



ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Emerald CPA Group, LLP

*450 Country Club Road Suite 155
Eugene OR 97401*

PORT OF SIUSLAW

June 30,2015

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 2019
John "Jay" Cable 75 Harbor St. Suite 100 Florence OR 97439	Position 3	30 June 2017 Resigned 25 May 2015
David Huntington PO Box 1220 Florence OR 97439	Position 4	30 June 2019
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
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
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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, 2015, 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, 2015, 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 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 relates 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 January 12, 2016, 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

January 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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 2015 (hereafter referred to as 2015).

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 \$5,830,707 in 2014 to \$5,573,860 in 2015 or \$(256,847), a percentage change of (4.41)%. Port ending Net Position was reduced by depreciation in 2015 by \$428,526.

The Port's change in Net Position decreased from \$(145,314) to \$(256,847) or \$(111,533), a percentage change of (76.75)%. Operating revenues increased from \$694,830 to \$776,564 or \$81,734, a percentage change of 11.76%. Non-operating revenues and expenses decreased from \$446,861 to \$316,388 or \$130,473, a percentage change of (29.20)%.

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

The Port's cash balance increased from \$255,089 at the end of 2014 to \$394,472 at the end of 2015 or \$139,383, a percentage change of 54.64%.

Net Position for current and prior year are:

			Increases (decreases)	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 394,472	\$ 255,089	\$ 139,383	54.64%
Taxes receivable	23,367	21,667	1,700	7.85%
Accounts receivable	10,642	11,672	(1,030)	-8.82%
Inventory	17,630	12,465	5,165	41.44%
Other assets	23,237	25,236	(1,999)	-7.92%
Total current assets	<u>469,348</u>	<u>326,129</u>	<u>143,219</u>	43.91%
Non-current assets:				
Capital assets, net	6,658,044	7,054,059	(396,015)	-5.61%
Total non-current assets	<u>6,658,044</u>	<u>7,054,059</u>	<u>(396,015)</u>	-5.61%
Total assets	<u>\$ 7,127,392</u>	<u>\$ 7,380,188</u>	<u>\$ (252,796)</u>	-3.43%
LIABILITIES				
Current liabilities:				
Accounts Payable	\$ 42,559	\$ 14,898	\$ 27,661	
Payroll related liabilities	24,277	10,231	14,046	137.29%
Deposits	8,830	8,710	120	1.38%
Deferred revenue	128,483	86,832	41,651	47.97%
Accrued interest	40,399	39,802	597	1.50%
Current portion of long-term debt	83,978	80,024	3,954	4.94%
Total current liabilities	<u>328,526</u>	<u>240,497</u>	<u>88,029</u>	36.60%
Non-current liabilities:				
Long-term debt	<u>1,225,006</u>	<u>1,308,984</u>	<u>(83,978)</u>	-6.42%
Total liabilities	<u>1,553,532</u>	<u>1,549,481</u>	<u>4,051</u>	0.26%
Net Position				
Invested in capital assets net of related debt	5,349,060	5,665,051	(315,991)	-5.58%
Unrestricted	<u>224,800</u>	<u>165,656</u>	<u>59,144</u>	35.70%
Total net position	<u>5,573,860</u>	<u>5,830,707</u>	<u>(256,847)</u>	-4.41%
Total Liabilities and net position	<u>\$ 7,127,392</u>	<u>\$ 7,380,188</u>	<u>\$ (252,796)</u>	-3.43%

