

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

PORT OF SIUSLAW

June 30, 2013

Board of Commissioners

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
John Buchanan 1405 Yew Street Florence OR 97439	Position 1	30 June 2013
Joshua Greene Suite 3, 2610 Kingwood Street Florence OR 97439	Position 2	30 June 2015
John Scott PO Box 147 Florence OR 97439	Position 3	30 June 2013
Bill Fleenor 09359 Hwy 126 Mapleton OR 97453	Position 4	30 June 2015
Robert Thorp 494 Sherwood LP Florence OR 97439	Position 5	30 June 2013

Administration

<u>Name and Address</u>	<u>Position</u>
Robert Forsythe PO Box 1220 Florence OR 97439	Port Manager
Dina McClure PO Box 1220 Florence OR 97439	Administrative Assistant
John Wolf Speer Hoyt LLC Suite 700, 975 Oak Street Eugene OR 97401	Legal Counsel

Registered Office

Port of Siuslaw
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PORT OF SIUSLAW

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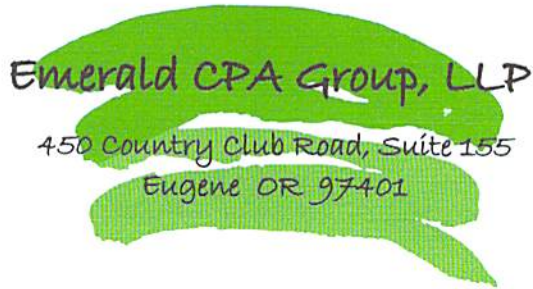
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INDEPENDENT AUDITOR'S REPORT

The logo for Emerald CPA Group, LLP features the company name in a green, hand-drawn font. Below the name, the address "450 Country Club Road, Suite 155" and "Eugene OR 97401" is written in a similar green, hand-drawn font. The text is set against a background of green, brush-stroke-like shapes.

Emerald CPA Group, LLP

450 Country Club Road, Suite 155
Eugene OR 97401

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Siuslaw
Florence, Oregon 97439

We have audited the accompanying financial statements of the Port of Siuslaw (the Port), Florence, Oregon, as of and for the year ended June 30, 2013, 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 of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2013, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity 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-vi 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The supplementary information, consisting of the budgetary comparison of the General Fund on page 13 and the Schedule of Property Tax Transactions on page 14 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 15, 2014, on our consideration of the District's internal control over financial reporting and on the tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 182-10-320. 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.

Emerald CPA Group, LLP

By *William H. Trotter*
William H. Trotter, Partner
Eugene, Oregon
February 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of the financial activities and financial position of the Port of Siuslaw (Port) for the fiscal year ending 30 June 2013 (hereafter referred to as 2013).

The Port is a public enterprise form of government, a hybrid between general government and private enterprise. Taxes provide only a small portion of the Port's income, and the Port relies on profit or at least self-sufficiency from Port operations to provide public services and accomplish its economic development function. Consequently, the Port accounts for its financial activities using a proprietary fund similar to those in the private sector, and follows "business-type activity" rather than "government" reporting requirements.

Financial Statements

The Port's basic financial statements include:

- A statement of Net Position that provides an overview of assets owned by the Port, the debts owed by the Port, and the net difference available as a resource for future operations and activities.
- A statement of Revenues, Expenses, and Changes in Net Position that summarizes the operating expenses of the Port, and how operating revenues, taxes, grants and other resources cover those expenditures.
- A statement of Cash Flows that provides an objective summary of the "real money" financial condition of the Port as actual cash is received and disbursed.

Supplementary information includes:

- Statement of Revenues, Expenses and Changes in Budget and Actual Balances.
- Schedule of Property Tax Transactions

Financial highlights

Total ending Net Position of the Port increased from \$5,124,509 in 2012 to \$5,954,738 in 2013 or \$830,229, a percentage change of 16.2%. Port ending Net Position was reduced by depreciation in 2013 by \$424,571.

The Port's change in Net Position increased from \$17,950 to \$930,063 or \$912,113, a percentage change of 5081.4%. Operating revenues increased from \$546,323 to \$630,413 or \$64,090, a percentage change of 15.4%. Non-operating revenues increased from \$452,507 to \$1,542,428 or \$1,089,921, a percentage change of 240.9 %. A special one-time sale of fixed assets realized a gain of \$3,399.

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

The Port's cash balance increased from \$197,499 at the end of 2012 to \$239,801 at the end of 2013 or \$42,302, a percentage change of 21.4 %.

