



ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

Emerald CPA Group, LLP
450 Country Club Road Suite 155
Eugene OR 97401

PORT OF SIUSLAW

June 30, 2014

Board of Commissioners

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
Terry Duman PO Box 2740 Florence OR 97439	Position 1	30 June 2017
Nancy Rickard 3105 Munsel Lake Road Florence OR 97439	Position 2	30 June 2015
John "Jay" Cable 75 Harbor St, Suite 100 Florence OR 97439	Position 3	30 June 2017
Bill Fleenor 09359 Hwy 126 Mapleton OR 97453	Position 4	30 June 2015
Ron Caputo 87729 Sandrift Florence OR 97439	Position 5	30 June 2017

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
100 Harbor Street / PO Box 1220
Florence, Oregon 97439
Tel: (541)997-3426 Fax: (541)997-9407
www.portofsiuslaw.com

PORT OF SIUSLAW

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, 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, 2014, 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 11 and the Schedule of Property Tax Transactions on page 12 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 December 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
December 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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 2014 (hereafter referred to as 2014).

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 decreased from \$5,954,849 in 2013 to \$5,830,707 in 2014 or \$(169,661), a percentage change of -2.25%. Port ending Net Position was reduced by depreciation in 2014 by \$425,212.

The Port's change in Net Position decreased from \$930,063 to \$(145,314) or \$(1,075,377), a percentage change of 115.62%. Operating revenues increased from \$630,413 to \$694,830 or \$64,417, a percentage change of 10.22%. Non-operating revenues and expenses decreased from \$1,545,827 to \$446,861 or \$1,098,966, a percentage change of 71.09%. A special one-time sale of fixed assets realized a gain of \$1,894.

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The Port's cash balance increased from \$239,801 at the end of 2013 to \$255,089 at the end of 2014 or \$15,288, a percentage change of 6.38%.

Net Position for current and prior year is:

	<u>2014</u>	<u>2013</u>	<u>Increases (decreases)</u>	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 255,089	\$ 239,801	\$ 15,288	6.38%
Taxes receivable	21,667	20,325	1,342	6.60%
Accounts receivable	11,672	3,841	7,831	203.88%
Inventory	12,465	9,975	2,490	24.96%
Other assets	<u>25,236</u>	<u>21,155</u>	<u>4,081</u>	19.29%
Total current assets	<u>326,129</u>	<u>295,097</u>	<u>31,032</u>	10.52%
Non-current assets:				
Capital assets, net	7,054,059	7,292,329	(238,270)	-3.27%
Total non-current assets	<u>7,054,059</u>	<u>7,292,329</u>	<u>(238,270)</u>	-3.27%
Total assets	<u>\$ 7,380,188</u>	<u>\$ 7,587,426</u>	<u>\$ (207,238)</u>	-2.73%
LIABILITIES				
Current liabilities:				
Accounts Payable	\$ 14,898	\$ -	\$ 14,898	
Payroll related liabilities	10,231	14,676	(4,445)	-30.29%
Deposits	8,710	8,990	(280)	-3.11%
Deferred revenue	86,832	69,168	17,664	25.54%
Accrued interest	39,802	39,802	-	0.00%
Current portion of long-term debt	<u>80,024</u>	<u>315,396</u>	<u>(235,372)</u>	-74.63%
Total current liabilities	<u>240,497</u>	<u>448,032</u>	<u>(207,535)</u>	-46.32%
Non-current liabilities:				
Long-term debt	<u>1,308,984</u>	<u>1,147,079</u>	<u>161,905</u>	14.11%
Total liabilities	<u>1,549,481</u>	<u>1,595,111</u>	<u>(45,630)</u>	-2.86%
Net Position				
Invested in capital assets net of related debt				
	5,665,051	5,829,854	(164,803)	-2.83%
Restricted	-	-	-	
Unrestricted	<u>165,656</u>	<u>124,884</u>	<u>40,772</u>	32.65%
Total net Position	<u>5,830,707</u>	<u>5,954,738</u>	<u>(124,031)</u>	-2.08%
Total Liabilities and net position	<u>\$ 7,380,188</u>	<u>\$ 7,549,849</u>	<u>\$ (169,661)</u>	-2.25%