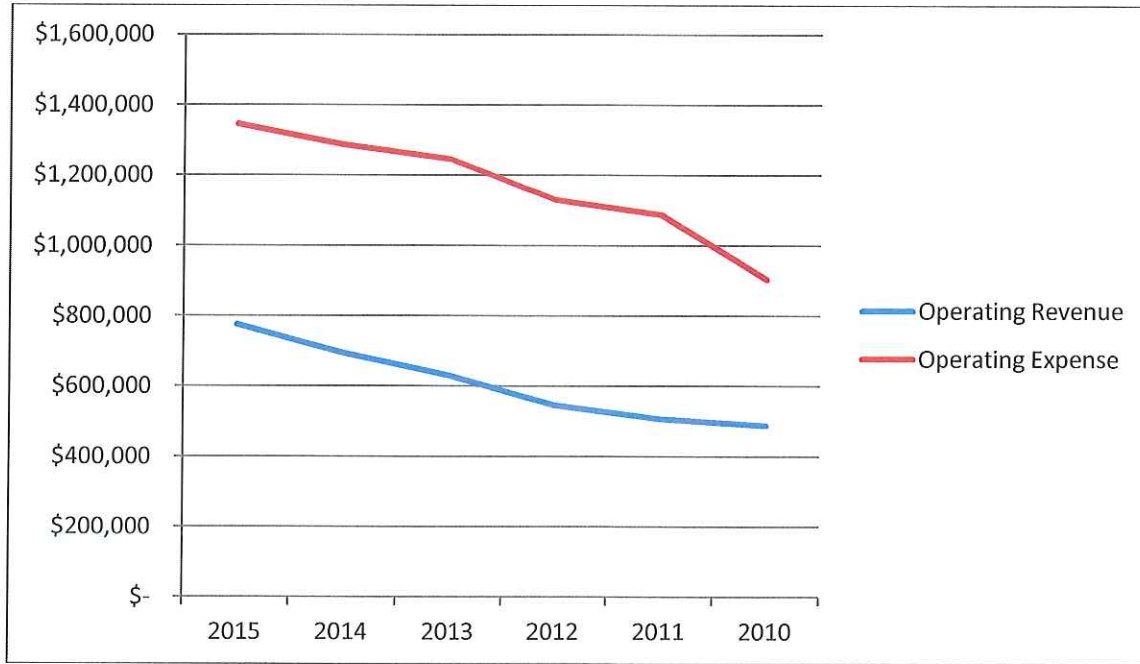
**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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

			Increases (decreases)	
OPERATING REVENUES				
Leases	\$ 187,661	\$ 182,180	\$ 5,481	3.01%
Moorage	74,555	68,746	5,809	8.45%
Storage	27,922	22,032	5,890	26.73%
Marine fuel sales	58,051	51,489	6,562	12.74%
Campground fees	412,475	354,483	57,992	16.36%
Repairs and maintenance revenue	15,900	15,900	-	0.00%
Total operating revenues	<u>776,564</u>	<u>694,830</u>	<u>81,734</u>	11.76%
OPERATING EXPENSES				
Salaries	316,623	291,465	25,158	8.63%
Benefits	102,825	89,620	13,205	14.73%
Supplies	19,518	23,085	(3,567)	-15.45%
Utilities	123,842	109,126	14,716	13.49%
Fuel	48,347	46,704	1,643	3.52%
Rentals	8,258	7,436	822	11.05%
Repairs and maintenance	77,091	62,870	14,221	22.62%
Professional services	49,535	41,661	7,874	18.90%
Travel	9,732	16,556	(6,824)	-41.22%
Insurance	49,134	48,371	763	1.58%
Advertising & public relations	20,073	27,221	(7,148)	-26.26%
Taxes & licenses	37,958	43,872	(5,914)	-13.48%
Other expense	58,337	53,806	4,531	8.42%
Depreciation expense	428,526	425,212	3,314	0.78%
Total operating expenses	<u>1,349,799</u>	<u>1,287,005</u>	<u>62,794</u>	4.88%
Net operating income	<u>(573,235)</u>	<u>(592,175)</u>	<u>18,940</u>	-3.20%
NON OPERATING REVENUES (EXPENSES)				
Property taxes	278,442	270,542	7,900	2.92%
State forest sales	59,566	17,876	41,690	233.22%
Grants	-	191,643	(191,643)	-100.00%
Interest income	1,768	1,960	(192)	-9.80%
Interest expense	(65,966)	(82,267)	16,301	-19.81%
Gain on sale of fixed assets	2,075	1,894	181	9.56%
Miscellaneous income	40,503	45,213	(4,710)	-10.42%
Total non-operating revenues (expenses)	<u>316,388</u>	<u>446,861</u>	<u>(130,473)</u>	-29.20%
Change in Net Position	<u>(256,847)</u>	<u>(145,314)</u>	<u>(111,533)</u>	76.75%
NET POSITION				
Net Position, beginning	5,830,707	5,954,738	(124,031)	-2.08%
Prior period adjustment	-	21,283	(21,283)	-100.00%
Net Position, ending	<u>\$ 5,573,860</u>	<u>\$ 5,830,707</u>	<u>\$ (256,847)</u>	-4.41%

