15-year terms. The amount of lease expense recognized for the year ended June 30, 2021 was \$66,000.

Future minimum lease payments required under the agreements are as follows:

| Year ending June 30, | |
|-------------------------|-------------------|
| 2022 | \$ 68,000 |
| 2023 | 70,000 |
| 2024 | 72,000 |
| 2025 | 75,000 |
| 2026 | 77,000 |
| Thereafter | <u>310,000</u> |
| | <u>\$ 672,000</u> |

NOTE L – OVER EXPENDITURE OF APPROPRIATIONS

The Port overexpended the following fiscal 2021 appropriations:

| | |
|-------------------|-----------|
| Bonded Debt Fund: | |
| Debt service | \$ 66,379 |

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF NEWPORT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------------------------------------------------------------------------------------------------|--------------|------------|------------|------------|------------|------------|--------------|------------|--------|--------|
| Proportion of the net pension liability (asset) | 0.00720% | 0.00394% | 0.00567% | 0.00549% | 0.00454% | 0.00285% | 0.00753% | 0.00753% | N/A | N/A |
| Proportionate share of the net pension liability (asset) | \$ 1,571,763 | \$ 682,015 | \$ 858,385 | \$ 739,360 | \$ 680,933 | \$ 163,496 | \$ (170,613) | \$ 384,108 | \$ N/A | \$ N/A |
| Covered-employee payroll | 870,159 | 557,083 | 718,008 | 817,153 | 736,082 | 607,922 | 689,517 | 771,581 | N/A | N/A |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 180.6% | 122.4% | 119.6% | 90.5% | 92.5% | 26.9% | -24.7% | 49.8% | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 75.8% | 80.2% | 85.0% | 83.1% | 80.5% | 91.9% | 103.6% | 92.0% | N/A | N/A |

**SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------------------------------------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|--------|--------|
| Contractually required contribution | \$ 88,633 | \$ 67,824 | \$ 78,769 | \$ 42,074 | \$ 2,682 | \$ 8,986 | \$ 21,005 | \$ 24,249 | \$ N/A | \$ N/A |
| Contributions in relation to the contractually required contribution | 165,579 | 56,263 | 34,500 | 42,074 | 2,682 | 9,108 | 21,371 | 25,214 | N/A | N/A |
| Contribution deficiency (excess) | \$ (76,946) | \$ 11,561 | \$ 44,269 | \$ - | \$ - | \$ (122) | \$ (366) | \$ N/A | \$ N/A | \$ N/A |
| Covered-employee payroll | \$ 870,159 | \$ 557,083 | \$ 718,008 | \$ 817,153 | \$ 736,082 | \$ 607,922 | \$ 689,517 | \$ 771,581 | \$ N/A | \$ N/A |
| Contributions as a percentage of covered-employee payroll | 19.0% | 10.1% | 4.8% | 5.1% | 0.4% | 1.5% | 3.1% | 3.3% | N/A | N/A |

* GASB # 68 requires ten-year trend information. However, until a full ten-year trend is established, only the information for the years available is presented.

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

Actuarial assumptions and other changes are described in the notes to the accompanying financial statements.