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

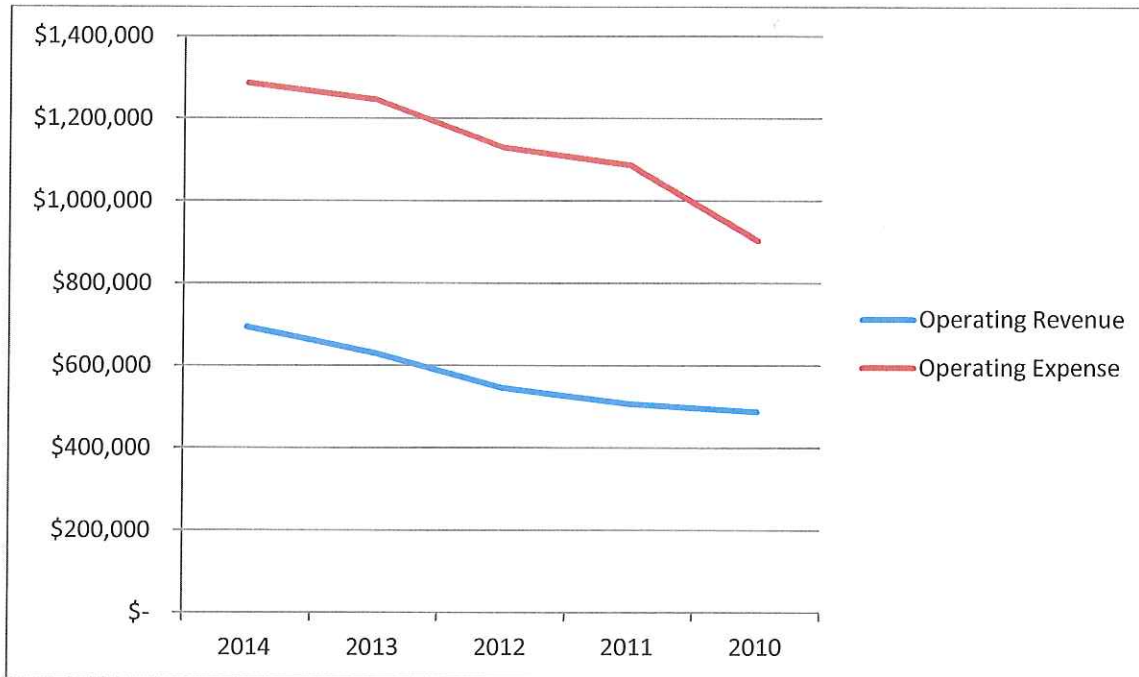
The Changes in Net Position for the current and prior year are:

