PORT OF NEWPORT
OREGON

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

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

PORT OF NEWPORT, OREGON

BOARD OF COMMISSIONERS

Stewart Lamerdin, President Pro Tem South Beach, Oregon Position No. 3	Serving since July 1, 2015 Term Expires June 30, 2019
Sara Skamer, Vice-President Pro Tem Newport, Oregon Position No. 2	Serving since July 1, 2017 Term Expires June 30, 2021
Walter Chuck, Secretary/Treasurer Pro Tem Newport, Oregon Position No. 1	Serving since November 22, 2011 Term Expires June 30, 2019
Jeff Lackey Newport, Oregon Position No. 4	Serving since July 1, 2017 Term Expires June 30, 2021
Jim Burke South Beach, Oregon Position No. 5	Serving since June 26, 2018 Term Expires June 30, 2019

Teri Dresler, Interim General Manager

Aaron Bretz, Registered Agent
600 SE Bay Boulevard
Newport, OR 97365

PORT OF NEWPORT, OREGON

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Newport
Newport, Oregon

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Port of Newport (Port) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port of Newport as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members:
AICPA OSCPA & OAIA

Emphasis of Matter

The Port adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year June 30, 2018. My opinion in not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and defined employee pension plan (PERS) schedules and notes, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

This supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budget and actual schedules and reconciliation to net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated February 21, 2019 on my consideration of Port of Newport's compliance with certain laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.

SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
February 21, 2019

PORT OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the Port of Newport, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Port for the fiscal year ended June 30, 2018. The readers are encouraged to read this narrative overview in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS (in thousands)

- Total assets of the Port are $87,896 with capital assets of $77,538 net of accumulated depreciation. Current assets are $9,606 at June 30, 2018.

- The assets of the Port exceeded its liabilities at the close of the fiscal year by $46,280 (Net Position). Of this amount $4,874 (unrestricted net position) may be used to meet the Port's ongoing obligations.

- The Port's net position decreased by $715 from June 30, 2017.

- Total operating revenue was $6,406 which is an increase of 6.5% over the prior year.

- Total operating expenses for the year were $6,391. This figure is 1.4% higher than the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

PORT OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
(In thousands)

	2018	2017
Assets		
Current assets	$ 9,606	$ 8,941
Other assets	3	3
Capital assets	77,538	80,525
Total assets	87,147	89,469
Deferred outflows	749	812
Total assets and deferred outflows	87,896	90,281
Liabilities		
Current liabilities	2,726	2,675
Noncurrent liabilities	38,764	40,493
Total liabilities	41,490	43,168
Deferred inflows	126	118
Total liabilities and deferred inflows	41,616	43,286
Net Position		
Net invested in capital assets	37,700	39,020
Restricted	3,706	3,940
Unrestricted	4,874	4,035
Total net position	$ 46,280	$ 46,995

By far the largest portion of the Port's net position (81%) reflects its investment in capital assets (i.e., land, dock infrastructure, marina, recreational vehicle park, construction in progress, etc.) less related outstanding debt used to acquire those assets. The Port uses these capital assets to provide services to facility patrons; consequently, these assets are not available for future spending. Although the Port's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

PORT OF NEWPORT, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORT-WIDE FINANCIAL STATEMENTS - continued

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

	2018	2017
Revenues		
Operating revenue from services	$ 6,406	$ 6,016
Nonoperating revenue:		
Grants	3	37
Property taxes	1,096	1,086
Interest	25	21
Gain (loss) on sale of equipment	20	(6)
Miscellaneous	0	36
Total Revenues	7,550	7,190
Expenses		
Operating expenses	6,391	6,301
Other	1,874	1,933
Total expenses	8,265	8,234
Excess (def) of revenues over expenses before contribution	(715)	(1,044)
Capital contribution	0	218
Change in net position	(715)	(826)
Net position - Beginning of the year	46,995	47,821
Net position - End of the year	$ 46,280	$ 46,995

The Port recognized a loss in net position during the most recent fiscal year of $(715). Operating revenues from moorages, leases, RV Park operations, and hoist dock services all increased compared to the prior fiscal year. Property taxes support the debt service for the General Obligation Bonds issued in 2011 and 2016 approved by voters for reconstructing the Newport International Terminal. Operating expenses increased as a result of increased operational services and projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE PORT'S FUNDS

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

A review of the Port's General Operating Fund indicates total revenues exceeded budgeted projections by $272 and total expenses were 89% of budgeted levels.

