



PORT OF SIUSLAW
OREGON

**Financial Statements
and
Independent Auditor's Report**

June 30, 2016

**C. J. Huntsman, CPA, P.C.
P.O. Box 569
Coos Bay, OR 97420**

PORT OF SIUSLAW

Table of Contents

June 30, 2016

	<u>Page</u>
INTRODUCTORY SECTION:	
Principal Officials	i
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Revenues, Expenses and Change in Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-21
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Net Position - Budget and Actual - Modified Accrual Basis:	
General Operating Fund	22
Notes to Required Supplementary Information	23
COMPLIANCE REPORTS:	
Independent Auditor's Report on Compliance and Internal Control Required by the Oregon State Regulations	24-25

INTRODUCTORY SECTION

PORT OF SIUSLAW

Principal Officials

June 30, 2016

Commissioners

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
Terry Duman PO Box 2740 Florence OR 97439	Position 1	June 30, 2017
Nancy Rickard 3105 Munsel Lake Rd Florence OR 97439	Position 2	June 30, 2019
Mike Buckwald PO Box 239 Florence OR 97439	Position 3	June 30, 2017
David Huntington PO Box 1220 Florence OR 97439	Position 4	June 30, 2019
Ron Caputo 87729 Sandrift Florence OR 97439	Position 5	June 30, 2017

Administration

<u>Name and Address</u>	<u>Position</u>
Steven Leskin PO Box 1220 Florence OR 97439	Port Manager
John Wolf Speer Hoyt LLC 975 Oak Street, Suite 700 Eugene OR 97401	Legal Counsel

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Port of Suislaw
100 Harbor Street / PO Box 1220
Florence OR 97439
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FINANCIAL SECTION

C. J. Huntsman, CPA, P.C.

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Memberships
American Institute of CPA's
Oregon Society of CPA's

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Port of Siuslaw
P.O. Box 1220
Florence, OR 97439

Report on the Financial Statements

I have audited the accompanying financial statements of the Port of Siuslaw (Port) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2016, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

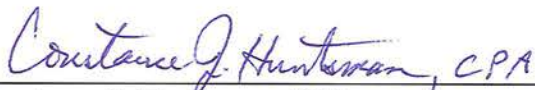
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 22–23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Siuslaw, Oregon's basic financial statements. The introductory section is presented for purposes of additional information and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, I have issued my report dated November 30, 2016 on my consideration of the Port of Siuslaw, Oregon's compliance with certain laws and regulations, including provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.



Constance J. Huntsman, CPA
Coos Bay, Oregon
November 30, 2016

PORT OF SIUSLAW
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The Management's Discussion and Analysis (MD&A) provides an introduction of the basic financial statements and an analytical overview of the Port's financial activities. The MD&A discusses and analyzes the operating results, financial position and future prospects of the Port of Siuslaw (Port), a municipal government organized under Oregon Revised Statute (ORS) 777. It should be read in conjunction with the basic financial statements for the fiscal year ending June 30, 2016, including the notes to the financial statements.

The Port is operated as an enterprise form of government, a hybrid between general government and private enterprise. Taxes provide only a small portion of the Port's income. 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 the current and non-current portions of assets owned by the Port, the current and long-term portions of liabilities owed by the Port, and the net difference available as a resource for future operations and activities.
- A Statement of Revenues, Expenses, and Change in Net Position that summarizes the operating expenses of the Port, and how operating revenues, taxes, grants and other resources cover those expenditures. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur.
- A Statement of Cash Flows that provides an objective summary showing how the Port's cash balance changed as actual cash is received and disbursed along with non-cash transactions. The cash flow statement is prepared using the direct method and includes reconciliations of operating income to net cash provided by operating activities as required by GASB 34.
- Notes to the financial statements provide additional information that is essential to a full understanding of the account information provided in the Port's statements.

Supplementary information includes:

- Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual – Modified Accrual Basis, compares the budget to actual accounting transactions in the General Operating Fund, the Port's only fund.

Financial Highlights

- The Port's net position at June 30, 2016 at \$5,384,440 is a \$189,420 decrease from \$5,573,860 at June 30, 2015, which represents a change of 3.40%. This decrease mostly occurred because depreciation expense was larger than capital expenditures.

PORT OF SIUSLAW
Management's Discussion and Analysis
For the Year Ended June 30, 2016

- The Port's cash balance increased \$120,292 from \$394,472 at June 30, 2015 to \$514,764 at June 30, 2016, a 37.34% increase. The cash increase is from more fees being collected at the campground and marina. The Port's current assets, other than cash, consisting of tax and trade receivables, inventory and prepaid assets decreased \$11,579 from \$74,876 at June 30, 2015 to \$63,298 at June 30, 2016, a 15.46% change, mostly due to a lower inventory of fuel and diesel in the marina at year-end. Overall, total current assets increased \$108,713, a net change of 23.16%.
- The Port's capital assets at June 30, 2016 in the amount of \$12,291,925, reduced by accumulated depreciation in the amount of \$6,028,427 for a net of \$6,263,498 was \$394,546 less than capital assets, net of depreciation, in the amount of \$6,658,044 at June 30, 2015, a total change of 5.93%.