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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. In the past 5 fiscal years both operating revenues and operating expenses have increased over 50% as shown on the chart below:



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	\$ 1,265,952	\$ 1,294,077	\$ 1,157,219	\$ (136,858)	-10.58%
Expenditures					
Personal services	424,593	424,593	405,561	19,032	4.48%
Materials and services	494,150	531,650	486,796	44,854	8.44%
Capital outlay	145,660	145,660	145,393	267	0.18%
Debt service	376,549	376,549	50,706	325,843	86.53%
Contingency	100,000	90,625	-	90,625	100.00%
Total expenditures	<u>1,540,952</u>	<u>1,569,077</u>	<u>1,088,456</u>	<u>480,621</u>	<u>30.63%</u>
Net change in fund balance	<u>\$ (275,000)</u>	<u>\$ (275,000)</u>	<u>\$ 68,763</u>	<u>\$ 343,763</u>	<u>-125.00%</u>

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Variations between Budget and Actual Results

The Port did not exceed budgeted appropriations in the year ended June 30, 2015.

Changes in fixed assets:

	Balance 07/01/14	Additions	Reductions	Balance 06/30/15
Land	\$ 2,617,874	\$ -	\$ -	\$2,617,874
Land Improvements	1,357,835	10,818	-	1,368,653
Buildings and Docks	7,556,410	15,670	-	7,572,080
Equipment and Vehicles	799,971	6,023	-	805,994
	<u>12,332,090</u>	<u>32,511</u>	<u>-</u>	<u>12,364,601</u>
 Total capital assets				
Less accumulated depreciation:				
Land Improvements	1,154,755	51,958	-	1,206,713
Buildings and Docks	3,451,607	334,011	-	3,785,618
Equipment and Vehicles	671,669	42,557	-	714,226
	<u>5,278,031</u>	<u>428,526</u>	<u>-</u>	<u>5,706,557</u>
Total accumulated depreciation				
Net capital assets	<u>\$ 7,054,059</u>	<u>\$ (396,015)</u>	<u>\$ -</u>	<u>\$6,658,044</u>

Changes in long-term debt:

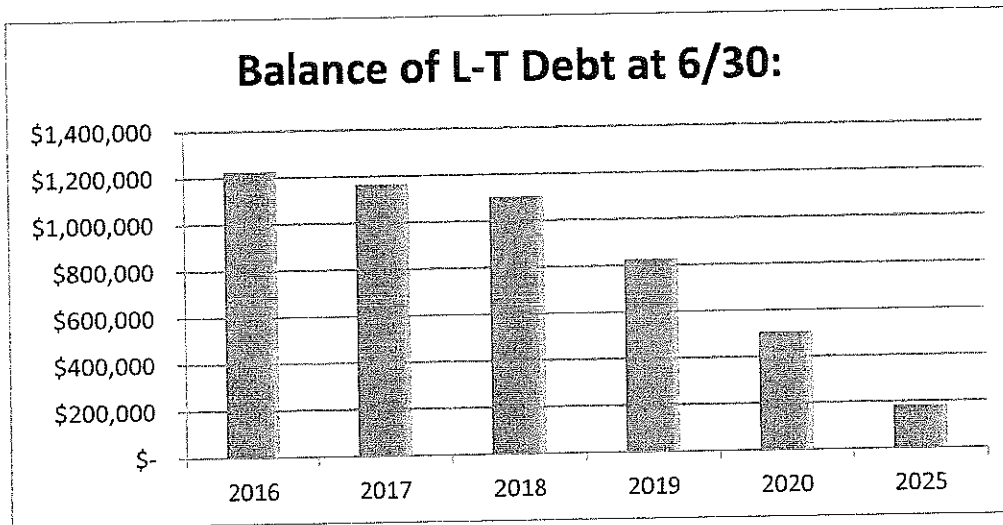
	Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Due within one year
Notes Payable:					
OBD Loan No. 52130	\$ 56,648	\$ -	\$ 26,840	\$ 29,808	\$ 28,207
OBD Loan No. L0004	125,883	-	8,408	117,475	8,912
Siuslaw Bank Loan No. 1000220591	241,929	-	8,409	233,520	8,727
OBD Loan No. 524016	64,973	-	2,809	62,164	2,942
OBD Loan N. 525186	536,074	-	21,742	514,332	22,775
OBD Loan N. 525196	363,501	-	11,816	351,685	12,415
	<u>\$ 1,389,008</u>	<u>\$ -</u>	<u>\$ 80,024</u>	<u>\$1,308,984</u>	<u>\$ 83,978</u>