CAPITAL ASSETS (in thousands)

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

	2018	2017
Land	$ 20,222	$ 20,222
Construction	378	307
Land improvements	9,904	10,339
Buildings and docks	46,661	49,299
Equipment	373	358
Total	$ 77,538	$ 80,525

As shown in the table above, the Port's net capital assets decreased by $2,990 during the current year. Current year activity included replacing two forklifts that had expended their useful life to the Port. Toward the end of the fiscal year, the Port invested over $12,000 in a fire/burglary alarm system in the Port's International Terminal Building and the adjacent net shop, which is leased to Fowl Weather Trawl. These two buildings previously had no fire detection system, and there was an increase in theft in the area as well as a two break-ins in the FWT Building. This system was installed to protect the Port's assets. The Port invested $10,000 in a slightly used Ford Ranger for the Terminal Supervisor to reduce employee reimbursements and liability. $115,000 was budgeted for work on the engineering for the Port Dock 5 Pier, but the Port only spent $60,887 this fiscal year due to time constraints. Several tasks were not completed this fiscal year, including MMPA provisions, but those tasks were shifted to the FY 2018-19 budget year and funds were allocated accordingly. Asphalt repairs were conducted at the Newport International Terminal, and an RV Sewer Dump station was moved from the Rogue Parking lot to an area near the Distillery to ease traffic congestion. For further information relating to the Port's capital assets, see Note 6 of the Notes to Basic Financial Statements.

DEBT OUTSTANDING

Figures presented in the following table illustrate balances outstanding (in the thousands) at June 30, 2018 and 2017.

	2018	2017
General obligation bonds	$ 12,385	$ 12,710
Revenue bond	19,105	20,015
Full faith and credit obligations	2,885	3,075
State of Oregon loans	4,096	4,292
Bank loans and other	594	666
Capital leases	84	13
Total	$ 39,149	$ 40,771

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

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

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

In fiscal year 2018, the Port entered into two leases for operating equipment. A 5-year lease with Toyota Financial Services in the amount of $35,303 for a forklift at the Commercial Marina with an interest rate of 5.2%. The second 5-year lease is with Financial Pacific Leasing for a forklift at the International Terminal with an interest rate of 5.2%.

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

DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

For the fiscal year the General Manager position was filled on an interim basis for the first 8 months and with a full time General Manager for 4 months. The Director of Finance position remained vacant for the entire fiscal year with duties of that position performed on a part time basis by a financial consultant from CFO Solutions. The International Terminal Supervisor resigned in September of 2017, that position was filled immediately on a temporary basis by a person who was hired to perform those duties on a regular basis in February 2018.

REQUESTS FOR INFORMATION

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

PORT OF NEWPORT, OREGON

STATEMENT OF NET POSITION as of June 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	$ 8,940,005
Investment	61,056
Accounts receivable, net of allowance for doubtful accounts	351,361
Property taxes receivable	97,260
Prepaid expenses	156,009
Total current assets	9,605,691
Capital Assets	
Land	20,221,521
Construction in progress	378,172
Buildings and equipment, net of depreciation	56,938,608
Total capital assets	77,538,301
Other Assets	
Bond issue costs, net of amortization	2,916
Total other assets	2,916
Total assets	87,146,908
Deferred Outflows of Resources	
Advanced refunding outflows, net of amortization	395,342
Pension related outflows	354,244
Total deferred outflows of resources	749,586
Total assets and deferred outflows resources	87,896,494
LIABILITIES	
Current Liabilities	
Accounts payable	97,661
Accrued payroll expenses	124,031
Unearned revenue	225,074
Accrued interest payable	18,037
Accrued interest payable from restricted assets	447,306
Current portion of loans and capital leases payable	328,340
Current portion of bonds payable	1,485,000
Total current liabilities	2,725,449
Long-term Liabilities	
Loans and capital leases payable, net	7,330,460
Bonds payable, net	30,694,402
Net pension liability	739,360
Total long-term liabilities	38,764,222
Total liabilities	41,489,671
Deferred Inflows of Resources	
Pension related inflows	126,391
Total liabilities and deferred inflows of resources	41,616,062
Net Position	
Net invested in capital assets	37,700,099
Restricted	
Debt service	3,706,287
Unrestricted	4,874,046
Total net position	$ 46,280,432

See accompanying notes to financial statements

PORT OF NEWPORT, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2018

OPERATING REVENUES	
Moorages and leases	$ 4,533,404
RV Park	969,120
Terminals	15,181
Hoist dock	680,053
Launch ramp	78,812
Other	129,339
Total operating revenues	6,405,909
OPERATING EXPENSES	
Salaries and wages	941,963
Payroll taxes and benefits	429,408
Administration, promotion and marketing	132,870
Maintenance	179,640
Utilities	516,353
Insurance	247,294
Professional fees	164,598
Service fees	324,197
Supplies	55,943
Operating fees	102,594
Other	61,222
Depreciation	3,234,980
Total operating expenses	6,391,062
Operating Income (Loss)	14,847
NONOPERATING REVENUE (EXPENSES)	
Property taxes	1,096,240
Grants	2,772
Interest income	24,935
Interest expense	(1,873,573)
Gain/loss on sale of equipment	20,158
Total nonoperating revenue (expense)	(729,468)
Income (loss) before contributions	(714,621)
NET POSITION - Beginning of year	46,995,053
NET POSITION - End of year	$ 46,280,432