	2014	2013	Increases (decreases)	
OPERATING REVENUES				
Leases	\$ 182,180	\$ 169,035	\$ 13,145	7.78%
Moorage	68,746	58,773	9,973	16.97%
Storage	22,032	22,478	(446)	-1.98%
Marine fuel sales	51,489	59,897	(8,408)	-14.04%
Campground fees	354,483	304,330	50,153	16.48%
Repairs and maintenance revenue	15,900	15,900	-	0.00%
Total operating revenues	<u>694,830</u>	<u>630,413</u>	<u>64,417</u>	10.22%
OPERATING EXPENSES				
Salaries	291,465	271,823	19,642	7.23%
Benefits	89,620	79,507	10,113	12.72%
Supplies	23,085	24,786	(1,701)	-6.86%
Utilities	109,126	99,002	10,124	10.23%
Fuel	46,704	53,579	(6,875)	-12.83%
Rentals	7,436	7,440	(4)	-0.05%
Repairs and maintenance	62,870	91,890	(29,020)	-31.58%
Professional services	41,661	33,764	7,897	23.39%
Travel	16,556	12,257	4,299	35.07%
Insurance	48,371	41,169	7,202	17.49%
Advertising & public relations	27,221	21,718	5,503	25.34%
Taxes & licenses	43,872	27,285	16,587	60.79%
Other expense	53,806	57,386	(3,580)	-6.24%
Depreciation expense	425,212	424,571	641	0.15%
Total operating expenses	<u>1,287,005</u>	<u>1,246,177</u>	<u>40,828</u>	3.28%
Net operating income	<u>(592,175)</u>	<u>(615,764)</u>	<u>23,589</u>	-3.83%
NON OPERATING REVENUES (EXPENSES)				
Property taxes	270,542	265,151	5,391	2.03%
State forest sales	17,876	38,220	(20,344)	-53.23%
Grants	191,643	1,258,775	(1,067,132)	-84.78%
Interest income	1,960	1,897	63	3.32%
Interest expense	(82,267)	(62,312)	(19,955)	32.02%
Gain on sale of fixed assets	1,894	3,399	(1,505)	-44.28%
Miscellaneous income	45,213	40,697	4,516	11.10%
Total non-operating revenues (expenses)	<u>446,861</u>	<u>1,545,827</u>	<u>(1,098,966)</u>	-71.09%
Change in Net Position	<u>(145,314)</u>	<u>930,063</u>	<u>(1,075,377)</u>	-115.62%
NET POSITION				
Net Position, beginning	5,954,738	5,124,509	830,229	16.20%
Prior period adjustment	21,283	(99,834)	121,117	-121.32%
Net Position, ending	<u>\$ 5,830,707</u>	<u>\$ 5,954,738</u>	<u>\$ (124,031)</u>	-2.08%

Operating revenues continue to be insufficient to meet operating, debt and capital expense

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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. In the past 5 fiscal years both operating revenues and operating expenses have increased 42% as shown on the chart below:



Budgetary comparison

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget	
				Amount	Percent
General Fund:					
Total revenues	\$ 1,303,152	\$ 1,303,152	\$ 1,222,614	\$ (80,538)	-6.18%
Expenditures					
Personal services	411,294	411,294	385,400	25,894	6.30%
Materials and services	472,653	505,653	487,187	18,466	3.65%
Capital outlay	269,572	390,112	187,034	203,078	52.06%
Debt service	152,633	156,633	155,734	899	0.57%
Contingency	100,000	100,000	-	100,000	100.00%
Total expenditures	1,406,152	1,563,692	1,215,355	348,337	22.28%
Loan proceeds	13,000	13,000	21,283	8,283	63.72%
Net change in fund balance	\$ (90,000)	\$ (247,540)	\$ 28,542	\$ (420,592)	169.91%

Variations between Budget and Actual Results

The Port did not exceed budgeted appropriations in the year ended June 30, 2014.

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Changes in fixed assets:

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14
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>

Changes in long-term debt:

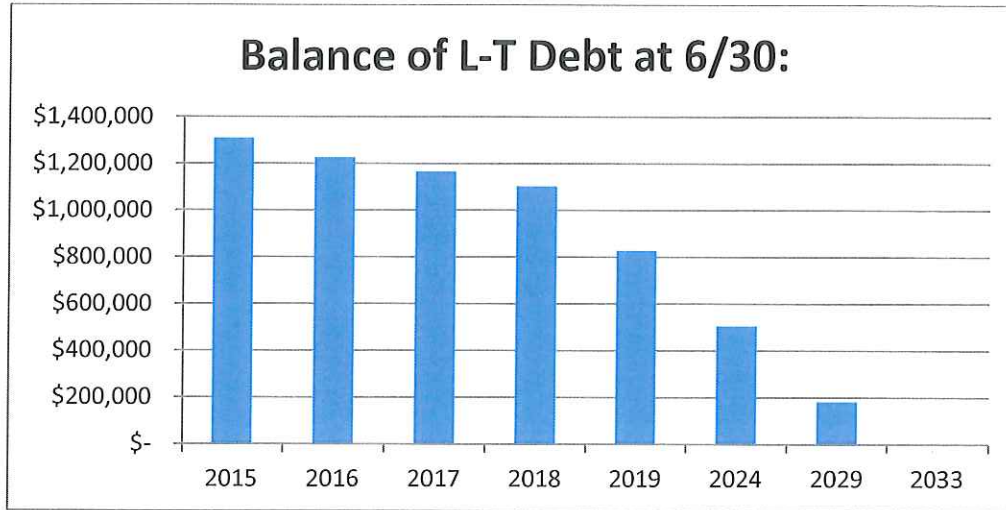
	Balance 07/01/13	Additions	Reductions	Balance 06/30/14	Due within one year
Notes Payable:					
OBD Loan No. 52130	\$ 82,186	\$ -	\$ 25,538	\$ 56,648	\$ 26,840
OBD Loan No. L0004	133,815	-	7,932	125,883	8,408
Siuslaw Bank Loan No. 1000214241	250,000	-	250,000	-	-
Siuslaw Bank Loan No. 1000220591	-	247,500	5,571	241,929	8,409
OBD Loan No. 524016	67,656	-	2,683	64,973	2,809
OBD Loan N. 525186	556,830	-	20,756	536,074	21,742
OBD Loan N. 525196	<u>371,988</u>	<u>-</u>	<u>8,487</u>	<u>363,501</u>	<u>11,816</u>
	 <u>\$ 1,462,475</u>	 <u>\$ 247,500</u>	 <u>\$ 320,967</u>	 <u>\$1,389,008</u>	 <u>\$ 80,024</u>

Future Debt Service:

Year Ending June 30,	Totals		
	Principal	Interest	Total
2015	\$ 80,024	\$ 65,370	\$ 145,394
2016	83,978	61,414	145,392
2017	60,140	57,488	117,628
2018	61,419	54,517	115,936
2019	275,967	55,806	331,772
2020-2024	321,337	168,347	489,684
2025-2029	323,474	84,741	408,215
2030-2033	<u>182,670</u>	<u>15,182</u>	<u>197,852</u>
 Total	 <u>\$ 1,389,008</u>	 <u>\$ 562,866</u>	 <u>\$ 1,951,874</u>

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Long-term Debt Balances:



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

Fact, Decisions, or Conditions that may have a significant effect on financial position or results of operations;

As with last year's discussion, we lead off with the continual story of the deteriorating jetties. It is obvious that we will not be seeing the Corp of Engineers repair them any time soon. Congress has passed two bills that will assist Ports throughout the nation over the next decade. In the bill addressing the Harbor Maintenance Trust Fund, 10% is set aside for small ports. Over time the amount should grow to a point that small ports, such as ours, will start to see some actual benefit. Meanwhile the COE has had their budget adjusted so that bar dredging will continue annually. While there is no guarantee how many days of dredging the COE can provide, the need is apparent to everyone in the COE, USCG, and our political representatives. I feel somewhat comfortable that our bar will be dredged annually or at least every other year due mainly to the USCG Station located on our river.

While dredging in the marina is a concern due to the extreme cost, we should be in reasonably good shape for another year or two. In November of 2013 the Oregon State Marine Board held its annual meeting in Florence. While here, the board was kind enough to perform a bathometric on our marina. This survey showed that while we need to dredge our marina, it is not critical as of yet. The OSMB has offered us a grant that will pay an engineer to complete the rather technical aspects of the dredging permit process. We have tentatively hired Jim Grimes Consulting to perform this task. Included in this task will be the total of silt that needs to be removed to bring the marina back to "as built". This information will be critical when seeking a dredging firm to complete the project.