Condensed Statement of Net Position

	Balances at June 30,		Increase (Decrease)
	2016	2015	2015 to 2016
Assets			
Current assets	\$ 578,062	\$ 469,349	\$ 108,713
Capital assets	6,263,498	6,658,044	(394,546)
	<u>6,841,560</u>	<u>7,127,393</u>	<u>(285,833)</u>
Liabilities			
Current liabilities	291,316	328,526	(37,210)
Long-term liabilities	1,165,804	1,225,006	(59,202)
	<u>1,457,120</u>	<u>1,553,532</u>	<u>(96,412)</u>
Net Position			
Net investment in capital assets	5,039,020	5,349,060	(310,040)
Unrestricted	<u>345,420</u>	<u>224,800</u>	<u>120,620</u>
	<u>\$ 5,384,440</u>	<u>\$ 5,573,860</u>	<u>\$ (189,420)</u>

The largest portion of the Port's net position reflects its investment in capital assets (i.e., land, marina and docks, and the campground/RV park) less the related outstanding long-term debt used to acquire those assets. The Port uses these capital assets to provide services to customers and to collect revenue for Port operations; consequently, these capital assets are not available for future spending. Although the Port's net investment in capital assets is reported net of the long-term debt, it should be noted that the resources needed to repay this debt must be provided from customers and other sources, since the capital assets themselves cannot be used to liquidate the long-term debt.

PORT OF SIUSLAW
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Condensed Statement of Revenues, Expenses and Change in Net Position

	Activities for Fiscal Years Ending June 30		Change
	2016	2015	2015 to 2016
Operating revenues:			
Campground revenue	\$ 428,730	\$ 412,475	\$ 16,255
Leases and moorage	284,639	262,216	22,423
Other fees for services	129,063	101,873	27,190
Total operating revenues	<u>842,432</u>	<u>776,564</u>	<u>65,868</u>
Operating expenses:			
Personnel services	(368,325)	(419,448)	51,123
Materials and services	(583,220)	(501,825)	(81,395)
Depreciation	(378,876)	(428,526)	49,650
Total operating expenses	<u>(1,330,421)</u>	<u>(1,349,799)</u>	<u>19,378</u>
Property taxes	284,324	278,442	5,882
Non-operating revenues (expenses)	14,245	37,946	(23,701)
Total non-operating revenues (expenses)	<u>298,569</u>	<u>316,388</u>	<u>(17,819)</u>
Change in net position	(189,420)	(256,847)	67,427
Beginning net position	<u>5,573,860</u>	<u>5,830,707</u>	<u>(256,847)</u>
Ending net position	<u>\$ 5,384,440</u>	<u>\$ 5,573,860</u>	<u>\$ (189,420)</u>

Analysis of the overall financial position and results of operations

- Overall, the Port had an increase in operating revenues in the amount of \$65,868 and a decrease in operating expenses in the amount of \$19,378. Non-operating revenues and expenses decreased \$17,819. Overall, the Port's change in net position improved \$67,427 as compared to the prior year decrease in net position.
- However, the Port's expenses remain higher than revenues. Consequently, the Port recognized a loss in net position of \$(189,420) at June 30, 2016.
- The Port did not obtain additional debt during the fiscal year 2016 and made standard repayments on the long-term debt.

PORT OF SIUSLAW
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Capital Assets and Debt Administration

As of June 30, 2016, the Port had \$6,263,498 in capital assets net of accumulated depreciation. The Port's capital assets changed by 5.93% during 2016. The change can be attributable to reduced purchases and improvements on capital assets over prior years. Conversely, repairs and maintenance expenses increased to maintain capital assets. Depreciation expense was more than the purchase of capital assets. For more detailed information on changes in capital assets, refer to the notes to the financial statements.

The Port's total long-term debt decreased by \$84,506 or 6.46% as the Port continues to pay down previous debt incurred. For more detailed information on changes in long-term debt, refer to the notes to the financial statements.

Budgetary Highlights

- The Port did not exceed budgeted appropriations in the year ended June 30, 2016.
- The original budget amount of \$1,201,000 increased to a final budget amount of \$1,210,869, a change of \$9,869, less than 0.82%.
- Actual revenues in the amount of \$1,235,187 exceeded the final budget amount of \$1,210,869 by \$24,318, a 2.01% increase.
- The Port was well within budgeted amounts at the object classification levels in the funds. The General Operating Fund's expenses were \$207,053 less than budgeted, a difference of 18.76%

Facts, Decisions, or Conditions That are Expected to Impact the Port

A change in management at the Port has led to a change in priorities from past years. New management is focused on repair and replacement of the Port's corroding infra structure. Repair projects which have been neglected are now being aggressively addressed.

For example, in this past year, the restrooms have been hardened and policies have changed to reduce damage from vandalism. The Port saw an immediate drop in transient use in our facilities. We estimate that this change will result in an \$800 per year savings to the Port.