SUPPLEMENTAL INFORMATION

PORT OF NEWPORT
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION

June 30, 2021

ASSETS

| | General Fund | Bonded Debt Fund | Facilities Maintenance Reserve Fund | Construction Fund | NOAA Lease Revenue Fund | Total Enterprise Funds |
|-------------------------------------------|----------------------|------------------------|----------------------------------------------|----------------------|----------------------------------|------------------------------|
| Current assets | | | | | | |
| Cash and investments | \$ 3,401,007 | \$ (49,348) | \$ 373,116 | \$ 13,071 | \$ 5,779,239 | \$ 9,517,085 |
| Property tax receivables | 7,603 | 47,728 | - | - | - | 55,331 |
| Receivables, net of allowances | 362,414 | - | - | - | 232 | 362,646 |
| Grant receivable | 441,217 | - | - | - | - | 441,217 |
| Prepaid expense | 147,595 | - | - | - | 88,038 | 235,633 |
| Due from (due to) | (694,853) | - | - | - | 694,853 | - |
| Total current assets | 3,664,983 | (1,620) | 373,116 | 13,071 | 6,562,362 | 10,611,912 |
| Noncurrent assets | | | | | | |
| Capital assets | | | | | | |
| Depreciable capital assets | 55,387,155 | - | - | - | 38,198,992 | 93,586,147 |
| Non depreciable capital assets | 23,938,792 | - | - | - | - | 23,938,792 |
| Accumulated depreciation | (29,845,447) | - | - | - | (15,599,745) | (45,445,192) |
| Capital assets, net | 49,480,500 | - | - | - | 22,599,247 | 72,079,747 |
| Bond cost | - | 146,933 | - | - | 212,727 | 359,660 |
| Bond discount | - | 6,805 | - | - | - | 6,805 |
| Total noncurrent assets | 49,480,500 | 153,738 | - | - | 22,811,974 | 72,446,212 |
| Deferred outflows of resources | | | | | | |
| Advanced refunding outflows | - | 625,495 | - | - | 436,569 | 1,062,064 |
| Pension related outflows | 717,332 | - | - | - | 37,754 | 755,086 |
| Total deferred outflows | 717,332 | 625,495 | - | - | 474,323 | 1,817,150 |
| Total assets and deferred outflows | \$ 53,862,815 | \$ 777,613 | \$ 373,116 | \$ 13,071 | \$ 29,848,659 | \$ 84,875,274 |

LIABILITIES AND NET POSITION

| | | | | | | |
|-------------------------------------------------------------|----------------------|---------------------|-------------------|------------------|----------------------|----------------------|
| Current liabilities | | | | | | |
| Accounts payable | \$ 1,340,021 | \$ - | \$ - | \$ - | \$ 27,970 | \$ 1,367,991 |
| Accrued payroll | 159,869 | - | - | - | 10,707 | 170,576 |
| Accrued interest payable | 14,011 | - | - | - | 201,373 | 215,384 |
| Lease deposits | 303,624 | - | - | - | - | 303,624 |
| Notes payable and assessment debt - current | 335,980 | - | - | - | - | 335,980 |
| Bonds payable - current | 215,000 | 410,000 | - | - | 1,320,000 | 1,945,000 |
| Total current liabilities | 2,368,505 | 410,000 | - | - | 1,560,050 | 4,338,555 |
| Noncurrent liabilities | | | | | | |
| Notes payable | 3,445,774 | - | - | - | - | 3,445,774 |
| Bonds payable | 2,055,000 | 11,235,000 | - | - | 15,245,000 | 28,535,000 |
| Bonds premium | 83,874 | 660,561 | - | - | - | 744,435 |
| Pension | 1,493,175 | - | - | - | 78,588 | 1,571,763 |
| Total noncurrent liabilities | 7,077,823 | 11,895,561 | - | - | 15,323,588 | 34,296,972 |
| Deferred inflows of resources | | | | | | |
| Advanced refunding inflows | - | - | - | - | - | - |
| Pension related inflows | 219,726 | - | - | - | 11,565 | 231,291 |
| Total deferred inflows | 219,726 | - | - | - | 11,565 | 231,291 |
| Net position | | | | | | |
| Investment in capital assets net of related debt | 43,428,738 | - | 373,116 | - | 6,034,247 | 49,836,101 |
| Unrestricted | 768,023 | (11,527,948) | - | 13,071 | 6,919,209 | (3,827,645) |
| Total net position | 44,196,761 | (11,527,948) | 373,116 | 13,071 | 12,953,456 | 46,008,456 |
| Total liabilities, deferred inflows and net position | \$ 53,862,815 | \$ 777,613 | \$ 373,116 | \$ 13,071 | \$ 29,848,659 | \$ 84,875,274 |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2021