**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Future Debt Service:

Year Ending June 30,	Totals		
	Principal	Interest	Total
2016	\$ 83,978	\$ 61,414	\$ 145,392
2017	60,140	57,488	117,628
2018	61,419	54,517	115,936
2019	275,966	55,806	331,772
2020	321,337	168,347	489,684
2021-2025	323,474	84,741	408,215
2026-2030	182,670	15,182	197,852
Total	\$ 1,308,984	\$ 497,495	\$ 1,806,479

Long-term Debt Balances:



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

Maintaining our small coastal port is critical to the economic health of the Port of Siuslaw district and the local community. Progress is being made to set Harbor Maintenance Trust Fund dollars aside for small ports. The port continues to work with political representatives and port related organizations to fund river related maintenance:

- The Siuslaw River jetties are in need of repair. The estimated cost, according to the USACE Major Maintenance Report done in 2011, was \$122M.
- Corps of Engineer dollars continue to be allocated for annual maintenance of the Siuslaw River entrance and federal navigational channel. This is a high priority, not only for our commercial and recreational fishing industry, but for the USCG Station Siuslaw.
- The port has a failing 800' bulkhead in need of repair. In 2012, an engineering consultant estimated \$1.5M cost to replace. The Commissioners are evaluating the best course of action.
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**PORT OF SIUSLAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

- Phase 1 of the Wharf Improvement Project was completed in 2012 with assistance from a Connect Oregon III grant for \$1.5M. Funding is needed for Wharf Repair Phases 2 & 3.
- Funding is needed for future marina dredging. The port continues pay debt for previous dredging in 2009.

During FY2014-15, the Port of Siuslaw received approval to install a floating restroom in the Siuslaw River during the recreational fishing season. This amenity will provide convenience for boaters and improve water quality for the river and estuaries. The project is funded by the Oregon State Marine Board (OSMB) and the floating restroom is scheduled for installation in July of 2016. The port also received OSMB grant funds to apply for a dredging permit, and funds to replace the Harbor Street parking lot lights with LED's.

FY2014-15 saw a 7% increase in campground occupancy and an 11% increase in the marinas. Increased occupancy brings an increase in expenses. Effort continues to utilize staff efficiently, monitor costs, and be fiscally responsible.

Following a review of the Strategic Business Plan in January 2015, the Board of Commissioners stated three specific goals for 2015: find new revenue sources, reduce debt, and build a new restroom in the campground. The port continues to market the 40 acre parcel known as the Pacific View Industrial Park in hopes of finding a buyer to bring business and jobs to Florence. The money from this property sale would contribute to reducing current debt service and provide funding for a new restroom and other campground upgrades.

As FY2014-15 came to a close, Port Manager Bob Forsythe was instrumental in getting HB 3104 (a bill to revise ORS 777 to allow ports to do business with telecommunication companies) passed in the House and Senate, then signed by the Governor. Commissioner Jay Cable resigned his position in May. The Commissioners adopted a resolution to increase moorage rates and adopted a new reservation policy.