See accompanying notes to financial statements

PORT OF NEWPORT, OREGON

STATEMENT OF CASH FLOWS for the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 6,227,617
Cash payments for goods and services	(1,714,754)
Cash payments for employees and benefits	(1,293,937)
Net cash provided (used) by operating activities	3,218,926
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non capital grants	2,772
Property taxes collected	1,096,240
Net cash provided (used) by noncapital financing activities	1,099,012
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital financing	89,396
Acquisition and construction of capital assets	(247,977)
Proceeds from sale of assets	29,504
Principal paid on debt	(1,711,604)
Interest paid on debt	(1,910,937)
Net cash provided (used) by capital and related financing activities	(3,751,618)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	24,601
Net increase (decrease) in cash and cash equivalents	590,921
Cash and cash equivalents - Beginning of year (restricted $4,402,592)	8,349,084
Cash and cash equivalents - End of year (restricted $4,127,724)	$ 8,940,005
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 14,847
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	3,234,980
Pension expense	108,521
(Increase) decrease in operating assets	
Accounts receivable	(88,520)
Prepaid expenses	5,295
Increase (decrease) in operating liabilities	
Accounts payable	(64,678)
Accrued payroll liabilities	(31,087)
Unearned revenue	39,567
Net cash provided (used) by operating activities	$ 3,218,925

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Measurement Focus, Basis of Presentation and Accounting

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

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

Operating Revenues, Non-Operating Revenues and Operating Expenses

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

Deposits and Investments

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

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

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

Capital Assets

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

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

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

Compensated Absences

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

Interfund Transactions

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Items

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

Long-Term Liabilities

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

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The Port has two items that qualify for reporting in this category, it's deferred amounts relating to pensions which consist of employer contributions to the Oregon Public Employees Retirement System (OPERS) after the measurement date, experience differences, and changes in proportion. This amount is deferred and recognized as an outflow of resources in the period when the Port recognizes pension expense/expenditures. In the fiscal year ending June 30, 2016 the Port refunded bonds that resulted in a difference between the reacquisition price and the net carrying value of the old debt that was deferred. It is being amortized for the life of the bond. Deferred outflows are included in the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Port has one item that qualifies for reporting in this category, it's deferred amounts relating to pensions. This amount is deferred and recognized as an inflow of resources in the period when the Port's recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

Net Position

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

Net position is divided into three components:

> *Net investment in capital assets* - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
>
> *Restricted net assets* - consists of assets that are restricted by the Port's creditors, by enabling legislation, by grantors, and other contributors.
>
> *Unrestricted* - all other net assets reported in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets and Related Liabilities

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

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

Tax Abatement

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments that enter into tax abatement agreements to disclose information about those agreements. The Port has entered into tax abatement agreements. As a result, the property taxes that the Port received for the 2017-18 levy year was reduced by $1,599.

Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Budget Law and Practice

Over Expenditures

The following fund over expended as follows:

	Balance
General Operating Fund - Debt Service	$ 39

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	Balance	Restricted	Unrestricted
Cash on hand	$ 1,375	$ 0	$ 1,375
Deposits with financial institutions	8,938,630	4,066,668	4,871,962
Total cash and cash equivalents	8,940,005	4,066,668	4,873,337
Time certificate of deposit	61,056	61,056	0
Total cash, cash equivalents and time certificate of deposit	$9,001,061	$4,127,724	$ 4,873,337

Deposits

At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of $9,277,315 of which $750,000 was covered by FDIC. See *Custodial Credit Risk.*

Custodial Credit Risk

As required by Oregon Revised Statues, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result the Port has no exposure to custodial credit risk for deposits with financial institutions.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

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

Concentration of Credit Risk

The Port places no limit on the amount the Port may invest in any one investment or issuer. For the current year, the Port held 77% of funds in Oregon Coast Bank.

NOTE 4 - RECEIVABLES

Receivables at year end consist of the following:

	Balance	
Property taxes	$ 97,260	Restricted
Accounts receivable, net	351,361	Unrestricted
Total receivables	$ 448,621	

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Transfers

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

	Source	Use
General Fund	$ 0	$ 160,000
Facilities Maintenance	160,000	0
Total	$160,000	$ 160,000

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

Interfund Payables/Receivables

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

	Receivable	Payable
NOAA	$ 0	$ 25,805
General Fund	25,805	0
Total	$ 25,805	$ 25,805

NOTE 6 - CAPITAL ASSETS

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

	7/01 Balance	Increases	Decreases	6/30 Balance
Capital assets not being depreciated				
Land	$ 20,221,521	$ 0	$ 0	$ 20,221,521
Construction in progress	307,009	101,918	(30,755)	378,172
Total assets not being depreciated	20,528,530	101,918	(30,755)	20,599,693