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

As stated last year our next big project is the failing bulkhead. This project will extend some 800 feet in length starting at the launch ramp and heading east. This project will face a few challenges in that it will replace the existing bulkhead with construction being performed inland from the existing bulkhead but will be classified as "in water work" because of its close proximity to the water. In this case the project will more than likely come under the regulatory view of Corp of Engineers, Department of State Lands, Oregon Department of Fish and Wildlife, Department of Environmental Quality, Oregon State Marina Board, and National Marine Fisheries, a division of National Oceanic and Atmospheric Administration. I mention this only in that the permitting and oversight of this project will be burdensome. The estimated cost of this program will be approximately 1.3 to 1.5 million dollars. Funding will more than likely come from a grant that requires matching funds. Our matching funds may come from monies set aside for maintenance funding.

We have entered into a contract with a local realty company, with our first meeting in January. This company will commence work in an advisory capacity selling, trading, or donating excess property owned by the Port. These properties range from extremely small pieces to our 40 acre lot known as Pacific View Industrial Park. This company will advise the Port in its opinion as to the best utilization of these properties. The PVIP property has great potential ranging from \$500,000.00 on the low end and several million dollars on the high end.

Finally there is the additional campground restroom facility. The public restroom design that our campground currently enjoys is woefully inadequate. The number of homeless is growing in our town the same as it is everywhere in our nation. It has become painfully apparent that we need a facility dedicated to our guests rather one that serves the entire community. This project is estimated to run approximately \$200,000. This facility will be designed to be utilized only by our guests. This should reduce the cleaning time dramatically thus reducing the down time to the users.

If any of the larger properties sell this year staff will present the Board with various alternatives such as paying down existing debt or moving forward with specific projects. Either way it should be an interesting year for the Port in general.

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, 2014

ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 255,089
Taxes receivable	21,667
Accounts receivable	11,672
Inventory	12,465
Other assets	25,236
Total current assets	<u>326,129</u>
Non-current assets:	
Capital assets, net	7,054,059
Restricted cash	-
Total non-current assets	<u>7,054,059</u>
Total assets	<u><u>\$ 7,380,188</u></u>
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 14,898
Payroll related liabilities	10,231
Deposits	8,710
Unearned revenue	86,832
Accrued interest	39,802
Current portion of long-term debt	80,024
Total current liabilities	<u>240,497</u>
Non-current liabilities:	
Long-term debt	<u>1,308,984</u>
Total liabilities	<u>1,549,481</u>
 NET POSITION:	
Invested in capital assets, net of related debt	5,665,051
Restricted	-
Unrestricted	<u>165,656</u>
Total Net Position	<u>5,830,707</u>
Total liabilities and Net Position	<u><u>\$ 7,380,188</u></u>

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, 2014

OPERATING REVENUES:	
Leases	\$ 182,180
Moorage	68,746
Storage	22,032
Marine fuel sales	51,489
Campground fees	354,483
Repairs and maintenance revenue	<u>15,900</u>
Total operating revenues	<u>694,830</u>
OPERATING EXPENSES:	
Salaries	291,465
Benefits	89,620
Supplies	23,085
Utilities	109,126
Fuel	46,704
Rentals	7,436
Repairs and maintenance	62,870
Professional services	41,661
Travel	16,556
Insurance	48,371
Advertising & public relations	27,221
Taxes & licenses	43,872
Other expense	53,806
Depreciation expense	<u>425,212</u>
Total operating expenses	<u>1,287,005</u>
Operating income (loss)	(592,175)
NON-OPERATING REVENUES (EXPENSES):	
Property taxes	270,542
State forest sales	17,876
Grants	191,643
Interest and investment revenue	1,960
Interest expense	(82,267)
Gain on sale of fixed assets	1,894
Miscellaneous revenue	<u>45,213</u>
Total nonoperating revenues (expenses)	<u>446,861</u>
Change in Net Position	<u>(145,314)</u>
Net Position, beginning	5,954,738
Prior period adjustment	<u>21,283</u>
Net position, beginning, as restated	<u>5,976,021</u>
Net Position, ending	<u>\$ 5,830,707</u>