Looking forward, port staff and the board will continue to focus on Strategic Business Plan goals, selling property, maintain efficient operations, and find ways to increase the Capital Maintenance Reserve to protect port assets.

Dina McClure
Interim Port Manager

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, 2015

ASSETS:

Current assets:

Cash and cash equivalents	\$ 394,472
Taxes receivable	23,367
Accounts receivable	10,642
Inventory	17,630
Other assets	<u>23,237</u>
Total current assets	<u>469,348</u>

Non-current assets:

Capital assets, net	<u>6,658,044</u>
Total non-current assets	<u>6,658,044</u>

Total assets	<u><u>\$ 7,127,392</u></u>
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LIABILITIES:

Current liabilities:

Accounts payable	\$ 42,559
Payroll related liabilities	24,277
Deposits	8,830
Unearned revenue	128,483
Accrued interest	40,399
Current portion of long-term debt	<u>83,978</u>
Total current liabilities	<u>328,526</u>

Non-current liabilities:

Long-term debt	<u>1,225,006</u>
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Total liabilities	<u>1,553,532</u>
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NET POSITION:

Invested in capital assets, net of related debt	5,349,060
Unrestricted	<u>224,800</u>

Total Net Position	<u>5,573,860</u>
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Total liabilities and Net Position	<u><u>\$ 7,127,392</u></u>
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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, 2015

OPERATING REVENUES:	
Leases	\$ 187,661
Moorage	74,555
Storage	27,922
Marine fuel sales	58,051
Campground fees	412,475
Repairs and maintenance revenue	<u>15,900</u>
Total operating revenues	<u>776,564</u>
OPERATING EXPENSES:	
Salaries	316,623
Benefits	102,825
Supplies	19,518
Utilities	123,842
Fuel	48,347
Rentals	8,258
Repairs and maintenance	77,091
Professional services	49,535
Travel	9,732
Insurance	49,134
Advertising & public relations	20,073
Taxes & licenses	37,958
Other expense	58,337
Depreciation expense	<u>428,526</u>
Total operating expenses	<u>1,349,799</u>
Operating income (loss)	(573,235)
NON-OPERATING REVENUES (EXPENSES):	
Property taxes	278,442
State forest sales	59,566
Interest and investment revenue	1,768
Interest expense	(65,966)
Gain on sale of fixed assets	2,075
Miscellaneous revenue	<u>40,503</u>
Total nonoperating revenues (expenses)	<u>316,388</u>
Change in Net Position	<u>(256,847)</u>
Net Position, beginning	<u>5,830,707</u>
Net Position, ending	<u>\$ 5,573,860</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, 2015

	2015
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 819,365
Payments to suppliers	(476,733)
Payments to employees	(405,402)
Net cash provided (used) by operating activities	(62,770)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property tax receipts	276,742
Other receipts (payments)	100,069
Net cash provided (used) by noncapital financing activities	376,811
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	-
Payments on Loans	(80,024)
Purchases of capital assets	(32,511)
Interest paid on capital debts	(65,966)
Loan Proceeds	-
Sale of assets	2,075
Net cash provided (used) by capital related financing activities	(176,426)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	1,768
Net cash provided (used) by investing activities	1,768
Net increase (decrease) in cash and cash equivalents	139,383
Cash Balances - beginning of the year	255,089
Cash Balances - end of the year	\$ 394,472
RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (Loss)	\$ (573,235)
Adjustments to reconcile operating income:	
Depreciation expense	428,526
Change in assets and liabilities:	
(Increase) decrease in receivables	1,030
(Increase) decrease in prepaid expense	1,999
(Increase) decrease in inventories	(5,165)
Increase (decrease) in accounts payable	27,661
Increase (decrease) in payroll related liabilities	14,046
Increase (decrease) in deposits	120
Increase (decrease) in unearned revenue	41,651
Increase (decrease) in accrued interest	597
Net cash provided (used) by operating activities	\$ (62,770)

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, 2015

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, 2015

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, a supplemental budget was adopted on November 19, 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, 2015

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, 2015

2. Cash and Cash Equivalents

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

Cash in financial institutions	\$	393,672
Petty Cash		<u>800</u>
	\$	<u>394,472</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 \$383,500. Of these deposits, the total covered by federal deposit insurance was \$250,000 at June 30, 2015.