Net Position for current and prior year is:

	<u>2013</u>	<u>2012</u>	<u>Increases (decreases)</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 239,801	\$ 197,499	\$ 42,302
Taxes receivable	20,325	19,154	1,171
Accounts receivable	3,841	2,813	1,028
Inventory	9,975	12,859	(2,884)
Other assets	<u>21,155</u>	<u>20,014</u>	<u>1,141</u>
Total current assets	<u>295,097</u>	<u>252,339</u>	<u>42,758</u>
Non-current assets:			
Capital assets, net	7,292,329	6,133,452	1,158,877
Restricted cash	<u>-</u>	<u>5,008</u>	<u>(5,008)</u>
Total non-current assets	<u>7,292,329</u>	<u>6,138,460</u>	<u>1,153,869</u>
Total assets	<u>\$ 7,587,426</u>	<u>\$ 6,390,799</u>	<u>\$ 1,196,627</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	\$ 37,577	\$ -	\$ 37,577
Payroll related liabilities	14,676	17,053	(2,377)
Deposits	8,990	8,662	328
Deferred revenue	69,168	63,624	5,544
Accrued interest	39,802	32,305	7,497
Current portion of long-term debt	<u>315,396</u>	<u>304,159</u>	<u>11,237</u>
Total current liabilities	<u>485,609</u>	<u>425,803</u>	<u>59,806</u>
Non-current liabilities:			
Long-term debt	<u>1,147,079</u>	<u>840,487</u>	<u>306,592</u>
Total liabilities	<u>1,632,688</u>	<u>1,266,290</u>	<u>366,398</u>
Net Position			
Invested in capital assets net of related debt	5,829,854	4,988,806	841,048
Restricted	-	-	-
Unrestricted	<u>124,884</u>	<u>135,703</u>	<u>(10,819)</u>
Total Net Position	<u>\$ 5,954,738</u>	<u>\$ 5,124,509</u>	<u>\$ 830,229</u>

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

The Changes in Net Position for the current and prior year are:

	<u>2013</u>	<u>2012</u>	<u>Increases (decreases)</u>
OPERATING REVENUES			
Leases	\$ 169,035	\$ 161,342	\$ 7,693
Moorage	58,773	50,199	8,574
Storage	22,478	22,190	288
Marine fuel sales	59,897	60,195	(298)
Campground fees	304,330	240,097	64,233
Repairs and maintenance revenue	<u>15,900</u>	<u>12,300</u>	<u>3,600</u>
Total operating revenues	<u>630,413</u>	<u>546,323</u>	<u>84,090</u>
OPERATING EXPENSES			
Salaries	271,823	259,057	12,766
Benefits	79,507	63,817	15,690
Supplies	24,786	24,826	(40)
Utilities	99,002	79,833	19,169
Fuel	53,579	50,184	3,395
Rentals	7,440	4,984	2,456
Repairs and maintenance	91,890	56,447	35,443
Professional services	33,764	45,938	(12,174)
Travel	12,257	6,519	5,738
Insurance	41,169	41,008	161
Advertising & public relations	21,718	18,690	3,028
Taxes & licenses	27,285	23,775	3,510
Other expense	57,386	39,417	17,969
Depreciation expense	<u>424,571</u>	<u>416,093</u>	<u>8,478</u>
Total operating expenses	<u>1,246,177</u>	<u>1,130,588</u>	<u>115,589</u>
Net operating income	<u>(615,764)</u>	<u>(584,265)</u>	<u>(31,499)</u>
NON OPERATING REVENUES (EXPENSES)			
Property taxes	265,151	262,014	3,137
State forest sales	38,220	28,014	10,206
Grants	1,258,775	203,691	1,055,084
Interest income	1,897	9,501	(7,604)
Interest expense	(62,312)	(73,482)	11,170
Gain on sale of fixed assets	3,399	-	3,399
Miscellaneous income	<u>40,697</u>	<u>22,769</u>	<u>17,928</u>
Total non-operating revenues (expenses)	<u>1,545,827</u>	<u>452,507</u>	<u>1,093,320</u>
Change in Net Position	<u>930,063</u>	<u>(131,758)</u>	<u>1,061,821</u>
NET POSITION			
Net Position, beginning	5,124,509	5,106,559	17,950
Prior period adjustment	<u>(99,834)</u>	<u>-</u>	<u>(99,834)</u>
Net Position, ending	<u>\$ 5,954,738</u>	<u>\$ 4,974,801</u>	<u>\$ 979,937</u>

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Operating revenues continue to be insufficient to meet operating, debt and capital expense needs, and to offset depreciation. Tax revenues are necessary to cover part of our operating costs. Grants are necessary to maintain the Port's public use facilities. Grants and loans remain vital in support of meaningful capital maintenance and improvement programs.