The accompanying notes are an integral part of these financial statements

PORT OF SIUSLAW
Statement of Cash Flows
For the Year Ended June 30, 2014

	2014
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 704,383
Payments to suppliers	(509,958)
Payments to employees	(385,530)
Net cash provided (used) by operating activities	(191,105)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property tax receipts	269,200
Other Grants	14,371
Other receipts (payments)	63,089
Net cash provided (used) by noncapital financing activities	346,660
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	177,272
Payments on Loans	(320,967)
Purchases of capital assets	(186,942)
Interest paid on capital debts	(72,913)
Loan Proceeds	247,500
Sale of assets	13,823
Net cash provided (used) by capital related financing activities	(142,227)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	1,960
Net cash provided (used) by investing activities	1,960
Net increase (decrease) in cash and cash equivalents	15,288
Cash Balances - beginning of the year	239,801
Cash Balances - end of the year	\$ 255,089
RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (Loss)	\$ (592,175)
Adjustments to reconcile operating income:	
Depreciation expense	425,212
Change in assets and liabilities:	
(Increase) decrease in receivables	(7,831)
(Increase) decrease in prepaid expense	(4,081)
(Increase) decrease in inventories	(2,490)
Increase (decrease) in accounts payable	(22,679)
Increase (decrease) in payroll related liabilities	(4,445)
Increase (decrease) in deposits	(280)
Increase (decrease) in unearned revenue	17,664
Net cash provided (used) by operating activities	\$ (191,105)

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

PORT OF SIUSLAW
Notes to the Financial Statements
For the Year Ended June 30, 2014

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.

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.

PORT OF SIUSLAW
Notes to the Financial Statements
For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

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, supplemental budgets were adopted on August 14, 2013 and May 21, 2014. General fund expenditures did not exceed budgeted appropriations during the fiscal year.

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.

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.

PORT OF SIUSLAW
Notes to the Financial Statements
For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

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.

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
Notes to the Financial Statements

For the Year Ended June 30, 2014

2. Cash and Cash Equivalents

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

Cash in financial institutions	\$	254,289
Petty Cash		<u>800</u>
	\$	<u>255,089</u>

Deposits with financial institutions are comprised of bank demand deposits. Total bank balances, as shown on the bank's records at year-end were \$286,194. Of these deposits, the total covered by federal deposit insurance was \$250,000 at June 30, 2014.

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
Notes to the Financial Statements

For the Year Ended June 30, 2014

3. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14
Land	\$ 2,617,874	\$ -	\$ -	\$ 2,617,874
Assets being depreciated:				
Land improvements	1,357,835	-	-	1,357,835
Buildings and docks	7,399,618	156,792	-	7,556,410
Equipment and vehicles	769,821	30,150	-	799,971
Total assets being depreciated	<u>9,527,274</u>	<u>186,942</u>	<u>-</u>	<u>9,714,216</u>
Less accumulated depreciation:				
Land improvements	1,102,888	51,867	-	1,154,755
Buildings and docks	3,118,229	333,378	-	3,451,607
Equipment and vehicles	631,702	39,967	-	671,669
Total accumulated depreciation	<u>4,852,819</u>	<u>425,212</u>	<u>-</u>	<u>5,278,031</u>
Net assets being depreciated	<u>4,674,455</u>	<u>(238,270)</u>	<u>-</u>	<u>4,436,185</u>
Net capital assets	<u>\$ 7,292,329</u>	<u>\$ (238,270)</u>	<u>\$ -</u>	<u>\$ 7,054,059</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, 2014, the balance due on this Commercial Dock and Business Site Development Project loan no. 52130 is \$56,648.

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, 2014, the balance due on this loan no. L0004 is \$125,883. 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. The balance on this loan is \$64,973.

In August 2008, Siuslaw Valley Bank lent the Port \$250,000 with interest rate at 4.45%. In 2014, the Port refinanced this loan. This loan no. 1000214241 was for the Port to obtain free and clear title to the property for future economic development.