NOTE 6 - CAPITAL ASSETS - Continued

	7/01 Balance	Increases	Decreases	6/30 Balance
Capital assets being depreciated				
Land improvements	19,641,602	39,841	0	19,681,443
Buildings	16,465,358	0	0	16,465,358
Docks and piers	54,690,983	37,449	0	54,728,432
Equipment	1,106,707	99,524	(25,246)	1,180,985
Total depreciable at historical cost	91,904,650	176,814	(25,246)	92,056,218
Accumulated depreciation				
Land improvements	(9,302,942)	(474,275)	0	(9,777,217)
Buildings	(5,375,244)	(521,203)	0	(5,896,447)
Docks and piers	(16,481,712)	(2,154,673)	0	(18,636,384)
Equipment	(747,978)	(84,830)	25,246	(807,562)
Total accumulated depreciation	(31,907,876)	(3,234,980)	25,246	(35,117,610)
Total depreciable capital assets	59,996,774	(3,058,166)	0	56,938 608
Total capital assets, net	$ 80,525,304	$(2,956,249)	$ (30,755)	$ 77,538,301

Depreciation expense for the year was $3,234,980. The Port financed two fork lifts totaling $89,396 through capital leases. Amortization of the leases is included in the depreciation expense.

NOTE 7 - LEASES

Port as Lessor

The Port, as a lessor, leases certain properties with a total approximate net capitalized cost of $31,326,424 and annual depreciation expense of approximately $1,320,523 under long-term operating leases. On August 7, 2009, the Port entered into a 20-year lease for a MOC-P with the United States of America, through the NOAA, expiring June 30, 2031, commonly referred to as the NOAA lease. NOAA lease revenue is pledged first to pay bond principal and interest, second to credit the reserve account to eliminate any deficiency in the required reserve and third for any other lawful Port purpose. The annual rent under this lease is approximately $2,541,135 which is included in the schedule below.

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

Year Ending June 30,	Balance
2019	$ 3,160,000
2020	3,120,000
2021	3,100,000
2022	3,010,000
2023	2,720,000
Thereafter	17,610,000
Total	$ 32,720,000

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

PORT OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2018

NOTE 8 - LONG TERM DEBT

Bonds, Loans and Capital Leases Payable

Bonds, loans and capital leases payable are as follows:

	7/01 Balance	Increase	Decrease	6/30 Balance	Due in One Year Principal	Due in One Year Interest	Due in One Year Total
BONDED DEBT FUND							
General Obligation Bonds							
Series 2008	$ 125,000	$ 0	$ 125,000	$ 0	$ 0	$ 0	$ 0
Series 2011	5,130,000	0	65,000	5,065,000	70,000	267,055	337,055
Series 2016	7,455,000	0	135,000	7,320,000	270,000	273,900	543,900
Total Bonded Debt Fund	12,710,000	0	325,000	12,385,000	340,000	540,955	880,955
GENERAL FUND							
Full Faith and Credit OB							
Series 2013	3,075,000	0	190,000	2,885,000	200,000	89,707	289,707
State of Oregon Loans							
Special Public Works Fund Loans							
- L00012	46,643	0	4,721	41,921	5,005	2,515	7,520
- Q10010	1,130,195	0	60,708	1,069,487	62,406	31,194	93,600
- L12005	2,681,657	0	114,432	2,567,225	118,860	99,352	218,212
- Promissory	400,000	0	0	400,000	40,000	0	40,000
Oregon Port Revolving Loans	33,409	0	16,208	17,201	17,201	649	17,850
Oregon Coast Bank Loans							
Loan payable	346,806	0	22,809	323,997	24,236	19,059	43,295
Toyota Financial Services							
2012 SB Forklift Capital lease	2,751	0	2,751	0	0	0	0
2013 CM Forklift Capital lease	10,088	0	6,652	3,436	3,436	94	3,530
2017 SM Forklift Capital lease	0	35,303	5,436	29,867	6,639	1,275	7,915
Financial Pacific Leasing							
2017 NIT Forklift Capital lease	0	54,093	3,185	50,908	9,894	2,418	12,312
City of Newport - SDC	124,140	0	19,752	104,388	10,710	5,596	16,306
Oregon Brewing Company	195,320	0	29,950	165,370	29,950	0	29,950
Total General Fund	8,046,009	89,396	476,604	7,658,800	528,337	251,859	780,197
NOAA FUND							
Revenue Bond							
Series 2010	20,015,000	0	910,000	19,105,000	945,000	1,052,271	1,997,271
Total	$40,771,009	$ 89,396	$1,711,604	$39,148,800	$1,813,337	$1,845,085	$3,658,423

NOTE 8 - LONG TERM DEBT - Continued

Bonds, Loans and Capital Leases Payable

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

In the fiscal year ending June 30, 2013, the Port obtained financing for construction of the International Terminal. The Port negotiated a $3,000,000 loan with a $500,000 grant from the Oregon Infrastructure Finance Authority (IFA). 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. Presently the $400,000 note is being recognized as a no interest obligation, payable over ten years, with the current portion being $40,000. See Subsequent events - Note 11.