Budgetary comparison

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>	
				<u>Amount</u>	<u>Percent</u>
General Fund:					
Total revenues	<u>\$ 2,413,068</u>	<u>\$ 2,413,068</u>	<u>\$ 2,237,381</u>	<u>\$ (175,687)</u>	-7.28%
Expenditures					
Personal services	329,652	352,232	351,507	725	0.21%
Materials and services	428,904	428,904	448,511	(19,607)	-4.57%
Capital outlay	131,428	131,428	108,974	22,454	17.08%
Debt service	2,020,800	1,999,800	1,682,024	317,776	15.89%
Contingency	<u>25,704</u>	<u>25,704</u>	<u>-</u>	<u>25,704</u>	100.00%
Total expenditures	<u>2,936,488</u>	<u>2,938,068</u>	<u>2,591,016</u>	<u>347,052</u>	11.81%
Loan proceeds	<u>375,000</u>	<u>375,000</u>	<u>350,705</u>	<u>(24,295)</u>	-6.48%
Net change in fund balance	<u>\$ (148,420)</u>	<u>\$ (150,000)</u>	<u>\$ (2,930)</u>	<u>\$ (547,034)</u>	364.69%

Variations between Budget and Actual Results

The Port exceeded budgeted materials and services by \$19,607 in 2013 although total expenditures were \$347,776 under budget.

Changes in fixed assets:

	<u>Balance 07/01/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/13</u>
Land	\$ 2,617,874	\$ -	\$ -	\$ 2,617,874
Land Improvements	1,357,835	-	-	1,357,835
Buildings and Docks	5,816,696	1,643,353	60,431	7,399,618
Equipment and Vehicles	<u>839,772</u>	<u>18,650</u>	<u>88,601</u>	<u>769,821</u>
Total capital assets	<u>10,632,177</u>	<u>1,662,003</u>	<u>149,032</u>	<u>12,145,148</u>
Less accumulated depreciation:				
Land Improvements	1,051,021	51,867	-	1,102,888
Buildings and Docks	2,879,201	289,436	50,408	3,118,229
Equipment and Vehicles	<u>568,503</u>	<u>83,868</u>	<u>20,669</u>	<u>631,702</u>
Total accumulated depreciation	<u>4,498,725</u>	<u>425,171</u>	<u>71,077</u>	<u>4,852,819</u>
Net capital assets	<u>\$ 6,133,452</u>	<u>\$ 1,236,832</u>	<u>\$ 77,955</u>	<u>\$ 7,292,329</u>

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Changes in long-term debt:

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Due within one year
Notes Payable:					
OBD Loan No. 52130	\$ 106,486	\$ -	\$ 24,300	\$ 82,186	\$ 25,538
OBD Loan No. L0004	141,298	-	7,483	133,815	7,932
OBD Loan No. 1000214241	250,000	-	-	250,000	250,000
Siuslaw Bank Loan No. 524016	70,218	-	2,562	67,656	2,683
OBD Loan N. 525186	576,644	-	19,814	556,830	20,756
OBD Loan N. 525196	-	371,988	-	371,988	8,487
	<u>\$ 1,144,646</u>	<u>\$ 371,988</u>	<u>\$ 54,159</u>	<u>\$1,462,475</u>	<u>\$ 315,396</u>

Facts, Decisions, or Conditions that may have a Significant Effect on Financial Position or Results of Operations

The Siuslaw River jetties will continue to be a problem until the U.S. Army Corp of Engineers has a budget that allows some 80 to 100 million dollars to be spent to repair them. It is obvious that the Federal government will allow our jetties to remain in a state of disrepair for some years to come. The good news is our local representative and congressional offices are making inroads towards the proper use of the Harbor Maintenance Trust Fund. These efforts should slow down the use of those monies being used for projects that are not Port related thus allowing more funds to be utilized in the proper manner.

The Wharf project is completed and has come in under budget. It was made possible, in part, by a \$1.5 million grant from Oregon Department of Transportation's Connect III funding. The work should increase the wharf's useful life by another 30 years.

Dredging continues to be an issue for all ports. The cost is extreme and the permitting process is time consuming and cumbersome. As long as the jetties are in disrepair dredging of the bar will remain extremely important. Where most ports have a hard time getting on the Corp's dredging schedule we benefit by having a local Coast Guard facility. They are a great deal of help as they facilitate approximately 50 plus rescues per year thus the bar must be dredged to allow their vessels to cross safely.

There are discussions of forming a Seven Port coalition. This coalition would consist of the Port of Siuslaw and the six ports south of here. We would consider helping each other when contracting for goods and services, lending equipment, and showing a group effort behind influencing the voting public on matters important to the Ports. This group will also interface with the Coastal Cactus, a group of elected officials that was formed to work on coastal community issues.

Our next big project is the bulkhead that runs east of the public boat ramp approximately 800 feet and is the northern boundary of the recreational boat basin. Upon inspection the bulkhead is failing and needs to be replaced. We will seek out funding for the project and see what the initial cost might be. This project may take a couple of years from concept to completion.