PORT OF SIUSLAW
Notes to the Financial Statements

For the Year Ended June 30, 2014

4. Long-term debt (continued)

The new loan was obtained through Siuslaw Valley Bank in the amount of \$247,500. Monthly payments are in the amount of \$1,499.92 with an interest rate of 3.95%. The balance on this loan no. 1000220591 is \$241,929. The loan has a balloon payment of \$203,505 due on December 5, 2018.

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. The balance is \$536,074.

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. The balance is \$363,501.

B. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14	Due within one year
OBD Loan No. 52130	\$ 82,186	\$ -	\$ 25,538	\$ 56,648	\$ 26,840
OBD Loan No. L0004	133,815	-	7,932	125,883	8,408
Siuslaw Bank Loan No. 1000214241	250,000	-	250,000	-	-
Siuslaw Bank Loan No. 1000220591	-	247,500	5,571	241,929	8,409
OBD Loan No. 524016	67,656	-	2,683	64,973	2,809
OBD Loan N. 525186	556,830	-	20,756	536,074	21,742
OBD Loan N. 525196	371,988	-	8,487	363,501	11,816
Total	<u>\$ 1,462,475</u>	<u>\$ 247,500</u>	<u>\$ 320,967</u>	<u>\$ 1,389,008</u>	<u>\$ 80,024</u>

C. DEBT SERVICE REQUIREMENTS

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

Year Ending June 30,	OBD Loan No. 520130			OBD Loan No. L00004		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	10,615	5,346	15,961
2020-2024	-	-	-	63,428	16,377	79,805
2025-2029	-	-	-	15,059	904	15,963
2030-2033	-	-	-	-	-	-
Total	<u>\$ 56,648</u>	<u>\$ 3,960</u>	<u>\$ 60,608</u>	<u>\$ 125,883</u>	<u>\$ 49,690</u>	<u>\$ 175,573</u>

PORT OF SIUSLAW
Notes to the Financial Statements

For the Year Ended June 30, 2014

4. Long-term debt (continued)

Year Ending June 30,	OBD Loan No. 525186			OBD Loan No. 525196		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 21,742	\$ 24,658	\$ 46,400	\$ 11,816	\$ 17,884	\$ 29,700
2016	22,775	23,624	46,399	12,415	17,284	29,699
2017	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	26,179	20,220	46,399	14,403	15,297	29,700
2020-2024	150,785	81,215	232,000	83,745	64,754	148,499
2025-2029	190,185	41,813	231,998	107,258	41,241	148,499
2030-2033	75,558	3,496	79,054	107,112	11,686	118,798
Total	\$ 536,074	\$ 238,976	\$ 775,050	\$ 363,501	\$ 200,794	\$ 564,295

Year Ending June 30,	Siuslaw Bank Loan - 100022091			OBD Loan No. 524016		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 8,409	\$ 9,590	\$ 17,999	\$ 2,809	\$ 3,067	\$ 5,876
2016	8,726.69	9,272	17,999	2,942	2,934	5,876
2017	9,108.05	8,891	17,999	3,081	2,795	5,876
2018	9,479.60	8,519	17,999	3,226	2,650	5,876
2019	206,205.62	4,127	210,332	18,564	10,816	29,380
2020-2024	-	-	-	23,379	6,001	29,380
2025-2029	-	-	-	10,972	783	11,755
2030-2033	-	-	-	-	-	-
Total	\$ 241,929	\$ 40,400	\$ 282,329	\$ 64,973	\$ 29,046	\$ 94,019

Year Ending June 30,	Totals		
	Principal	Interest	Total
2015	\$ 80,024	\$ 65,370	\$ 145,394
2016	83,978	61,414	145,392
2017	60,140	57,488	117,628
2018	61,419	54,517	115,936
2019	275,967	55,806	331,772
2020-2024	321,337	168,347	489,684
2025-2029	323,474	84,741	408,215
2030-2033	182,670	15,182	197,852
Total	\$ 1,389,008	\$ 562,866	\$ 1,951,874

5. Prior period adjustment

The beginning balance of net position in the General Fund is adjusted by \$21,283 to correct an erroneous prior period adjustment related to long-term debt.