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.

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

On June 16, 2016 the Port issued Series 2016 refunding bonds for $7,610,000. The amount of $8,348,133 was sent to the escrow agent for refunding of GO Bond Series 2007 callable portion in the amount of $4,135,878 and GO Bond Series 2008 callable portion in the amount of $4,272,080. The Port realized a net present value savings of approximately $944,963. As of June 30, 2018, remaining defeased GO bonds consist of 2008 series of $4,070,000. 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 due January 1, 2018. Defeased debt is no longer a liability of the Port.

As of June 30, 2018 the defeased General Obligation bonds are as follows:

GO 2007 Bonds	$ 3,840,000
GO 2008 Bonds	3,945,000
Total defeased	$ 7,785,000

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

The Port has various capital leases for certain equipment. The balance outstanding on these leases at June 30, 2018 was $84,211. The cost of this leased equipment was $120,754, with accumulated depreciation of $27,582 and net book value of $93,172.

NOTE 8 - LONG TERM DEBT - Continued

Bonds, Loans and Capital Leases Payable

	Original Issue	Original Amount	Rates	Payoff Date
GO BONDS				
Series 2007	2007	$ 5,000,000	4 to 4.25%	7/1/2029
Series 2008	2008	5,000,000	3.5 to 4.25%	7/1/2038
Series 2011	2011	5,452,000	2 to 5.5%	7/1/2041
Series 2016	2016	7,610,000	2 to 4%	1/1/2037
FULL FAITH AND CREDIT OB				
Series 2013	2013	3,410,000	2.45%	6/1/2034
STATE OF OREGON				
Special Public Works				
Loan Q10010	2013	1,300,000	3%	6/1/2032
Loan L00012	2004	86,683	6%	12/1/2024
Loan L12005	2013	3,000,000	3.87%	7/1/2034
Promissory Note	2012	400,000		9/1/2018
Oregon Port Revolving	1999	366,065	6%	6/15/2019
OREGON COAST BANK				
Loan Payable	2014	79,879	7%	11/15/2015
Loan Payable	2014	412,352	6%	7/15/2025
TOYOTA FINANCIAL SERVICES				
Capital Lease	2013	31,357	4.30%	1/1/2019
Capital Lease	2017	35,303	4.27%	10/1/2022
FINANCIAL PACIFIC LEASING				
Capital Lease	2017	54,093	5.2%	11/1/2022
City of Newport - SDC	2016	124,140	5.5%	12/5/2035
Oregon Brewing Company	2018	210,295	0%	12/1/2021
REVENUE BOND				
Series 2010	2010	24,095,000	3 to 6.125%	7/1/2032

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

Future maturities are as follows:

Year Ending June 30	General Obligation Bonds	Full Faith& Credit Obl. Bond	State of Oregon Loans	Oregon Coast Bank Loans	Capital Leases	Revenue Bond	SDC & Oregon Brewing	Total	Total Interest
2019	$ 340,000	$ 200,000	$ 243,473	$ 24,236	$23,241	$ 945,000	$ 40,660	$ 1,816,610	$ 1,841,342
2020	350,000	205,000	233,069	25,704	17,635	995,000	58,357	1,884,765	1,767,650
2021	355,000	210,000	240,121	27,360	18,517	1,045,000	76,088	1,972,086	1,688,860
2022	375,000	215,000	247,436	29,071	19,443	1,100,000	36,823	2,022,773	1,607,269
2023	390,000	225,000	255,025	30,890	5,375	1,160,000	13,306	2,079,596	1,516,257
2024-28	2,200,000	1,140,000	1,375,253	186,736	0	6,820,000	44,524	11,766,513	6,003,194
2029-33	2,720,000	630,000	1,291,375	0	0	7,040,000	0	11,681,375	2,818,872
2034-38	3,115,000	60,000	210,082	0	0	0	0	3,385,082	1,092,305
2039-41	2,540,000	0	0	0	0	0	0	2,540,000	284,625
Total	$12,385,000	$2,885,000	$4,095,834	$ 323,997	$84,211	$19,105,000	$269,758	39,148,800	$18,620,375

Continued on next page

NOTE 8 - LONG TERM DEBT - Continued

Bonds, Loans and Capital Leases Payable

	Total
Carryover total debt	39,148,800
Adjustment - premium/discounts	689,402
Subtotal	39,838,202
Adjustment - current portion	(1,813,337)
Total long-term debt, net	$38,024,865

Total interest expense is $1,873,573 and no interest was capitalized this year.

NOTE 9 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

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

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

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or had reached at least 50 years of age before ceasing employment with a participating employer (age 55 for general service members). Participants are eligible for retirement after reaching age 55 for general service members. Tier One general service member benefits are reduced if retirement occurs prior to age 58 with fewer than 25 years of service, Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

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

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job related injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty-related disability, service time is computed to age 58 for general service members when determining the monthly benefit.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0 percent.