After consolidating the two Port offices staff to 100 Harbor Street, staff repaired the 1499 Bay street office. It was then leased to the Silver Sand Dollar on a three year lease.

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

We successfully crafted and adopted a new Strategic Business Plan to cover the years 2013 - 2018.

A new board was elected in 2012 -2013 which filled four of our five seats. Thus board training will need to be more extensive than it has in past years.

The Port staff has made many changes and upgrades to the Campground over the last year. One of the biggest is the Hiker Biker area. This facility caters to the Bicyclist and Hiking campers. There are wind breaks, water and WI-Fi available. We expect 2013-2014 to be a productive year for this new amenity.

Financial Contact

The Port's financial statements are designed to present citizens, taxpayers, investors and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability. If you have questions about this report or need additional financial information, please contact the Port Manager at 100 Harbor Street, PO Box 1220, Florence, Oregon 97439.

BASIC FINANCIAL STATEMENTS

PORT OF SIUSLAW
Statement of Net Position
June 30, 2013

	2013
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 239,801
Taxes receivable	20,325
Accounts receivable	3,841
Inventory	9,975
Other assets	21,155
Total current assets	295,097
Non-current assets:	
Capital assets, net	7,292,329
Restricted cash	-
Total non-current assets	7,292,329
Total assets	\$ 7,587,426
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 37,577
Payroll related liabilities	14,676
Deposits	8,990
Deferred revenue	69,168
Accrued interest	39,802
Current portion of long-term debt	315,396
Total current liabilities	485,609
Non-current liabilities:	
Long-term debt	1,147,079
Total liabilities	1,632,688
 NET POSITION:	
Invested in capital assets, net of related debt	5,829,854
Unrestricted	124,884
Total Net Position	5,954,738
Total liabilities and Net Position	\$ 7,587,426

The accompanying notes are an integral part of these financial statements

PORT OF SIUSLAW
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2013

	2013
OPERATING REVENUES:	
Leases	\$ 169,035
Moorage	58,773
Storage	22,478
Marine fuel sales	59,897
Campground fees	304,330
Repairs and maintenance revenue	15,900
Total operating revenues	630,413
OPERATING EXPENSES:	
Salaries	271,823
Benefits	79,507
Supplies	24,786
Utilities	99,002
Fuel	53,579
Rentals	7,440
Repairs and maintenance	91,890
Professional services	33,764
Travel	12,257
Insurance	41,169
Advertising & public relations	21,718
Taxes & licenses	27,285
Other expense	57,386
Depreciation expense	424,571
Total operating expenses	1,246,177
Operating income (loss)	(615,764)
NON-OPERATING REVENUES (EXPENSES):	
Property taxes	265,151
State forest sales	38,220
Grants	1,258,775
Interest and investment revenue	1,897
Interest expense	(62,312)
Gain on sale of fixed assets	3,399
Miscellaneous revenue	40,697
Total nonoperating revenues (expenses)	1,545,827
Change in Net Position	930,063
Net Position, beginning	5,124,509
Prior period adjustment	(99,834)
Net position, beginning, as restated	5,024,675
Net Position - ending	\$ 5,954,738

The accompanying notes are an integral part of these financial statements

PORT OF SIUSLAW
Statement of Cash Flows
For the Year Ended June 30, 2013

	2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 635,257
Payments to suppliers	(430,956)
Payments to employees	(353,707)
Net cash provided (used) by operating activities	(149,406)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property tax receipts	263,980
Other Grants	1,580
Other receipts (payments)	78,917
Net cash provided (used) by noncapital financing activities	344,477
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants received	1,257,195
Payments on Loans	(54,155)
Purchases of capital assets	(1,662,003)
Interest paid on capital debts	(54,815)
Loan Proceeds	350,705
Sale of assets	3,399
Net cash provided (used) by capital related financing activities	(159,674)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,897
Net cash provided (used) by investing activities	1,897
Net increase (decrease) in cash and cash equivalents	37,294
Cash Balances - beginning of the year	202,507
Cash Balances - end of the year	\$ 239,801
RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (Loss)	\$ (615,764)
Adjustments to reconcile operating income:	
Depreciation expense	424,571
Change in assets and liabilities:	
(Increase) decrease in receivables	(1,028)
(Increase) decrease in prepaid expense	(1,141)
(Increase) decrease in inventories	2,884
Increase (decrease) in accounts payable	37,577
Increase (decrease) in payroll related liabilities	(2,377)
Increase (decrease) in deposits	328
Increase (decrease) in deferred revenue	5,544
Net cash provided (used) by operating activities	\$ (149,406)

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

PORT OF SIUSLAW

For the Year Ended June 30, 2013 Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

The Port of Siuslaw is organized under the provision of State of Oregon statutes for a port. The governing body is the Board of Commissioners, which is composed of five elected members. The administrative functions of the Port are directed by the Port manager, who reports to the Board of Commissioners. The Port is a primary government and there were no other organizations (component units) that the Port was financially accountable for that would be required to be included in these financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

The proprietary fund type is used by the Port to account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration.