The Port has repaired and replaced lighting structures in the two parking lots. We are on schedule to have one of our parking lots re-sealed and re-surfaced in the coming weeks. Additional projects on the docks and fuel tanks are being under taken to remedy long standing corrosion issues. The Port is in the midst of repairing junction boxes on the fuel dock which were leaking water into the electronics. The Port is also experiencing corrosion issues in its fire suppression system beneath the wharf and boardwalk. The full replacement cost is in the \$200,000 range. We are undertaking this project in stages.

The Port is also turning more attention to its rental properties. The ICM building has fallen into disrepair. The Port is working closely with the tenant to bring this property into good repair. The Port has made several minor repairs to the Mo's building this year.

PORT OF SIUSLAW
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The Port is undertaking repairs to its "C-Row" damaged during storms in December 2015. We are working closely with a marine engineer, and are seeking grant money from FEMA, to stop further erosion from occurring in future storms. As a result of the damage done to C-Row, the Port may see less income from the RV Park this year.

The Port is systematically changing some of its policies in the boat basin. Currently, marine insurance is not required. Port Management anticipates a Resolution passed by the Commission requiring all ships moored here to provide proof of insurance. As a result, management anticipates some drop off on moorage revenue in the coming year. We will look for advertising and marketing opportunities to bring new moorage revenue into the Port.

The Port's top financial policy is reducing its debt burden. The Port paid off its loan for the NoPal lot in 2016. The remaining debt will continue to be paid down on schedule, unless additional funds become available through the sale of Port assets.

The Port was approached in May with an inquiry into the sale of the building at 1499 Bay Street. The Port Commission elected to put the property on the market. It is fairly certain that the property will be sold by the end of the calendar year.

The Port continues to market its Pacific View property. A new commercial realtor was recently hired out of Eugene. The price of the property was reviewed to see that it is in line with existing vacant land sales on the southern coast.

Finally, the Port created a new fund this year to rationally save over time for the future replacement of existing Port assets. Port staff created an evidence based approach considering the life span of each material asset and the anticipated future replacement cost. Using this approach, the Port will be able to anticipate when assets will fail, and should have the money available to meet those future needs.

Requests for Information

This financial report is designed to provide a general overview of the Port's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Port of Siuslaw, P.O. Box 1220, Florence, OR 97439. (Telephone (541) 997-3426).

BASIC FINANCIAL STATEMENTS

PORT OF SIUSLAW
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 514,764
Accounts receivable	7,918
Property taxes receivable	22,652
Inventory	9,119
Prepaid expenses	23,609

Total current assets 578,062

Noncurrent assets:

Land and non-depreciable capital assets	2,617,874
Capital assets, net of accumulated depreciation	3,645,624

Total noncurrent assets 6,263,498

Total assets \$ 6,841,560

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	\$ 26,600
Accrued payroll and related expenses	9,541
Deposits	8,860
Unearned revenue	130,380
Accrued interest payable	57,261
Long-term debt, current portion	58,674

Total current liabilities 291,316

Noncurrent liabilities:

Long-term debt, net of current portion	1,165,804
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Total liabilities 1,457,120

Net Position:

Net investment in capital assets	5,039,020
Unrestricted	345,420

Total net position 5,384,440

Total liabilities and net position \$ 6,841,560

PORT OF SIUSLAW
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2016

OPERATING REVENUES:	
Campground revenue	\$ 428,730
Leases	192,854
Moorage	91,785
Storage	29,559
Marine fuel	54,910
Parking income	13,496
Dump station fees	4,679
Vending sales	7,689
Forklift, hoist and labor	1,335
Seafood seller permits	850
Retail sales	1,045
Maintenance Assistance Program	15,500
Total operating revenues	842,432
OPERATING EXPENSES:	
Salaries and wages	280,875
Payroll taxes and employee benefits	87,450
Supplies	44,292
Utilities	130,101
Fuel	51,111
Rentals	8,350
Repairs and maintenance	138,961
Professional services	39,260
Travel	4,725
Insurance	49,546
Advertising and public relations	18,129
Taxes and licenses	55,382
Other expenses	43,363
Depreciation expense	378,876
Total operating expenses	1,330,421
Operating income (loss)	(487,989)
NON-OPERATING REVENUES (EXPENSES):	
Property taxes, current year	282,012
Property taxes, prior year	2,312
State forest sales	7,242
Grant resources	77,026
Interest income	1,066
Gain (loss) on disposals of capital assets	(15,295)
Miscellaneous revenue	22,007
Interest expense	(77,801)
Total non-operating revenues (expenses)	298,569
Change in net position	(189,420)
Net position, beginning of year	5,573,860
Net position, end of year	\$ 5,384,440

The accompanying notes are an integral part of these financial statements.