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, 2015

3. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance 07/01/14	Additions	Reductions	Balance 06/30/15
Land	\$ 2,617,874	\$ -	\$ -	\$ 2,617,874
Assets being depreciated:				
Land improvements	1,357,835	10,818	-	1,368,653
Buildings and docks	7,556,410	15,670	-	7,572,080
Equipment and vehicles	799,971	6,023	-	805,994
Total assets being depreciated	<u>9,714,216</u>	<u>32,511</u>	<u>-</u>	<u>9,746,727</u>
Less accumulated depreciation:				
Land improvements	1,154,755	51,958	-	1,206,713
Buildings and docks	3,451,607	334,011	-	3,785,618
Equipment and vehicles	671,669	42,557	-	714,226
Total accumulated depreciation	<u>5,278,031</u>	<u>428,526</u>	<u>-</u>	<u>5,706,557</u>
Net assets being depreciated	<u>4,436,185</u>	<u>(396,015)</u>	<u>-</u>	<u>4,040,170</u>
Net capital assets	<u>\$ 7,054,059</u>	<u>\$ (396,015)</u>	<u>\$ -</u>	<u>\$ 6,658,044</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, 2015, the balance due on this Commercial Dock and Business Site Development Project loan no. 52130 is \$29,808.

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, 2015, the balance due on this loan no. L0004 is \$117,475. 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 \$62,164.

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 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, 2015

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 \$233,520. 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 \$514,332.

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 \$351,685.

B. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Due within one year
OBD Loan No. 52130	\$ 56,648	\$ -	\$ 26,840	\$ 29,808	\$ 28,207
OBD Loan No. L0004	125,883	-	8,408	117,475	8,912
Siuslaw Bank Loan No. 1000220591	241,929	-	8,409	233,520	8,727
OBD Loan No. 524016	64,973	-	2,809	62,164	2,942
OBD Loan N. 525186	536,074	-	21,742	514,332	22,775
OBD Loan N. 525196	363,501	-	11,816	351,685	12,415
Total	\$ 1,389,008	\$ -	\$ 80,024	\$ 1,308,984	\$ 83,978

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
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	-	-	-	63,428	16,377	79,805
2021-2025	-	-	-	15,059	904	15,963
Total	\$ 29,808	\$ 1,342	\$ 31,150	\$ 117,475	\$ 42,137	\$ 159,612

PORT OF SIUSLAW
Notes to the Financial Statements

For the Year Ended June 30, 2015

4. Long-term debt (continued)

Year Ending June 30,	OBD Loan No. 525186			OBD Loan No. 525196		
	Principal	Interest	Total	Principal	Interest	Total
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	150,785	81,215	232,000	83,745	64,754	148,499
2021-2025	190,185	41,813	231,998	107,258	41,241	148,499
2026-2030	75,558	3,496	79,054	107,112	11,686	118,798
Total	\$ 514,332	\$ 214,318	\$ 728,650	\$ 351,685	\$ 182,910	\$ 534,595

Year Ending June 30,	Siuslaw Bank Loan - 1000220591			OBD Loan No. 524016		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 8,727	\$ 9,272	\$ 17,999	\$ 2,942	\$ 2,934	\$ 5,876
2017	9,108	8,891	17,999	3,081	2,795	5,876
2018	9,480	8,519	17,999	3,226	2,650	5,876
2019	206,205	4,127	210,332	18,564	10,816	29,380
2020	-	-	-	23,379	6,001	29,380
2021-2025	-	-	-	10,972	783	11,755
Total	\$ 233,520	\$ 30,809	\$ 264,329	\$ 62,164	\$ 25,979	\$ 88,143