For financial reporting purposes, the Port reports on an enterprise fund basis. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the statement of net position. The Port's net position is segregated into two amounts: investment in fixed assets, net of related debt, and unrestricted.

The Port's financial statements are prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America for proprietary fund types. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of the timing of related cash flows.

Operating revenues generally result from providing services to customers. Principal operating revenues include moorage, leases, marine fuel sales and RV Park fees. All other revenues, including property taxes, and grants not meeting this definition is reported as non-operating revenues.

PORT OF SIUSLAW

For the Year Ended June 30, 2013 Notes to the Financial Statements

The Port reports the following budgeted proprietary fund:

General operating fund is used to account for most of the Port's operations. Primary revenues are leases, moorage fees, storage fees, RV park fees and sale of marine fuel. Capital assets and debt service are recorded as expenditures.

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.

C. BUDGETS

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with the Local Budget Law. Budgets are adopted on a modified accrual basis of accounting that excludes amounts accrued in taxes receivable, inventory, prepaid expense, accrued interest and compensated absences, which is not in conformity with generally accepted accounting principles, but is an acceptable method for Oregon Municipal Corporations under Oregon Local Budget Law. All annual appropriations lapse at fiscal year end. The Port does not use encumbrance accounting.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, approval by the budget committee and adoption by the Board of Commissioners. Management may modify original and supplemental budgets by the use of appropriation transfers between the levels of control within a fund. Such transfers require the approval of the Board of Commissioners.

During the fiscal year, General fund materials and services exceeded budgeted appropriations by \$19,607.

D. CASH AND CASH EQUIVALENTS

The cash and cash equivalents reported on the balance sheets include petty cash and change funds, checking account and money market account balances.

PORT OF SIUSLAW

For the Year Ended June 30, 2013 Notes to the Financial Statements

E. RECEIVABLES AND PAYABLES

Receivables are recorded on the balance sheet in accordance with the policies enumerated in paragraph above.

For the current year the Port levied taxes at the permanent rate of 0.1474 per \$1,000 of assessed value within the taxing Port. Measure 50 establishes the permanent rate and allows for an increase of the assessed value of 3% per year.

Lane County makes all assessments of property value, and levies and collects the taxes for the Port and all other taxing Ports within the County. Assessments of property values are as of January 1 of each year. Real property taxes are levied and attach as an enforceable lien on property on July 1. Taxes are payable in three installments on November 15, February 15, and May 15. A 3% discount is allowed for payment in full on November 15.

F. INVENTORIES AND PREPAID ITEMS

Inventories are stated at the lower of cost or market. Cost is determined by the first-in/first-out method for all inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in statement of Net Position.

G. CAPITAL ASSETS

Capital assets include land and land improvements; buildings and buildings improvements; equipment and machinery; infrastructure; and construction in progress. The Port's capitalization threshold is \$3,000, and on estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Purchased fixed assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at estimated fair market value on the date received.

Depreciation is computed using the straight-line method over the estimated useful life of the assets. Estimated useful lives are 10 to 20 years for buildings and improvements, 5 to 10 years for equipment, and 20 years for parking lot and RV loop improvements.

PORT OF SIUSLAW

For the Year Ended June 30, 2013 Notes to the Financial Statements

H. NET POSITION

GASB Statement No. 63 reports equity as "Net Position" rather than "fund balance". Net Position is classified according to external donor restrictions or availability of assets for satisfaction of the Port's obligations.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PORT OF SIUSLAW

**For the Year Ended June 30, 2013
Notes to the Financial Statements**

2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30:

Cash in financial institutions	\$ 239,151
Petty cash	650
	<hr/>
	\$ 239,801
	<hr/>

Deposits with financial institutions are comprised of bank demand deposits. Total bank balances, as shown on the bank's records at year-end were \$242,909. Of these deposits, the total covered by federal deposit insurance was \$250,000 at June 30, 2013.

Custodial credit risk - deposits: This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. In order to minimize this risk, the State of Oregon established the Public Funds Collateralization Program (PFCP).

PFCP is an application created by the Office of the State Treasurer (OST) to facilitate bank depository, custodian and public official compliance with Oregon Revised Statutes 295 (ORS) effective on July 1, 2008. Requirements described on PFCP for depository banks, custodian banks and local governments are set forth as the following:

Banks are required to report quarterly to the State Treasurer, providing quarter-end public funds balance in excess of the FDIC limits, net worth, and FDIC capitalization information. The FDIC assigns each bank with a capitalization category quarterly, either well capitalized, adequately capitalized or undercapitalized. The PFCP calculates, based on this information, the bank's minimum collateral (maximum liability) that must be pledged with the custodian for the next quarter. The maximum liability is reported to the bank, OST and custodian.