| | General Fund | Bonded Debt Fund | Facilities Maintenance Reserve Fund | Construction Fund | NOAA Lease Revenue Fund | Total Enterprise Funds |
|-----------------------------------------------------------------------|----------------------|------------------------|----------------------------------------------|----------------------|----------------------------------|------------------------------|
| Operating revenues | | | | | | |
| Moorages and leases | \$ 2,744,310 | \$ - | \$ - | \$ - | \$ 2,570,797 | \$ 5,315,107 |
| Property tax | 116,346 | 792,199 | - | - | - | 908,545 |
| RV Park | 1,386,117 | - | - | - | - | 1,386,117 |
| Hoist dock | 1,026,366 | - | - | - | - | 1,026,366 |
| Launch ramp | 117,980 | - | - | - | - | 117,980 |
| Miscellaneous | 145,914 | - | - | - | 2,082 | 147,996 |
| Total operating revenues | 5,537,033 | 792,199 | - | - | 2,572,879 | 8,902,111 |
| Operating expenses | | | | | | |
| Salary and wage | 1,387,598 | - | - | - | 78,649 | 1,466,247 |
| Payroll tax and benefit | 796,745 | - | - | - | 43,154 | 839,899 |
| Administration, promotion and marketing | 217,853 | - | - | - | 9,443 | 227,296 |
| Maintenance | 235,381 | - | - | - | 7,859 | 243,240 |
| Utilities | 569,339 | - | - | - | 15,296 | 584,635 |
| Insurance | 209,487 | - | - | - | 152,041 | 361,528 |
| Professional fees | 72,354 | - | - | - | 76,453 | 148,807 |
| Service fees | 213,474 | 70,000 | - | - | 36,976 | 320,450 |
| Supplies | 107,987 | - | - | - | - | 107,987 |
| Other | 152,363 | - | - | - | 10,505 | 162,868 |
| Depreciation | 1,681,567 | - | - | - | 1,571,208 | 3,252,775 |
| Total operating expenses | 5,644,148 | 70,000 | - | - | 2,001,584 | 7,715,732 |
| Operating income (loss) | (107,115) | 722,199 | - | - | 571,295 | 1,186,379 |
| Non-operating revenues (expenses) | | | | | | |
| Grants and reimbursements | 1,050,077 | - | - | - | - | 1,050,077 |
| Interest income | 17,514 | 35 | 1,666 | 1 | 33,572 | 52,788 |
| Interest expense | (187,397) | (426,085) | - | - | (510,084) | (1,123,566) |
| Total non-operating revenues (expenses) | 880,194 | (426,050) | 1,666 | 1 | (476,512) | (20,701) |
| Income (loss) before transfers and other changes in net losses | 773,079 | 296,149 | 1,666 | 1 | 94,783 | 1,165,678 |
| Transfer from other funds | - | - | 109,816 | - | - | 109,816 |
| Transfer to other funds | (109,816) | - | - | - | - | (109,816) |
| Change in net position | 663,263 | 296,149 | 111,482 | 1 | 94,783 | 1,165,678 |
| Net position, beginning of year | 43,533,498 | (11,824,097) | 261,634 | 13,070 | 12,858,673 | 44,842,778 |
| Net position, end of year | \$ 44,196,761 | \$ (11,527,948) | \$ 373,116 | \$ 13,071 | \$ 12,953,456 | \$ 46,008,456 |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT
COMBINING SCHEDULE OF CASH FLOWS
Year Ended June 30, 2021