PORT OF SIUSLAW
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Receipts from customers	\$ 847,084
Payments to suppliers	(591,041)
Payments to employees	(383,061)
Net cash provided (used) by operating activities	(127,018)
Cash flows from noncapital financing activities:	
Cash received from property taxes	285,039
Cash received from State forest sales	7,242
Cash received from other non-operating revenues	22,007
Net cash provided by noncapital financing activities	314,288
Cash flows from capital and related financing activities:	
Payments received on capital grant agreements	77,026
Principal payments on long-term debt	(84,506)
Interest paid on long-term debt	(60,939)
Sale of assets	375
Net cash provided (used) by capital and related financing activities	(68,044)
Cash flows from investing activities:	
Interest income	1,066
Net increase in cash and cash equivalents	120,292
Cash and cash equivalents at beginning of year	394,472
Cash and cash equivalents at end of year	\$ 514,764
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (487,989)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	378,876
(Increase) decrease in operating assets:	
Accounts receivable	2,725
Inventory	8,511
Prepaid expenses	(372)
Increase (decrease) in operating liabilities:	
Accounts payable	(15,960)
Accrued payroll and related expenses	(14,736)
Deposits	30
Unearned revenue	1,897
Net cash provided (used) by operating activities	\$ (127,018)
 NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Disposal of capital assets	\$ 15,670

The accompanying notes are an integral part of these financial statements.

PORT OF SIUSLAW
Notes to the Financial Statements
June 30, 2016

I. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Port of Siuslaw (Port) is a special municipal district chartered in 1909, under the laws pertaining to port districts in the State of Oregon as provided by Oregon Revised Statute (ORS) 777. The Port has an elected five-person Board of Commissioners. The Board members set Port policy, appropriate funds, adopt budgets, and perform other duties required by state laws. The administrative functions of the Port are directed by the Port's General Manager, who reports to the Board of Commissioners. The Port of Siuslaw 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. The Port is located on the Siuslaw River in and near the City of Florence, Lane County, Oregon.

B) Measurement Focus, Basis of Presentation and Accounting

The financial statements of the Port of Siuslaw have been prepared in accordance with generally accepted accounting principles accepted in the United States of America (U.S. GAAP) as applied to proprietary funds of local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Accordingly, the Port utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

The Port maintains one fund, the General Operating Fund, which is a proprietary type of fund used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees.

The Port's General Operating Fund 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, net investment in capital assets, and unrestricted. When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

The Port distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Port's ongoing operations. The principal operating revenues of the Port include campground/RV park revenue, lease income from rental of Port properties, moorage, storage, fuel sales, and various other service fees. Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and administration expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenue and expenses. This includes property taxes, investment interest, gain (loss) on sale of capital assets, and non-operating grant revenue.

C) Financial Position

1. Deposits and Investments

The Port maintains bank accounts at a local financial institution. For purposes of the statement of cash flows, the Port considers cash and short-term investments with maturities of three months or less to be cash equivalents. All cash and cash equivalents are carried at cost which equals market value. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. All of the Port's cash and cash equivalents are Level 1 assets.

2. Receivables

The State of Oregon constitution and state statutes provide for several types of tax levies, all of which require voter approval before being levied. Included among such authorized levies are a permanent tax rate, which can result in a different levy amount each year as assessed valuations change, bonded debt levies which can be levied each year the related general obligation bonds mature, and local option levies for a voter-approved number of years. For the current reporting year, the Port levied taxes at the permanent rate of \$0.1474 per \$1,000 of assessed value within the Port's taxing district. Measure 50 establishes the permanent rate and allows for an increase of the assessed value of 3.00% per year.

Property tax revenue is recognized on the accrual basis of accounting. Property taxes levied during the current year are recorded as revenue, and any amounts uncollected at year-end are recorded as a current asset. The Port considers its delinquent property tax receivables fully collectible and does not use an allowance for uncollectible property taxes.

Accounts receivable are unsecured and consist primarily of rents due from tenants within the campground/RV park and from rental of Port properties. The Port provides an allowance for receivables if it believes it may not collect in full. Port management evaluates the collectability of its accounts based on a combination of factors. Port management believes that all current receivables are collectable and have not recorded an allowance for doubtful accounts.

PORT OF SIUSLAW
Notes to the Financial Statements
June 30, 2016

3. Inventory

Inventories are maintained on a consumption basis of accounting under the lower of cost or market first-in, first-out method where items are purchased for inventory and charged to expense as the items are consumed. Inventory held by the Port consists of fuel and diesel at the marina.

4. Prepaid Expenses

Prepaid expenses represent amounts paid for normal operating expenses in advance of receiving the related goods or services.

5. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Only assets acquired with a useful life of one year or more are capitalized. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Expenses for additions and improvements with a value of \$3,000 or more and a useful life of more than one year are capitalized.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method using half-year convention over the following useful lives:

Land improvements (campground, parking lots and marina)	10-20 years
Buildings and docks	2-30 years
Equipment, furniture and vehicles	2-20 years

6. Accrued Payroll and Related Expenses

Employees are permitted to accumulate earned but unused vacation. Vacation pay is recognized as expense and liability when earned by each employee. Compensated absences (unused vacation pay) is reported with accrued payroll and related expenses.