The custodian banks hold the collateral pledged by the banks. OST provides the custodian the maximum liability for each bank. Banks will request security pledges, releases and substitutions through the PFCP. The custodian will process the transactions as approved by OST and maintain an inventory of pledged securities. OST will monitor that adequate collateral is pledged at all times and that all banks comply with the requirements of ORS.

Public officials are required to verify that deposit accounts in excess of deposit insurance limits are only maintained at financial institutions included on the list of qualified depositories found on the OST's web site. Public officials are also required to report at least annually, or within 10 days of a change, the banks they do business with, and contact information for the public official. It is the responsibility of the public official to ensure compliance with these requirements in order to eliminate personal liability in the event of a bank loss.

The District's depository bank was listed on the Treasurer's web site, "Qualified Depositories for Public Fund", throughout the fiscal year.

PORT OF SIUSLAW

For the Year Ended June 30, 2013 Notes to the Financial Statements

3. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance 07/01/12	Additions	Reductions	Balance 06/30/13
Land	<u>2,617,874</u>	<u>-</u>	<u>-</u>	<u>2,617,874</u>
Assets being depreciated:				
Land improvements	1,357,835	-	-	1,357,835
Buildings and docks	5,816,696	1,643,353	60,431	7,399,618
Equipment and vehicles	<u>839,772</u>	<u>18,650</u>	<u>88,601</u>	<u>769,821</u>
Total assets being depreciated	<u>8,014,303</u>	<u>1,662,003</u>	<u>149,032</u>	<u>9,527,274</u>
Less accumulated depreciation:				
Land improvements	1,051,021	51,867	-	1,102,888
Buildings and docks	2,879,201	289,436	50,408	3,118,229
Equipment and vehicles	<u>568,503</u>	<u>83,868</u>	<u>20,669</u>	<u>631,702</u>
Total accumulated depreciation	<u>4,498,725</u>	<u>425,171</u>	<u>71,077</u>	<u>4,852,819</u>
Net assets being depreciated	<u>3,515,578</u>	<u>1,236,832</u>	<u>77,955</u>	<u>4,674,455</u>
Net capital assets	<u>\$ 6,133,452</u>	<u>\$ 1,236,832</u>	<u>\$ 77,955</u>	<u>\$ 7,292,329</u>

4. Long-term debt

A. DESCRIPTION OF FINANCING AGREEMENTS

In 1995 the Port borrowed \$60,000 from the Oregon Business Development (OBD) Department's Oregon Port Revolving Loan Fund for a Port Development Project. In April of 1999 the Port borrowed an additional \$113,113 and during the fiscal year ended June 30, 2000, the OEDD advanced an additional \$157,753. Debt service is \$7,364 quarterly through 2016, including interest payments at 5%. At June 30, 2013, the balance due on this Commercial Dock and Business Site Development Project loan no. 52130 is \$129,608.

The Port borrowed \$189,139 in April 2000 from the Oregon Business Development Department's Special Works Fund. Debt service is \$15,961 annually through 2025, including 6% interest. At June 30, 2013, the balance due on this loan no. L0004 is \$148,358. This was for commercial dock and business site development.

The Oregon Business Development Department required part of their dredging funds awarded to the Port to be a loan. In March and April 2009 the Port borrowed \$75,000. This loan no. 524016 is payable in annual amounts on December 1 in the amount of \$5,876 including interest at 4.72 percent. This loan was for marina dredging.

In August 2008, Siuslaw Valley Bank lent the Port \$250,000 with interest rate at 4.45%. In 2013, the Port will make a balloon payment. This loan no. was for the Port to obtain free and clear title to the property for future economic development.

PORT OF SIUSLAW

**For the Year Ended June 30, 2013
Notes to the Financial Statements**

4. Long-term debt (continued)

In 2012 the Oregon Business Development Department lent the Port \$601,000. Payments are due quarterly in the amount of \$11,600 including interest at 4.67 percent. This loan no. 525186 was for the Maple Street landing and dock rehabilitation.

In 2013 the Oregon Business Development Department lent the Port \$371,988. Payments are due quarterly in the amount of \$29,700 including interest at 4.67 percent. This loan no. 525196 was for the wharf rehabilitation.

B. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance <u>7/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2013</u>	Due within one year
OBD Loan No. 52130	\$ 106,486	\$ -	\$ 24,300	\$ 82,186	\$ 25,538
OBD Loan No. L0004	141,298	-	7,483	133,815	7,932
Siuslaw Bank Loan No. 1000214241	250,000	-	-	250,000	250,000
OBD Loan No. 524016	70,218	-	2,562	67,656	2,683
OBD Loan N. 525186	576,644	-	19,814	556,830	20,756
OBD Loan N. 525196	-	371,988	-	371,988	8,487
Total	<u>\$ 1,144,646</u>	<u>\$ 371,988</u>	<u>\$ 54,159</u>	<u>\$ 1,462,475</u>	<u>\$ 315,396</u>

C. DEBT SERVICE REQUIREMENTS

Future debt service requirements on the above loans payable are as follows:

Year Ending <u>June 30,</u>	OBD Loan No. 520130			OBD Loan No. L00004		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	25,538	3,919	29,457	7,932	8,029	15,961
2015	26,840	2,618	29,458	8,408	7,553	15,961
2016	28,207	1,251	29,458	8,912	7,049	15,961
2017	1,601	91	1,692	9,447	6,514	15,961
2018	-	-	-	10,014	5,947	15,961
2019-2023	-	-	-	59,838	19,967	79,805
2024-2028	-	-	-	29,264	2,660	31,924
2029-2033	-	-	-	-	-	-
Total	<u>\$ 82,186</u>	<u>\$ 7,879</u>	<u>\$ 90,065</u>	<u>\$ 133,815</u>	<u>\$ 57,719</u>	<u>\$ 191,534</u>

PORT OF SIUSLAW

For the Year Ended June 30, 2013 Notes to the Financial Statements

4. Long-term debt (continued)

Year Ending June 30,	Siuslaw Bank Loan - 1000214241			OBD Loan No. 524016		
	Principal	Interest	Total	Principal	Interest	Total
2014	250,000	11,125	261,125	2,683	3,193	5,876
2015	-	-	-	2,809	3,067	5,876
2016	-	-	-	2,942	2,934	5,876
2071	-	-	-	3,081	2,795	5,876
2018	-	-	-	3,226	2,650	5,876
2019-2023	-	-	-	18,564	10,816	29,380
2024-2028	-	-	-	23,379	6,001	29,380
2029-2033	-	-	-	10,972	783	11,755
Total	\$ 250,000	\$ 11,125	\$ 261,125	\$ 67,656	\$ 32,239	\$ 99,895

Year Ending June 30,	OBD Loan No. 525186			OBD Loan No. 525196		
	Principal	Interest	Total	Principal	Interest	Total
2014	20,756	25,644	46,400	8,487	23,087	31,574
2015	21,742	24,658	46,400	11,816	17,884	29,700
2016	22,775	23,624	46,399	12,415	17,284	29,700
2071	23,858	22,542	46,400	13,045	16,655	29,700
2018	24,992	21,408	46,400	13,707	15,993	29,700
2019-2023	143,944	88,055	231,999	79,701	68,798	148,499
2024-2028	181,556	50,442	231,998	102,078	46,420	148,499
2029-2033	117,207	8,247	125,454	130,739	17,760	148,499
Total	\$ 556,830	\$ 264,620	\$ 821,450	\$ 371,988	\$ 223,881	\$ 595,869

Year Ending June 30,	Totals		
	Principal	Interest	Total
2014	315,396	74,997	390,393
2015	71,615	55,780	127,395
2016	75,251	52,142	127,394
2071	51,032	48,597	99,629
2018	51,939	45,998	97,937
2019-2023	302,047	187,636	489,683
2024-2028	336,277	105,523	441,801
2029-2033	258,918	26,790	285,708
Total	\$ 1,462,475	\$ 597,463	\$ 2,059,938

5. Prior period adjustment

The beginning balance of Net Position in the General Fund is adjusted by (\$99,834) to reflect the fixed assets that should have been deleted in prior years (\$78,551), net) and amounts received in prior years and capitalized in a Oregon Business Development loan in the current year (\$21,283). The beginning fund balance in the budgetary comparison schedule has been adjusted to reflect a change from a cash basis to a basis that includes trade receivables and payables. The net amount is (\$65,387).

6. Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies. Any disallowed costs, including amounts already collected, may constitute a liability of the applicable funds.

PORT OF SIUSLAW

For the Year Ended June 30, 2013 Notes to the Financial Statements

7. Deferred compensation plan

The Port offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time port employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. Investment balance as of June 30, 2013 was \$50,900.

8. Risk management

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port participates in the Special District Association of Oregon. The Port has not significantly reduced insurance coverage in the past three years nor has it paid claims in excess of its insurance coverage.

9. Subsequent event.

During the fiscal year 2013-2014, the port refinanced its loan with the Siuslaw Bank in the principal amount of \$247,500 with monthly payments of \$1,499.92 including interest at 3.90%. The loan has a balloon payment of \$203,505 due in December 5, 2018.