| | General Fund | Bonded Debt Fund | Facilities Maintenance Reserve Fund | Construction Fund | NOAA Lease Revenue Fund | Total Enterprise Funds |
|---------------------------------------------------------------------------------------------------------|----------------------------|---------------------------|----------------------------------------------|-------------------------|----------------------------------|------------------------------|
| Cash flows from operating activities: | | | | | | |
| Cash received from tenants | \$ 5,092,808 | \$ 8,718 | \$ - | \$ - | \$ 2,572,647 | \$ 7,674,173 |
| Cash received from property taxes | 1,166,423 | 792,199 | - | - | - | 1,958,622 |
| Payments to vendors | (1,118,212) | (155,945) | - | - | (302,912) | (1,577,069) |
| Payments to employees | (1,387,598) | - | - | - | (78,649) | (1,466,247) |
| Net cash provided by (used in) operating activities | <u>3,753,421</u> | <u>644,972</u> | <u>-</u> | <u>-</u> | <u>2,191,086</u> | <u>6,589,479</u> |
| Cash flows from investing activities: | | | | | | |
| Interest income | <u>17,514</u> | <u>35</u> | <u>1,666</u> | <u>1</u> | <u>33,572</u> | <u>52,788</u> |
| Cash flows from noncapital financing activities: | | | | | | |
| Advances (to) from other funds | 693,442 | - | - | - | (693,442) | - |
| Transfers from other funds | - | - | 109,816 | - | - | 109,816 |
| Transfers to other funds | (109,816) | - | - | - | - | (109,816) |
| Net cash provided by (used in) noncapital financing activities | <u>583,626</u> | <u>-</u> | <u>109,816</u> | <u>-</u> | <u>(693,442)</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | | | |
| Property and equipment (additions) deletions | (3,935,167) | - | - | - | (60,964) | (3,996,131) |
| Bond discount | - | - | - | - | - | - |
| Bond premium | (16,754) | - | - | - | 17,726 | 972 |
| Advance from new debt | - | - | - | - | - | - |
| Bonds refunded | - | - | - | - | - | - |
| Payments on notes and bonds payable | (535,842) | (379,037) | - | - | (1,290,000) | (2,204,879) |
| Interest paid | (188,533) | (296,938) | - | - | (510,084) | (995,555) |
| Net cash provided by (used in) capital and related financing activities | <u>(4,676,296)</u> | <u>(675,975)</u> | <u>-</u> | <u>-</u> | <u>(1,843,322)</u> | <u>(7,195,593)</u> |
| Change in cash and cash equivalents | <u>(321,735)</u> | <u>(30,968)</u> | <u>111,482</u> | <u>1</u> | <u>(312,106)</u> | <u>(553,326)</u> |
| Cash and cash equivalents, beginning of year | <u>3,722,742</u> | <u>(18,380)</u> | <u>261,634</u> | <u>13,070</u> | <u>6,091,345</u> | <u>10,070,411</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,401,007</u> | <u>\$ (49,348)</u> | <u>\$ 373,116</u> | <u>\$ 13,071</u> | <u>\$ 5,779,239</u> | <u>\$ 9,517,085</u> |
| Reported in the Balance Sheet as: | | | | | | |
| Unrestricted | \$ 3,401,007 | \$ (49,348) | \$ 373,116 | \$ 13,071 | \$ 5,779,239 | \$ 9,517,085 |
| Restricted | - | - | - | - | - | - |
| Total | <u>\$ 3,401,007</u> | <u>\$ (49,348)</u> | <u>\$ 373,116</u> | <u>\$ 13,071</u> | <u>\$ 5,779,239</u> | <u>\$ 9,517,085</u> |
| Reconciliation of operating income (loss) to cash provided by(used in) operating activities: | | | | | | |
| Operating income (loss) | \$ (107,115) | \$ 722,199 | \$ - | \$ - | \$ 571,295 | \$ 1,186,379 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | | |
| Depreciation and amortization | 1,681,567 | - | - | - | 1,571,208 | 3,252,775 |
| Non operating revenues | 1,050,077 | - | - | - | - | 1,050,077 |
| (Increase) decrease in current assets: | | | | | | |
| Operating receivables | (327,879) | 8,718 | - | - | (232) | (319,393) |
| Prepaid expenses | (2,635) | (85,945) | - | 1 | (15,605) | (104,184) |
| Increase (decrease) in current liabilities | | | | | | |
| Accounts payable and compensated absences | 1,165,338 | - | - | - | 25,964 | 1,191,302 |
| Changes to debt related deferred inflows | - | - | - | - | - | - |
| Pension liabilities | 294,068 | - | - | - | 43,060 | 337,128 |
| Debt related | - | - | - | - | (4,605) | (4,605) |
| Net cash provided by (used in) operating activities | <u>\$ 3,753,421</u> | <u>\$ 644,972</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ 2,191,085</u> | <u>\$ 6,589,479</u> |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL – GENERAL FUND

Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance |
|----------------------------------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Moorage | \$ 1,520,000 | \$ 1,520,000 | \$ 2,026,105 | \$ 506,105 |
| Leases | 813,000 | 813,000 | 777,549 | (35,451) |
| RV park | 1,200,000 | 1,200,000 | 1,386,117 | 186,117 |
| Hoist dock | 1,007,400 | 1,007,400 | 1,026,365 | 18,965 |
| Intergovernmental | 3,306,679 | 3,306,679 | 1,050,077 | (2,256,602) |
| Launch Ramp | 81,000 | 81,000 | 117,980 | 36,980 |
| Property Taxes | 110,000 | 110,000 | 116,346 | 6,346 |
| Interest | 45,000 | 45,000 | 17,514 | (27,486) |
| Miscellaneous | - | - | 145,915 | 145,915 |
| Total revenues | <u>8,083,079</u> | <u>8,083,079</u> | <u>6,663,968</u> | <u>(1,419,111)</u> |
| Expenditures | | | | |
| Personnel services | 2,175,859 | 2,175,859 | 1,886,094 | 289,765 |
| Material and services | 3,772,297 | 3,772,297 | 1,961,786 | 1,810,511 |
| Capital outlay | 5,939,000 | 5,939,000 | 3,751,620 | 2,187,380 |
| Debt service | 804,146 | 804,146 | 741,129 | 63,017 |
| Operating Contingency | 335,635 | 335,635 | - | 335,635 |
| Total expenditures | <u>13,026,937</u> | <u>13,026,937</u> | <u>8,340,629</u> | <u>4,686,308</u> |
| Excess (deficiency) of revenues over expenditures | <u>(4,943,858)</u> | <u>(4,943,858)</u> | <u>(1,676,661)</u> | <u>3,267,197</u> |
| Other financing sources (uses) | | | | |
| Loan Proceeds | 2,000,000 | 2,000,000 | - | 2,000,000 |
| Transfer in | 1,009,452 | 1,009,452 | - | 1,009,452 |
| Transfers out | (1,650,000) | (1,650,000) | (109,816) | 1,540,184 |
| Total other financing sources (uses) | <u>1,359,452</u> | <u>1,359,452</u> | <u>(109,816)</u> | <u>4,549,636</u> |
| Net changes in fund balances | (3,584,406) | (3,584,406) | (1,786,477) | 1,797,929 |
| Fund balance, beginning of year | 3,091,591 | 3,091,591 | 4,040,799 | 949,208 |
| Fund balance, end of year | <u>\$ (492,815)</u> | <u>\$ (492,815)</u> | <u>2,254,322</u> | <u>\$ 2,747,137</u> |
| Reconciliation to GAAP | | | | |
| Capital assets, net of depreciation | | | 49,480,500 | |
| Bonds and notes payable | | | (6,051,754) | |
| Accrued interest | | | (14,011) | |
| Deferred outflows | | | 717,332 | |
| Net pension liability | | | (1,493,175) | |
| Deferred inflows | | | (219,726) | |
| Bond premium | | | (83,874) | |
| Deposits | | | (303,624) | |
| Compensated absences | | | (89,229) | |
| Net position, end of year | | | <u>\$ 44,196,761</u> | |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL – BONDED DEBT FUND**

Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) Final to Actual |
|--------------------------------------------------------------|-------------------------|-------------------|------------------------|---------------------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$ 811,000 | \$ 811,000 | \$ 792,199 | \$ (18,801) |
| Interest | 3,500 | 3,500 | 35 | (3,465) |
| Total revenues | 814,500 | 814,500 | 792,234 | (22,266) |
| Expenditures | | | | |
| Debt service | 765,541 | 765,541 | 831,920 | (66,379) |
| Total expenditures | 765,541 | 765,541 | 831,920 | (66,379) |
| Excess (deficiency) of revenues over expenditures | 48,959 | 48,959 | (39,686) | (88,645) |
| Other financing sources (uses) | | | | |
| Debt refunded | - | - | - | - |
| Debt proceeds | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net changes in fund balances | 48,959 | 48,959 | (39,686) | (88,645) |
| Fund balance, beginning of year | 120,000 | 120,000 | 38,066 | (81,934) |
| Fund balance, end of year | \$ 168,959 | \$ 168,959 | (1,620) | \$ (170,579) |
| Reconciliation to GAAP | | | | |
| Bond cost | | | 146,933 | |
| Deferred outflow, advance refunding valuation | | | 625,495 | |
| Bond discount | | | 6,805 | |
| Bond premium | | | (660,561) | |
| Bonds and notes payable | | | (11,645,000) | |
| Net position, end of year | | | \$ (11,527,948) | |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL – FACILITY MAINTENANCE RESERVE FUND**

Year Ended June 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------------------------------|-------------------------|---------------------|-------------------|--------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Favorable (Unfavorable) Final to Actual</u> |
| Revenues | | | | |
| Interest | \$ 1,500 | \$ 1,500 | \$ 1,666 | \$ 166 |
| Total revenues | <u>1,500</u> | <u>1,500</u> | <u>1,666</u> | <u>166</u> |
| Expenditures | | | | |
| Capital outlay | 300,000 | 300,000 | - | 300,000 |
| Contingency | 130,120 | 130,120 | - | 130,120 |
| Total expenditures | <u>430,120</u> | <u>430,120</u> | <u>-</u> | <u>430,120</u> |
| Excess (deficiency) of revenues over expenditures | <u>(428,620)</u> | <u>(428,620)</u> | <u>1,666</u> | <u>430,286</u> |
| Other financing sources (uses) | | | | |
| Transfer out | (300,000) | (300,000) | - | (300,000) |
| Transfers in | 1,650,000 | 1,650,000 | 109,816 | (1,540,184) |
| Total other financing sources (uses) | <u>1,650,000</u> | <u>1,650,000</u> | <u>109,816</u> | <u>(1,540,184)</u> |
| Net changes in fund balances | 1,221,380 | 1,221,380 | 111,482 | (1,109,898) |
| Fund balance, beginning of year | <u>215,000</u> | <u>250,000</u> | <u>261,634</u> | <u>11,634</u> |
| Fund balance, end of year | <u>\$ 1,436,380</u> | <u>\$ 1,471,380</u> | <u>\$ 373,116</u> | <u>\$ (1,098,264)</u> |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL – CONSTRUCTION FUND**

Year Ended June 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------------------------------|-------------------------|-----------------|------------------|--------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Favorable (Unfavorable) Final to Actual</u> |
| Revenues | | | | |
| Interest | \$ - | \$ - | \$ 1 | \$ 1 |
| Total revenues | <u>-</u> | <u>-</u> | <u>1</u> | <u>1</u> |
| Expenditures | | | | |
| Capital outlay | - | - | - | - |
| Contingency | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>1</u> | <u>1</u> |
| Other financing sources (uses) | | | | |
| Loan payment | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | (30,452) | (30,452) | - | 30,452 |
| Total other financing sources (uses) | <u>(30,452)</u> | <u>(30,452)</u> | <u>-</u> | <u>30,452</u> |
| Net changes in fund balances | (30,452) | (30,452) | 1 | 30,453 |
| Fund balance, beginning of year | 30,452 | 30,452 | 13,070 | (17,382) |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,071</u> | <u>\$ 13,071</u> |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL – NOAA LEASE REVENUE FUND

Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance |
|--------------------------------------------------------------|---------------------|---------------------|----------------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Leases | \$ 2,595,900 | \$ 2,595,900 | \$ 2,570,797 | \$ (25,103) |
| Interest | 200,000 | 200,000 | 33,572 | (166,428) |
| Miscellaneous | 5,000 | 5,000 | 2,081 | (2,919) |
| Total revenues | 2,800,900 | 2,800,900 | 2,606,450 | (194,450) |
| Expenditures | | | | |
| Personnel services | 155,075 | 155,075 | 95,618 | 59,457 |
| Material and services | 417,475 | 417,475 | 308,572 | 108,903 |
| Capital outlay | 334,500 | 334,500 | 60,963 | 273,537 |
| Debt service | 1,760,089 | 1,760,089 | 1,759,380 | 709 |
| Contingency | 100,000 | 100,000 | - | 100,000 |
| Total expenditures | 2,767,139 | 2,767,139 | 2,224,533 | 542,606 |
| Excess (deficiency) of revenues over expenditures | 33,761 | 33,761 | 381,917 | 348,156 |
| Other financing sources (uses) | | | | |
| Transfer out | (870,966) | (870,966) | - | (870,966) |
| Debt refunded | - | - | - | - |
| Bond proceeds | - | - | - | - |
| Transfer in | 334,500 | 334,500 | - | (334,500) |
| Total other financing sources (uses) | (536,466) | (536,466) | - | (1,205,466) |
| Net changes in fund balances | (502,705) | (502,705) | 381,917 | 884,622 |
| Fund balance, beginning of year | 3,790,105 | 3,790,105 | 6,152,475 | 2,362,370 |
| Fund balance, end of year | \$ 3,287,400 | \$ 3,287,400 | 6,534,392 | \$ 3,246,992 |
| Reconciliation to GAAP | | | | |
| Capital assets, net of depreciation | | | 22,599,247 | |
| Bonds cost | | | 212,727 | |
| Advance refunding | | | 436,569 | |
| Bonds and notes payable | | | (16,565,000) | |
| Accrued interest | | | (201,373) | |
| Accrued payroll | | | (10,707) | |
| Deferred outflows | | | 37,754 | |
| Net pension liability | | | (78,588) | |
| Deferred inflows | | | (11,565) | |
| Net position, end of year | | | \$ 12,953,456 | |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT
PORT LEVY
SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES
June 30, 2021

| | Imposed Levy or Balance Uncollected July 1, 2020 | Discounts | Adjustments | Interest | Cash Collection by County Treasurer | Balance Uncollected or Unsegregated June 30, 2021 |
|---------------------|-------------------------------------------------------------------------|-------------------|--------------------|-----------------|--------------------------------------------------------|--------------------------------------------------------------------------|
| Current | | | | | | |
| 2020-2021 | \$ - | \$ 121,060 | \$ (3,429) | \$ 1 | \$ (115,162) | \$ 2,470 |
| 2019-2020 | 5,903 | 3 | (2,736) | - | (1,821) | 1,349 |
| 2018-2019 | 1,470 | 2 | (66) | - | (656) | 750 |
| 2017-2018 | 853 | - | (10) | - | (641) | 202 |
| 2016-2017 | 210 | - | (7) | - | (172) | 31 |
| 2015-2016 and Prior | 2,996 | - | (25) | - | (170) | 2,801 |
| Total years | \$ 11,432 | \$ 121,065 | \$ (6,273) | \$ 1 | \$ (118,622) | \$ 7,603 |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF NEWPORT

BOND LEVY

SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES

June 30, 2021

| | Imposed Levy or Balance Uncollected July 1, 2020 | Discounts | Adjustments | Interest | Cash Collection by County Treasurer | Balance Uncollected or Unsegregated June 30, 2021 |
|---------------------|-------------------------------------------------------------------------|-------------------|--------------------|-----------------|--------------------------------------------------------|--------------------------------------------------------------------------|
| Current | | | | | | |
| 2020-2021 | \$ - | \$ 811,027 | \$ (22,969) | \$ 7 | \$ (771,517) | \$ 16,548 |
| 2019-2020 | 22,197 | - | (607) | - | (12,403) | 9,187 |
| 2018-2019 | 6,774 | - | (294) | - | (3,023) | 3,457 |
| 2017-2018 | 7,822 | - | (94) | - | (5,879) | 1,849 |
| 2016-2017 | 1,992 | - | (65) | - | (1,635) | 292 |
| 2015-2016 and Prior | 17,660 | - | (197) | - | (1,068) | 16,395 |
| Total years | \$ 56,445 | \$ 811,027 | \$ (24,226) | \$ 7 | \$ (795,525) | \$ 47,728 |