7. Unearned Revenue

This is cash received prior to the fiscal year end in which it is recognized as revenue.

8. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Accordingly, actual results could differ from those estimates.

9. Net Position

Net position is displayed in three components:

- a. *Net investment in capital assets.* This represents the Port's historical cost of capital assets less depreciation, net of outstanding debt obligations related to those capital assets.
- b. *Restricted net position.* This represents assets that are restricted by the Port's creditors, by enabling legislation, by grantors and other contributors.
- c. *Unrestricted.* This represents resources used for the Port's general operations, which are not restricted by third parties.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A) Budgetary Information

The Port legally adopts an annual budget for its proprietary fund prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law. The resolution authorizes fund appropriations at the following control levels: personnel services, materials and services, capital outlay, debt service, and contingencies.

Budgets are adopted on the modified accrual basis of accounting that excludes amounts accrued in property taxes receivable, inventory, prepaid expenses, accrued interest payable and compensated absences, which is not in conformity with U.S. GAAP, 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.

Original appropriations may be increased or decreased, through resolutions, by transferring amounts between appropriations in the same fund, or they may be increased through the adoption 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. During the fiscal year ended June 30, 2016, the Port passed a resolution adopting a supplemental budget and appropriating funds.

PORT OF SIUSLAW
Notes to the Financial Statements
June 30, 2016

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The Port follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Budget Committee submits to the Board of Commissioners an approved operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and the means of financing them.
2. A public hearing is then held to obtain comments from taxpayers and other interested parties.
3. Prior to July 1, the budget is legally adopted and expenses are appropriated and taxes levied by a resolution. The Board of Commissioners does have the authority to make certain limited changes in the budget figures approved by the Budget Committee when it adopts the budget. The resolution authorizing appropriations for each fund sets the level by which expenses cannot legally exceed appropriations.

III. DETAILED NOTES

A) Deposits and Investments

The Port maintains four bank accounts at Banner Bank, a public checking account, two public money market accounts and a public savings account, all of which earn interest. Following is a summary of the Port's cash, demand deposits and investment balances at June 30, 2016:

Cash on hand	\$ 2,918
Checking account	52,887
Savings account	100,085
Money market accounts	<u>358,874</u>
Total cash and cash equivalents	<u>\$ 514,764</u>

Interest Rate Risk

Interest rate risk is the risk of exposure to fair value losses resulting from rising interest rates. The Port does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Port has minimal interest rate risks because all of its deposits are held in demand accounts at a local financial institution.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. In order to minimize this risk, state statutes (ORS 295) require banks holding public funds become members of the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected.

Public officials are required to verify that deposit accounts in excess of deposit insurance are only maintained at financial institutions included on the list of qualified depositories maintained by the State Treasurer. The Port maintains its deposits with a qualified bank, Banner Bank, that was listed on the Treasurer's web site, "Qualified Depositories for Public Funds", throughout the fiscal year.

Federal Deposit Insurance Corporation (FDIC) section 330.15 governs the insurance coverage of public unit accounts and is applicable to the Port's deposits and investments. All time and savings deposits owned by the Port are added together and insured up to \$250,000. At June 30, 2016, the Port's savings and money market accounts had a bank value of \$458,959 which exceeded FDIC coverage by \$208,959, however this risk is mitigated by coverage through the PFCP. At June 30, 2016, the Port's demand deposits had a bank value of \$52,887 which was covered by FDIC.

Credit Risk

The Port does not have a formal policy addressing credit risk other than following ORS 294.035 on allowable deposits and investments.

Concentration of Credit Risk

The Port does not have a policy to limit the amount that may be invested in any one issuer. At June 30, 2016, 100% of its deposits were held in multiple deposit and money market accounts, with one bank.

B) Property Taxes Receivable

Property taxes are an enforceable lien on real and personal property. Taxes are levied on July 1 and payable in full on November 15, although three installments, on November 15, February 15, and May 15, are allowed. Lane County bills, collects and remits the property taxes to the Port. For the year ended June 30, 2016, the Port levied a net tax of \$296,290. The total taxes receivable at June 30, 2016 amounted to \$22,652 of which \$7,996 was for the year ended June 30, 2016.

PORT OF SIUSLAW
Notes to the Financial Statements
June 30, 2016

C) Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance 06/30/14	Additions	Disposals	Balance 06/30/15
Capital assets, non-depreciable:				
Land	\$ 2,617,874	\$ -	\$ -	\$ 2,617,874
Capital assets, depreciable:				
Land improvements - campground/RV park, parking lots and marina	1,368,653	-	-	1,368,653
Buildings and docks	7,572,080	-	(18,143)	7,553,937
Equipment and vehicles	805,994	-	(54,532)	751,462
Capital assets, depreciable	<u>9,746,727</u>	<u>-</u>	<u>(72,675)</u>	<u>9,674,052</u>
Less accumulated depreciation:				
Land improvements - campground/RV park, parking lots and marina	1,206,713	31,151	-	1,237,864
Buildings and docks	3,785,618	317,907	(2,473)	4,101,052
Equipment and vehicles	714,226	29,818	(54,532)	689,512
Total accumulated depreciation	<u>5,706,557</u>	<u>378,876</u>	<u>(57,005)</u>	<u>6,028,428</u>
Net depreciable capital assets	<u>4,040,170</u>	<u>378,876</u>	<u>(15,670)</u>	<u>3,645,624</u>
Total net capital assets	<u>\$ 6,658,044</u>	<u>\$ 378,876</u>	<u>\$ (15,670)</u>	<u>\$ 6,263,498</u>