SUPPLEMENTARY FINANCIAL INFORMATION

PORT OF SIUSLAW
Budget and Actual (with Variances)
General Operating Fund
For the year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Property Taxes	\$ 291,570	\$ 291,570	\$ 263,980	\$ (27,590)
Sales and miscellaneous taxes	-	-	38,220	38,220
Intergovernmental	1,504,380	1,504,380	1,258,775	(245,605)
Charges for services:				
Leases	164,096	164,096	169,035	4,939
Moorage	52,414	52,414	58,773	6,359
Storage	22,000	22,000	22,478	478
Marine fuel sales	65,000	65,000	59,897	(5,103)
Campground fees	275,900	275,900	304,330	28,430
Repairs and maintenance revenues	12,300	12,300	15,900	3,600
Investment earnings	10,400	10,400	1,897	(8,503)
Proceeds from sale capital assets	2,000	2,000	3,399	1,399
Miscellaneous	13,008	13,008	40,697	27,689
Total revenues	2,413,068	2,413,068	2,237,381	(175,687)
EXPENDITURES				
Current:				
Highways and roads	-	-	-	-
Personal services	329,652	352,232	351,507	725
Materials and services	428,904	428,904	448,511	(19,607)
Principal & interest	131,428	131,428	108,974	22,454
Capital Outlay	2,020,800	1,999,800	1,682,024	317,776
Contingency	25,704	25,704	-	25,704
Total Expenditures	2,936,488	2,938,068	2,591,016	347,052
Excess (deficiency) of revenues over expenditures	(523,420)	(525,000)	(353,635)	171,365
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term loans	375,000	375,000	350,705	(24,295)
Total other financing sources and uses	375,000	375,000	350,705	(24,295)
Net change in revenues over (under) expenditures	(148,420)	(150,000)	(2,930)	147,070
Fund balances - beginning	339,004	339,004	196,224	(142,780)
Prior period adjustment	-	-	(65,387)	-
Fund balance - ending	190,584	189,004	127,907	\$ (61,097)
Reconciliation to GAAP basis:				
Taxes receivable			20,325	
Inventory			9,975	
prepaid expense			21,155	
Accrued interest			(39,802)	
Compensated absences			(14,676)	
Capital assets, net			7,292,329	
Long-term debt			(1,462,475)	
Total reconciling items			5,826,831	
Net position, ending			\$ 5,954,738	

PORT OF SIUSLAW

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the fiscal year ended June 30, 2013

Fiscal Year	Levy and Uncollected Balance 6/30/2012	Discounts & Adjustments	Collections	Uncollected Balance 6/30/2013	Interest
2012-13	\$ 288,820	\$ (23,405)	\$ 256,736	\$ 8,679	\$ 107
2011-12	8,835	(207)	3,607	5,021	176
2010-11	5,040	(3)	1,756	3,281	263
2009-10	3,352	(8)	1,284	2,060	328
2008-09	880	(47)	462	371	157
2007-08	274	(14)	51	209	24
2006-07	169	(14)	20	135	12
Prior Years	<u>1,604</u>	<u>(972)</u>	<u>63</u>	<u>569</u>	<u>-</u>
Totals	<u>\$ 308,974</u>	<u>\$ (24,670)</u>	<u>\$ 263,979</u>	<u>\$ 20,325</u>	<u>\$ 1,067</u>

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY THE STATE OF OREGON MINIMUM STANDARDS
FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**

The logo for Emerald CPA Group, LLP features the company name in a green, hand-drawn style font. Below the name, the address "450 Country Club Road, Suite 155" and "Eugene OR 97401" is written in a smaller, similar green font. The text is set against a background of green, brush-stroke-like shapes that resemble a stylized landscape or foliage.

Emerald CPA Group, LLP

450 Country Club Road, Suite 155
Eugene OR 97401

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY MINIMUM STANDARDS FOR
AUDITS OF OREGON MUNICIPAL CORPORATIONS

Board of Commissioners
Port of Siuslaw
Florence, Oregon 97439

We have audited the basic financial statements of the Port of Siuslaw (the Port) for the year ended June 30, 2013, and have issued our report thereon dated February 15, 2013. 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 (ORS) 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 that 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
- Highway revenue used for public highways, roads, streets
- 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 Municipal corporations, except as described in note 1C.

Members of the Board of Commissioners
Port of Siuslaw
Page 2 of 2

OAR 162-10-320 Internal Control

In planning and performing our audit, we considered the Port's internal control over financial reporting 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 Port's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

We have separately issued an internal control report dated February 15, 2014 under the provisions of *Statements on Auditing Standards (SAS) 115*.

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

Emerald CPA Group, LLP

By William H. Trotter
William H. Trotter, Partner
Eugene, Oregon
February 15, 2014