2. OPSRP Defined Benefit Pension Program (238A)

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

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

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

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - A member who has accrued 10 or more years of retirement credit before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through COLAs. The COLA is capped at 2.0 percent.

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

3. OPSRP Individual Account Program (238A)

Pension Benefits - An OPSRP Individual Account Program (IAP) member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement a member of the OPSRP IAP may receive amounts in his or her employee, rollover, and vested employer accounts as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20- year period or an anticipated lifespan option. Each distribution option has a $200 minimum distribution limit.

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

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

Contributions:

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the OPERS defined benefit plan and the other Post-Employment Benefit Plans. In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements. This was not the case for the Port for the year ending June 30, 2018 or for any other periods reflected in these Financial Statements, the Notes to the Financial Statements, or the Supplementary Information section. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates, expressed as a percentage of payroll, first became effective July 1, 2017. Port contributions for the year ending June 30, 2018 were $42,074, excluding amounts to fund employer specific liabilities. The rates in effect for the year ended June 30, 2018 were 13.54 percent for Tier One/Tier Two General Service Members, 4.61 percent of OPSRP General Service Members, and 6 percent for OPSRP Individual Account Members.

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Net Pension Liability

At June 30, 2018, the Port reported a net pension liability of $739,360 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2017, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The Port's proportionate share of the system-wide net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. These proportion percentages for the Port were 0.00548485 and 0.00453583 for the years ending June 30, 2017 and 2016 respectively. For the year ended June 30, 2018, the Port recognized pension expense (income) of $108,522. At June 30, 2018, the Port reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 35,756	$ 0
Changes of assumptions	134,772	0
Net difference between projected and actual earnings on investments	7,617	0
Changes in proportionate share	134,025	43,821
Contributions made subsequent to measurement date	42,074	0
Differences between employer contributions and employer's proportionate share of system contributions	0	82,570
Total	$ 354,244	$ 126,391

Deferred outflows of resources of $42,074 relates to pensions resulting from Port contributions subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Year Ended June 30	Deferred Outflow/(Inflow) of resources (prior to post-measurement date contributions)
2019	$ 26,354
2020	89,489
2021	75,578
2022	(8,199)
2023	2,557
Thereafter	0
Total	$ 185,779

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16 years.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Actuarial Valuations

Valuation date	December 31, 2015, rolled forward to June 30, 2017
Experience study report	2014, published September 2015
Actuarial cost method	Entry age normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Fair value of assets
Actuarial Assumptions:	
Inflation rate	2.50%
Long-term expected rate of return	7.50%
Discount Rate	7.50%
Projected salary increases	3.50% overall payroll growth
Cost of living adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.
Mortality	*Healthy retirees and beneficiaries*: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. *Active members:* Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. *Disabled retirees*: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000, Sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2015 experience study, which reviewed experience for the four-year period ending December 31, 2015.

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

	Assumed Asset Allocation		
Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Private equity	14.0	21.0	17.5
Real estate	9.5	15.5	12.5
Alternative equity	0	12.5	12.5
Opportunity portfolio	0	3.0	0
Total			100.0%

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.02%	
Assumed Inflation - Mean		2.50%

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Discount Rate

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

Sensitivity to Discount Rate

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

	1% Decrease (6.50)%	Current Disc. Rate (7.50)%	1% Increase (8.50)%
Net Pension Liability (Asset)	$ 1,260,004	$ 739,360	$ 304,005

Changes in Plan Provisions from Prior Measurement Date

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

Changes in Plan Provisions Subsequent to Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2%. For member transactions, this rate took effect January 1, 2018. The current assumed rate is 7.5% and has been in effect for member transactions since January 1, 2016.

NOTE 9 - RETIREMENT BENEFITS - Continued

B. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Description

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

Funding Policy

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

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.53 and 0.43 percent of annual covered payroll for OPERS members and OPSRP respectively. The OPERS Board of sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Port's contributions to RHIA for the years ended June 30, 2018, 2017, and 2016 were paid and equaled the required contributions for each year.

NOTE 10 - EMPLOYMENT BENEFITS OTHER THAN PENSIONS

For the year ended June 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* became effective. This statement provides guidance for accounting for liabilities/(assets) related to retiree healthcare and other non-pension postemployment benefits (OPEB). The other postemployment benefits for the Port 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. 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 total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. At June 30, 2018, the Port's net OPEB liability/(asset) and deferred inflows and outflows were determined by Management not to be material to the financial statements taken as a whole.

NOTE 11 - OTHER INFORMATION

Risk Management

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

Evaluation of Subsequent Events

In April of 2012 the Port signed a $400,000 loan agreement to provide funding for the Marine International Terminal Reconstruction Gap. The agreement contained a provision for a potential forgiveness of the loan if certain jobs were created by July 17, 2017. That deadline was not met. Presently Business Oregon is working on a proposed repayment plan and expects to present it to the Port in March or April 2019. This obligation is reflected in the Statement of Net Position with $40,000 recognized in current portion of loans.