D) Long-Term Debt

Loan No. 520130: Business Oregon. In 1995, the Port borrowed \$60,000 from the State of Oregon acting by and through the Oregon Economic Development Commission (OEDC) using funds from the Port Revolving Loan Funds (PRLF) for a Port commercial dock and business site development project. In April of 1999, the Port borrowed an additional \$113,113 and during the fiscal year ended June 30, 2000, the OEDC advanced an additional \$157,753. Collateral for this Port development project included real property located on 2.58 acres in and around Nopal Street and the Siuslaw River. Debt service was \$7,364 in quarterly installments through April 15, 2016, including interest payments at 5.00%. At June 30, 2016, the balance due on the Port's commercial dock and business site development project is paid in full.

PORT OF SIUSLAW
Notes to the Financial Statements
June 30, 2016

Loan No. L0004: OBDD. The Port borrowed \$189,139 in April 2000 from OBDD's Special Works Fund (SPWF). Debt service is \$15,961 annually through 2025, including 6.00% interest. At June 30, 2016, the balance due on this loan is \$108,562. This was for commercial dock and business site development.

Loan No. 1000220591: Banner Bank. In August 2008, Siuslaw Bank lent the Port \$250,000 with an interest rate at 4.45%. In 2014, the Port refinanced this loan to gain title to property for future economic development. The collateral for this loan is approximately 40 acres of land conveyed by document recorded July 27, 2004, Reception No. 2004-059104, Lane County Oregon deed Records in Lane County, Oregon. This new loan, obtained through Siuslaw Bank, was in the amount of \$247,500. Soon after, Banner Bank purchased Siuslaw Bank and retained the Port's loan without modifications. Monthly payments are in the amount of \$1,500 with an interest rate of 3.95%. The balance on this loan is \$225,867 at June 30, 2016. The loan has a balloon payment of \$203,505 due on December 5, 2018.

Loan No. 524016: Business Oregon. This loan was required by the State of Oregon as part of their dredging funds awarded to the Port. In March and April 2009, the Port borrowed \$75,000 from the Marine Navigation Improvement Fund (MNIF). This loan originated on December 1, 2010 and is payable in 20 annual installments on December 1 in the amount of \$5,876 including interest at 4.72%. This loan was for dredging to remove and dispose sediment in the commercial basin, sport boat basin and public boat launch ramp. The balance on this loan at June 30, 2016 is \$59,222. Collateral is any taxes which the Port may levy in the commercial basin, sport boat basin, and launch ramp areas.

Loan No. 525186: Business Oregon. The Port started a Maple Street landing and dock rehabilitation program using a line of credit from the State of Oregon through its Business Development Department. The Maple Street landing and dock rehabilitation program is located within the Port's commercial dock and business site development project on 2.58 acres in and around Nopal Street and the Siuslaw River. In December 2010, the line of credit was secured by a promissory note between the State of Oregon using funds from the Port Revolving Loan Funds (PRLF) in the amount of \$601,000. Payments are due in 80 quarterly installments in the amount of \$11,600 including interest at 4.67%. The balance due at June 30, 2016 is \$491,557.

Loan No. 525196: Business Oregon. In 2013, the State of Oregon acting by and through the Infrastructure Finance Authority of the Business Development Department lent the Port \$371,988 for wharf rehabilitation within the Port's commercial dock and business site development project on 2.58 acres in and around Nopal Street and the Siuslaw River. Payments are due in 80 quarterly installments in the amount of 429,700 including interest at 4.67%. The balance due at June 30, 2016 is \$339,270.

PORT OF SIUSLAW
Notes to the Financial Statements
June 30, 2016

Following is a summary of changes in long-term debt for the fiscal year ended June 30, 2016:

	Balance 06/30/15	Additions	Reductions	Balance 06/30/16	Due within one year
Long-term debt:					
Loan No. 520130	\$ 29,808	\$ -	\$ 29,808	\$ -	\$ -
Loan No. L0004	117,475	-	8,913	108,562	9,447
Loan No. 1000220591	233,520	-	7,653	225,867	9,243
Loan No. 524016	62,164	-	2,942	59,222	3,081
Loan No. 525186	514,332	-	22,775	491,557	23,858
Loan No. 525196	351,685	-	12,415	339,270	13,045
Total long-term debt	<u>\$ 1,308,984</u>	<u>\$ -</u>	<u>\$ 84,506</u>	<u>\$ 1,224,478</u>	<u>\$ 58,674</u>

Future maturities of notes payable are as follows:

Year Ending June 30	Loan No. L0004		Loan No. 1000220591		Loan No. 524016	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 9,447	\$ 6,514	\$ 9,243	\$ 8,756	\$ 3,081	\$ 2,795
2018	10,014	5,947	9,615	8,384	3,226	2,650
2019	10,615	5,346	207,009	3,996	3,379	2,497
2020	11,252	4,709	-	-	3,538	2,338
2021	11,927	4,034	-	-	3,705	2,171
2022-2026	55,307	8,537	-	-	21,320	8,061
2027-2031	-	-	-	-	20,973	2,532
2032-2036	-	-	-	-	-	-
Total	<u>\$ 108,562</u>	<u>\$ 35,087</u>	<u>\$ 225,867</u>	<u>\$ 21,136</u>	<u>\$ 59,222</u>	<u>\$ 23,044</u>

Year Ending June 30	Loan No. 525186		Loan No. 525196		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 23,858	22,542	13,045	16,655	\$ 58,674	\$ 57,262
2018	24,992	21,408	13,707	15,993	61,554	54,382
2019	26,180	20,220	14,403	15,297	261,586	47,356
2020	27,423	18,977	15,133	14,567	57,346	40,591
2021	28,727	17,673	15,901	13,799	60,260	37,677
2022-2026	165,457	66,542	92,458	56,041	334,542	139,181
2027-2031	194,920	23,332	118,418	30,081	334,311	55,945
2032-2036	-	-	56,205	3,194	56,205	3,194
Total	<u>\$ 491,557</u>	<u>\$ 190,694</u>	<u>\$ 339,270</u>	<u>\$ 165,627</u>	<u>\$ 1,224,478</u>	<u>\$ 435,588</u>

PORT OF SIUSLAW
Notes to the Financial Statements
June 30, 2016

E) Operating Leases

Port of Siuslaw is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Port's statement of net position.

The Port leases facilities to various individuals and businesses. Rent agreements vary from month-to-month to 10 years. Determination of the cost and book value of leased facilities is not determinable given the mixed-use nature of Port property. As of June 30, 2016, minimum rental payments required under operating leases which have remaining non-cancelable lease terms in excess of one year are as follows:

Year ending June 30	Rental Receipts
2017	\$ 165,738
2018	165,738
2019	163,338
2020	151,338
2021	151,338
2022-2026	309,024
Total	\$ 1,106,514

The Port has entered into two principal lease agreements with the Oregon Department of State Lands. Waterway Lease ML-10508 is for the 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. Waterway Lease ML-9188 is for the submerged areas of the East and West basins. Other leases with the Oregon Department of State Lands 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 3.00% of gross income determined by the provisions of OAR 141-082-0100 in effect at the time. For 2015-16 the rent was \$11,280. The East and West basin lease ML-9188 runs from December 1, 2006 to November 30, 2021 with rent of 3.00% of gross income determined by the provision of OAR 141-082-0100 in effect at the time. For 2015-16 the rent was \$4,156. 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.

F) Deferred Compensation Plan

The Port offers a Governmental 457[B] plan to employees. This plan is adopted under the Provisions of Internal Revenue Code Section 457 which establishes deferred compensation plans of state and local governmental employers. The plan offers employees a regular and long-term savings pattern through a payroll deduction feature. Employee contributions and earnings on the plan assets are tax deferred until withdrawn from the plan by the employee.

The plan is administered by Nationwide Retirement Solutions. Administrative duties include tracking fund assets by employee participant. The Port's fiduciary responsibility ends when it transfers funds to Nationwide Retirement Solutions equal to the amount deducted from the employee's wage.

V. OTHER INFORMATION

A) 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 carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year. There has been no instance, in the past three years, in which the settlement costs have exceeded the insurance coverage. No losses were incurred during the year ended June 30, 2016, which were greater than the Port's coverage.

B) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of disbursements which may be disallowed by the grantor cannot be determined at this time although the Port expects such amounts, if any, to be immaterial.

C) Evaluation of Subsequent Events

Management evaluated subsequent events through November 30, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF SIUSLAW
Schedule of Revenues, Expenses and Changes in Net Position -
Budget and Actual - Modified Accrual Basis
General Operating Fund
For the Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Operating revenues:				
Campground revenue	\$ 385,000	\$ 385,000	428,730	\$ 43,730
Leases	190,000	190,000	192,854	2,854
Moorage	70,000	70,000	91,785	21,785
Storage	22,000	22,000	29,559	7,559
Marine fuel	55,000	55,000	54,910	(90)
Parking income	10,000	10,000	13,496	3,496
Dump station fees	4,000	4,000	4,679	679
Vending sales	6,000	6,000	7,689	1,689
Forklift, hoist and labor	-	-	1,335	1,335
Seafood seller permits	-	-	850	850
Retail sales	1,000	1,000	1,045	45
Maintenance Assistance Program	15,900	15,900	15,500	(400)
Non-operating revenues:				
Property taxes - current year	300,000	300,000	280,401	(19,599)
Property taxes - prior years	6,300	6,300	4,638	(1,662)
Interest income	800	800	1,066	266
Miscellaneous income	10,000	10,000	29,624	19,624
Grant resources	125,000	134,869	77,026	(57,843)
Total revenues	1,201,000	1,210,869	1,235,187	24,318
EXPENSES:				
Personnel services	423,360	423,360	383,290	40,070
Materials and services	491,980	514,180	514,088	92
Capital outlay	140,000	167,669	60,993	106,676
Debt service - principal and interest	145,660	145,660	145,445	215
Contingency	100,000	60,000	-	60,000
Total expenses	1,301,000	1,310,869	1,103,816	207,053
Revenues over (under) expenses	(100,000)	(100,000)	131,371	231,371
Change in net position	(100,000)	(100,000)	131,371	231,371
Net position - beginning budgetary basis	350,000	350,000	225,212	(124,788)
Net position - ending budgetary basis	\$ 250,000	\$ 250,000	\$ 356,583	\$ 106,583

RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (U.S. GAAP):

Property taxes receivable	22,652
Inventory	9,119
Prepaid expenses	23,609
Accrued interest payable	(57,261)
Accrued compensated absences	(9,282)
Net investment in capital assets	6,263,498
Long-term debt	(1,224,478)
Total reconciling items	5,027,857
Budgetary fund balance, June 30, 2016 (above)	356,583
Net position, June 30, 2016 (U.S. GAAP Basis)	\$ 5,384,440

PORT OF SIUSLAW
Notes to Required Supplementary Information
June 30, 2016

Budgets and Budgetary Accounting

The Port legally adopts an annual budget for its proprietary fund prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law. The resolution authorizes fund appropriations at the following control levels: personnel services, materials and services, capital outlay, debt service, and contingencies.

The Port of Siuslaw's budget is adopted on the modified accrual basis of accounting that excludes amounts accrued in property taxes receivable, inventory, prepaid expenses, accrued interest payable and compensated absences, which is not in conformity with U.S. GAAP, 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.

Original appropriations may be increased or decreased, through resolutions, by transferring amounts between appropriations in the same fund, or they may be increased through the adoption 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. During the fiscal year ended June 30, 2016, the Port passed a resolution adopting a supplemental budget and appropriating funds.

The Port maintains one fund, the General Operating Fund. This fund is used to account for operating revenues and expenses and non-operating items. Primary sources of operating revenue are from the Port's campground/RV park, lease income, moorage and fuel sales. The primary source of non-operating revenues is from property taxes. Primary operating expenses are for maintenance and general administration.

The Port had no excess of expenses over appropriations.

COMPLIANCE REPORTS

C. J. Huntsman, CPA, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Port of Siuslaw
PO Box 1220
Florence, OR 97439

I have audited the basic financial statements of Port of Siuslaw, Oregon as of and for the year ended June 30, 2016, and have issued my report thereon dated November 30, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Port of Siuslaw's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

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

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

The independently elected officials of Port of Siuslaw do not collect or receive money and are, therefore, not subject to the requirements of OAR 162-010-0140.

In connection with my testing nothing came to my attention that caused me to believe the Port of Siuslaw 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 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control


In planning and performing my audit of the financial statements, I considered the Port of Siuslaw's internal control over financial reporting to determine the audit procedures that are appropriate for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port of Siuslaw's internal control. Accordingly, I do not express an opinion on the effectiveness of Port of Siuslaw'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

This report is intended solely for the information and use of the board of commissioners and management of 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 parties.



Constance J. Huntsman, CPA
Coos Bay, Oregon
November 30, 2016

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C. J. Huntsman, CPA, P.C.

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Communication with Those Charged with Governance at the Conclusion of the Audit

November 30, 2016

Board of Commissioners
Port of Siuslaw
PO Box 1220
Florence, OR 97439

I have audited the financial statements of the business-type activities and general operating fund of the Port of Siuslaw for the year ended June 30, 2016. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated June 29, 2016. Professional standards also require that I communicate to you the following information related to my audit.

Internal Control

In planning and performing my audit of the financial statements of the business-type activities and the major fund of Port of Siuslaw as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, I considered the Port of Siuslaw'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Siuslaw's internal control. Accordingly, I do not express an opinion on the effectiveness of the Port of Siuslaw'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. I did not identify any deficiencies in internal control that I consider to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph in this Internal Control section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Port of Siuslaw are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2016. I noted no transactions entered into by the Port of Siuslaw during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Port of Siuslaw's financial statements was:

Management's estimate of the depreciation periods or "life" of capital assets is based on the Port's experience with similar assets. I evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to each the Port of Siuslaw's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated November 30, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Port of Siuslaw’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to engagement as the Port of Siuslaw’s auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to my retention.

Other Matters

I applied certain limited procedures to management’s discussion and analysis and the schedule of revenues, expenses and changes in fund balance – budget and actual – modified accrual basis for the general operating fund, which are required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was not engaged to report on the list of principal officials, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,



Constance J. Huntsman, CPA