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

REPORT REQUIRED BY OREGON MINIMUM AUDIT STANDARDS

**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Commissioners
Port of Newport
Newport, Oregon

We have audited the basic financial statements of the Port of Newport (the Port) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 9, 2021. We conducted our 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the Port was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the basic financial statements of the Port as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Port's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

Board of Commissioners
Port of Newport
Newport, Oregon

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

KERN & THOMPSON, LLC
Certified Public Accountants

Kern & Thompson, LLC

Eric A. Zehntbauer, CPA
Partner

Portland, Oregon
December 9, 2021

**REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE**

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

To the Board of Commissioners
Port of Newport
Newport, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Port of Newport, Oregon (the Port), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Board of Commissioners
Port of Newport

Purpose of this Report

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

Kern & Thompson, LLC

Portland, Oregon
December 9, 2021

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

To the Board of Commissioners
Port of Newport
Newport, Oregon

Report on Compliance for Each Major Federal Program

We have audited the Port of Newport (the Port)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended June 30, 2021. The Port's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Port of Newport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

To the Board of Commissioners
Port of Newport

Report on Internal Control Over Compliance

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

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

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

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

Kern & Thompson, LLC

Portland, Oregon
December 9, 2021

PORT OF NEWPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

| FEDERAL GRANTOR/Passed through Grantor/Program Title | Federal AL Number | Contract Agreement Number | Expenditures of Federal Awards |
|---------------------------------------------------------------------|----------------------------------|------------------------------------------|-----------------------------------------------|
| U.S. DEPARTMENT OF COMMERCE | | | |
| <i>Direct:</i> | | | |
| Investments for Public Works and Economic Development Facilities | 11.300 | 070107523-URI: 113380 | \$ <u>1,043,257</u> |
| Total Expenditures of Federal Awards | | | \$ <u><u>1,043,257</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

PORT OF NEWPORT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Port of Newport and is presented on the accrual basis of accounting.

The information is presented in accordance with requirements of Title 2 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Catalog of Federal Domestic Assistance Programs

The program titles and AL numbers were obtained from the federal or pass-through grantor or the catalog of federal domestic assistance.

3. Major and Nonmajor Federal Financial Assistance Programs

Federal financial assistance programs with identical assistance (CFDA) numbers are combined in determining whether the programs are major or nonmajor. Type A major federal financial assistance programs are those with combined expenditures of \$750,000 or more during a fiscal year. Type B nonmajor federal financial assistance programs are those with combined expenditures of less than \$750,000 during a fiscal year.

4. Indirect Cost Rate

The Port has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PORT OF NEWPORT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section 1 – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued – **Unmodified**
2. Significant deficiencies identified during the audit of the financial statements – **None reported**
3. Material weaknesses identified during the audit of the financial statements – **None**
4. Noncompliance that is material to the financial statements noted – **None**

Federal Awards

5. Significant deficiencies in internal control over major programs – **None reported**
6. Material weaknesses in internal control over major programs – **None**
7. The type of auditors’ report issued on compliance for major programs – **Unmodified**
8. Audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a) – **None**

Identification of Major Programs

- **AL #11.300 – Investments for Public Works and Economic Development Facilities**
9. Dollar threshold used to distinguish between Type A and Type B programs – **\$750,000.**
 10. Is the auditee qualified as a low-risk auditee under the Uniform Guidance – **No**

Section 2 – Financial Statement Findings

11. Findings relating to the financial statements reported in accordance with *Government Auditing Standards* – **None**

Section 3 – Federal Award Findings and Questioned Costs

12. Findings and questioned costs relating to federal awards – **None**

PORT OF NEWPORT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

There were no prior audit findings.