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
Notes to the Financial Statements

For the Year Ended June 30, 2014

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.

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.

SUPPLEMENTARY FINANCIAL INFORMATION

PORT OF SIUSLAW
Budget and Actual (with Variances)
General Operating Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 312,000	\$ 312,000	\$ 269,200	\$ (42,800)
Sales and miscellaneous taxes	-	-	17,876	17,876
Intergovernmental	201,150	201,150	191,643	(9,507)
Charges for services:				
Leases	178,152	178,152	182,180	4,028
Moorage	57,000	57,000	68,746	11,746
Storage	17,050	17,050	22,032	4,982
Marine fuel sales	58,500	58,500	51,489	(7,011)
Campground fees	316,000	316,000	354,483	38,483
Repairs and maintenance revenues	15,900	15,900	15,900	-
Investment earnings	1,600	1,600	1,960	360
Proceeds from sale capital assets	125,000	125,000	1,894	(123,106)
Miscellaneous	20,800	20,800	45,211	24,411
Total revenues	<u>1,303,152</u>	<u>1,303,152</u>	<u>1,222,614</u>	<u>(80,538)</u>
EXPENDITURES				
Current:				
Personal services	411,294	411,294	385,400	25,894
Materials and services	472,653	505,653	487,187	18,466
Debt service - principal & interest	152,633	156,633	155,734	899
Capital Outlay	269,572	390,112	187,034	203,078
Contingency	100,000	100,000	-	100,000
Total Expenditures	<u>1,406,152</u>	<u>1,563,692</u>	<u>1,215,355</u>	<u>348,337</u>
Excess (deficiency) of revenues over expenditures	<u>(103,000)</u>	<u>(260,540)</u>	<u>7,259</u>	<u>267,799</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term loans	13,000	13,000	21,283	8,283
Total other financing sources and uses	<u>13,000</u>	<u>13,000</u>	<u>21,283</u>	<u>8,283</u>
Net change in revenues over (under) expenditures	<u>(90,000)</u>	<u>(247,540)</u>	<u>28,542</u>	<u>276,082</u>
Fund balances - beginning	<u>250,000</u>	<u>250,000</u>	<u>127,907</u>	<u>(122,093)</u>
Fund balance - ending	<u>\$ 160,000</u>	<u>\$ 2,460</u>	<u>156,449</u>	<u>\$ 153,989</u>
Reconciliation to GAAP basis:				
Taxes receivable			21,667	
Inventory			12,465	
prepaid expense			25,236	
Accrued interest			(39,802)	
Compensated absences			(10,360)	
Capital assets, net			7,054,060	
Long-term debt			(1,389,008)	
Total reconciling items			<u>5,674,258</u>	
Net position, ending			<u>\$ 5,830,707</u>	

PORT OF SIUSLAW

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the fiscal year ended June 30, 2014

Fiscal Year	Levy and Uncollected Balance 6/30/2013	Discounts & Adjustments	Collections	Uncollected Balance 6/30/2014	Interest
2013-14	\$ 277,389	\$ (6,341)	\$ 262,803	\$ 8,245	\$ 110
2012-13	8,679	(569)	3,310	4,800	289
2011-12	5,021	(150)	1,571	3,300	243
2010-11	3,281	(481)	705	2,095	296
2009-10	2,060	(79)	643	1,338	215
2008-09	371	(53)	91	227	44
2007-08	209	(30)	48	131	28
Prior Years	<u>704</u>	<u>856</u>	<u>29</u>	<u>1,531</u>	<u>28</u>
Totals	<u>\$ 297,714</u>	<u>\$ (6,847)</u>	<u>\$ 269,200</u>	<u>\$ 21,667</u>	<u>\$ 1,253</u>

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

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, 2014, and have issued our report thereon dated December 15, 2014. 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.

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 December 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
December 15, 2014