Year Ending June 30,	Totals		
	Principal	Interest	Total
2016	\$ 83,978	\$ 61,414	\$ 145,392
2017	60,140	57,488	117,628
2018	61,419	54,517	115,936
2019	275,966	55,806	331,772
2020	321,337	168,347	489,684
2021-2025	323,474	84,741	408,215
2026-2030	182,670	15,182	197,852
Total	\$ 1,308,984	\$ 497,495	\$ 1,806,479

PORT OF SIUSLAW
Notes to the Financial Statements

For the Year Ended June 30, 2015

5. Lease with the State of Oregon

The Port has entered into a number of lease agreements with the Oregon Department of State Lands. The two principal leases are for the Waterway Lease ML-10508 for use of the wharf, including the commercial marina of 2,488 square feet, the marine industrial area of 5,194 square feet and the non-marine use area of 14,889 square feet and the Waterway Lease ML-9188 for the submerged areas of the East and West basins. Other leases are LI-6785 for the Mapleton dock, LI-3406 for sand and gravel removal, and LI-14911 for the Florence boat ramp. The wharf lease ML-10508 runs from September 1, 2004 to August 31, 2019 with rent of 3% of gross income determined by the provisions of OAR 141-082-0100 in effect at the time. For 2014-15 the rent was \$10,951. The East and West basin lease ML-9188 runs from December 1, 2006 to November 30, 2021 with rent of 3% of gross income determined by the provisions of OAR 141-082-0100 in effect at the time. For 2014-15 the rent was \$3,983. The Mapleton dock lease LI-6785 and the Florence boat ramp lease LI-14911 are folded into the East and West basin lease ML-9188. The sand and gravel removal lease runs for ten years with an upfront rent payment of \$750 on December 11, 2012.

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.

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 307,000	\$ 307,000	\$ 276,742	\$ (30,258)
Sales and miscellaneous taxes	-	-	59,566	59,566
Intergovernmental	145,000	173,125	-	(173,125)
Charges for services:				
Leases	178,152	178,152	187,661	9,509
Moorage	60,000	60,000	74,555	14,555
Storage	20,000	20,000	27,922	7,922
Marine fuel sales	50,000	50,000	58,051	8,051
Campground fees	340,000	340,000	412,475	72,475
Repairs and maintenance revenues	15,900	15,900	15,900	-
Investment earnings	600	600	1,768	1,168
Proceeds from sale capital assets	125,000	125,000	2,075	(122,925)
Miscellaneous	24,300	24,300	40,504	16,204
	<u>1,265,952</u>	<u>1,294,077</u>	<u>1,157,219</u>	<u>(136,858)</u>
Total revenues				
EXPENDITURES				
Current:				
Personal services	424,593	424,593	405,561	19,032
Materials and services	494,150	531,650	486,796	44,854
Debt service - principal & interest	145,660	145,660	145,393	267
Capital Outlay	376,549	376,549	50,706	325,843
Contingency	100,000	90,625	-	90,625
	<u>1,540,952</u>	<u>1,569,077</u>	<u>1,088,456</u>	<u>480,621</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	<u>(275,000)</u>	<u>(275,000)</u>	<u>68,763</u>	<u>343,763</u>
Net change in revenues over (under) expenditures	<u>(275,000)</u>	<u>(275,000)</u>	<u>68,763</u>	<u>343,763</u>
Fund balances - beginning	<u>275,000</u>	<u>275,000</u>	<u>156,449</u>	<u>(118,551)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>225,212</u>	<u>\$ 225,212</u>
Reconciliation to GAAP basis:				
Taxes receivable			23,367	
Inventory			17,630	
prepaid expense			23,237	
Accrued interest			(40,399)	
Compensated absences			(24,247)	
Capital assets, net			6,658,044	
Long-term debt			<u>(1,308,984)</u>	
Total reconciling items			<u>5,348,648</u>	
Net position, ending			<u>\$ 5,573,860</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, 2015, and have issued our report thereon dated January 12, 2016. 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.

OAR 162-10-320 Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Port as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the port's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.¹ However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Commissioners, others within the Port, the Oregon Division of Audits 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
January 12, 2016