The Port has evaluated subsequent events through February 21, 2019, the date which the financial statements were available to be issued.

PORT OF NEWPORT
OREGON

REQUIRED SUPPLEMENTAL INFORMATION

PORT OF NEWPORT, OREGON

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

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal. Year Ended	Port's Proportion of the Net Pension (Asset)/Liability	Port's Proportionate Share of the Net Pension (Asset)/Liability	Port's Covered Employee Payroll	Port's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2014	0.00753%	$ 384,108	$ 771,581	49.78%	92.0%
2015	0.00753%	(170,613)	689,517	(24.74)	103.6
2016	0.00285%	163,496	607,922	26.89	91.9
2017	0.00454%	680,933	736,082	92.51	80.5
2018	0.00549%	739,360	817,153	90.48	83.1

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

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

PORT OF NEWPORT, OREGON

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

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Defeciency /(Excess)	Port's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	$ 24,249	$ 25,214	$ (965)	$ 689,517	3.66%
2015	21,005	21,371	(366)	607,922	3.52
2016	8,986	9,108	(122)	736,082	1.24
2017	2,682	2,682	0	817,153	0.33
2018	42,074	42,074	0	827,918	5.08

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

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

PORT OF NEWPORT, OREGON

NOTES TO THE SCHEDULES OF THE PORT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED
CONTRIBUTIONS for the Year Ended June 30, 2018

Changes in Benefit Terms

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

Changes in Assumptions

Details and a comprehensive list of changes and methods and assumptions can be found in the 2012, 2014, and 2016 Experience Studies for the System, which were published on September 18, 2013, September 23, 2015, and July 26, 2018 respectively. These reports can be found at: http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Changes Subsequent to the Measurement Date

GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along, with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate took effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

PORT OF NEWPORT
OREGON

SUPPLEMENTAL INFORMATION

PORT OF NEWPORT, OREGON

DESCRIPTION OF BUDGETARY FUNDS

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

Budgetary comparison schedules include the following funds:

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

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

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

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

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

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018

GENERAL OPERATING FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Moorage	$ 100,000	$ 1,316,551	$ 1,216,551
Leases	665,178	684,094	18,916
RV park	830,000	969,120	139,120
Terminals	278,000	15,181	(262,819)
Hoist dock	1,498,000	680,053	(817,947)
Intergovernmental	122,500	2,772	(119,728)
Launch ramp	70,000	78,812	8,812
Property taxes	98,500	117,228	18,728
Interest	5,000	9,834	4,834
Miscellaneous	83,000	148,587	65,587
Total revenues	3,750,178	4,022,232	272,055
EXPENDITURES			
Personnel services	1,349,370	1,191,613	157,757
Materials and services	1,626,550	1,539,961	86,589
Capital outlay	197,900	118,295	79,605
Debt service	732,680	732,719	(39)
Operating contingency	100,000	0	100,000
Total expenditures	4,006,500	3,582,588	423,912
Excess (def) of revenues over expenditures	(256,322)	439,644	695,967
OTHER FINANCING SOURCES (USES)			
Loan proceeds	96,000	89,396	(6,604)
Transfers out	(160,000)	(160,000)	0
Total other financing sources (uses)	(64,000)	(70,604)	(6,604)
Excess (def) of revenues over expenditures and other financing sources (uses)	(320,322)	369,040	689,362
Unappropriated ending fund balance	(1,251,816)	0	1,251,816
FUND BALANCE - Beginning of year (Budget)	1,572,138	2,241,176	669,038
FUND BALANCE - End of year (Budget)	$ 0	2,610,216	$ 2,610,216
GAAP ADJUSTMENTS - Reconciled to June 2017		71,901,754	
Capital asset activity acquistions			
Additions		118,295	
Depreciation		(3,234,980)	
Debt principal		476,605	
Loan proceeds		(89,396)	
Interest expense		(10,473)	
Interfund transfers		129,680	
Interfund loan		10,515	
Pension activity, net		(109,494)	
FUND BALANCE - End of year (GAAP)		$ 71,802,722	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018

BONDED DEBT FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Property taxes	$ 850,000	$ 978,673	$ 128,673
Interest	1,000	1,843	843
Miscellaneous	0	339	339
Total revenues	851,000	980,855	129,855
EXPENDITURES			
Debt service	876,000	871,780	4,220
Excess (def) of revenues over expenditures	(25,000)	109,075	134,075
FUND BALANCE - Beginning of year (Budget)	25,000	334,400	309,400
FUND BALANCE - End of year (Budget)	$ 0	443,475	$ 443,475
GAAP ADJUSTMENTS - Reconciled to June 2017		(13,083,404)	
Bond principal		325,000	
Bond premium/discount		48,746	
Amortization		(20,808)	
FUND BALANCE - End of Year (GAAP)		$ (12,286,991)	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018

FACILITIES MAINTENANCE FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	$ 199	$ 110	$ (89)
EXPENDITURES			
Capital outlay	177,699	101,388	76,311
Contingency	8,000	0	8,000
Total expenditures	185,699	101,388	84,311
Excess (def) of revenues over expenditures	(185,500)	(101,278)	84,222
OTHER FINANCING SOURCES (USES)			
Transfers in	160,000	160,000	0
Excess (def) of revenues over expenditures and transfers	(25,500)	58,722	84,222
Reserved for future expenditures	(50,000)	0	(50,000)
FUND BALANCE - Beginning of year (Budget)	75,500	72,323	(3,177)
FUND BALANCE - End of year (Budget)	$ 0	131,045	$ 131,045
GAAP ADJUSTMENTS			
Asset additions		100,727	
Interfund transfers		(100,727)	
FUND BALANCE - End of year (GAAP)		$ 131,045	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018

CONSTRUCTION FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	$ 100	$ 126	$ (26)
EXPENDITURES			
Capital outlay	6,500,000	11,035	6,488,965
Excess (def) of revenues over expenditures	(6,499,900)	(10,909)	6,488,991
OTHER FINANCING SOURCES (USES)			
Loan proceeds	2,500,000	0	(2,500,000)
Intergovernmental	3,999,900	0	(3,999,900)
Transfers in	500,000	0	(500,000)
Transfers out	(500,000)	0	500,000
Total other financing sources (uses)	6,499,900	0	(6,499,900)
Excess (def) of revenues over expenditures and transfers	0	(10,909)	(10,909)
FUND BALANCE - Beginning of year (Budget)	0	53,320	53,320
FUND BALANCE - End of year (Budget)	$ 0	42,411	$ 42,411
GAAP ADJUSTMENTS			
Capital asset acquisition		5,353	
Interfund transfers		(5,353)	
Interfund loan		(480)	
FUND BALANCE - End of Year (GAAP)		$ 41,931	

PORT OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2018

NOAA LEASE REVENUE FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Leases	$ 2,542,000	$ 2,542,000	$ 2,532,759	$ (9,241)
Interest	10,500	10,500	13,022	2,522
Miscellaneous	0	0	910	910
Total revenues	2,552,500	2,552,500	2,546,691	(5,808)
EXPENDITURES				
Personnel services	82,385	82,385	71,236	11,149
Materials and services	366,470	366,470	238,407	128,063
Capital outlay	6,000	23,600	23,600	0
Debt service	2,001,734	2,001,734	2,001,734	0
Contingency	100,000	82,400	0	82,400
Total expenditures	2,556,589	2,556,589	2,334,977	221,612
Excess (def) of revenues over expenditures	(4,089)	(4,089)	211,714	215,803
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	0	(500,000)
Transfers out	(500,000)	(500,000)	0	500,000
Total other financing sources (uses)	0	0	0	0
Excess (def) of revenues over expenditures and transfers	(4,089)	(4,089)	211,714	215,803
Unappropriated ending fund balance	(5,674,690)	(5,674,690)	0	5,674,690
FUND BALANCE - Beginning of year (Budget)	5,678,779	5,678,779	5,745,855	67,076
FUND BALANCE - End of year (Budget)	$ 0	$ 0	5,957,569	$ 5,957,569
GAAP ADJUSTMENTS - Reconciled to June 2017			(20,270,371)	
Capital asset activity				
Additions			23,600	
Interest expense			3,590	
Bond payment			910,000	
Pension activity, net			972	
Interfund transfers			(23,600)	
Interfund loan			(10,035)	
FUND BALANCE - End of year (GAAP)			$ (13,408,275)	

PORT OF NEWPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2018

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
General Operating Fund	$ 4,111,628	$ 3,742,588	$ 369,040
Bonded Debt Fund	980,855	871,780	109,075
Facilities Maintenance Fund	160,110	101,388	58,722
Construction Fund	126	11,035	(10,909)
NOAA Lease Revenue Fund	2,546,691	2,334,977	211,714
Total budgetary basis	$ 7,799,410	$ 7,061,768	737,642
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Capital outlay			247,975
Depreciation			(3,234,980)
Payment of long-term debt			1,711,604
Interest expense			41,864
Advance refund amortization			(20,808)
Loan proceeds			(89,396)
Pension			(108,522)
Change in net position			(714,621)
NET POSITION - Beginning of year			46,995,053
NET POSITION - End of year			$ 46,280,432

PORT OF NEWPORT
OREGON

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Port of Newport
Newport, Oregon

I have audited the basic financial statements of the Port of Newport as of and for the year ended June 30, 2018, and have issued my report thereon February 21, 2019. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Port of Newport financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 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 my audit, and accordingly, I do not express such an opinion.

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

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

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

Budget Compliance

The General Fund overexpended in Debt Service by $39.

Members:
AICPA OSCPA & OAIA

Internal Control Over Financial Reporting

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

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

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

Purpose of This Report

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

SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
February 21, 2019