

# Annual Financial Report

Fiscal year ended June 30, 2013



**Port of Morrow**

**Two Marine Drive | P.O. Box 200**

**Boardman, OR 97818**

**(541) 481-7678**

**[www.portofmorrow.com](http://www.portofmorrow.com)**

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## **INTRODUCTORY SECTION**

**PORT OF MORROW  
Commissioners**

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<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>
Don Russell, President 69247 Kunze Lane Boardman, Oregon 97818	1	June 30, 2014
Marvin Padberg, Vice-President/Treasurer 64746 Rhea Creek Rd Ione, OR 97843	4	June 30, 2015
Larry Lindsay, Secretary Lindsay Ranch Lexington, Oregon 97839	5	June 30, 2015
Joe Taylor 78597 Paul Smith Road Boardman, Oregon 97818	2	June 30, 2014
Jerry Healy 645 Hager Street Heppner, OR 97836	3	June 30, 2014

**Other Personnel As Of June 30, 2013**

Gary D. Neal, General Manager Boardman, OR 97818

**Registered Agent**

Sam Tucker, Attorney Milton-Freewater, OR  
97862

## **FINANCIAL SECTION**

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

**Independent Auditor's Report**

Commissioners  
Port of Morrow  
P.O. Box 200  
Boardman, Oregon 97818

**Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Port of Morrow as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Port's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions 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 of 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 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 opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Port of Morrow as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of Matter Regarding New Accounting Policy

As described in Note 1, during the year ended June 30, 2013 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 5 and budgetary comparison information on pages 34 through 36 be present 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 management discussion and analysis 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 the 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Morrow's basic financial statements. The introductory section, individual fund financial statements, and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 individual fund financial statements and other financial schedules are stated fairly in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 2, 2013, on our consideration of the Port of Morrow's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC  
Certified Public Accountants

By   
Brent Lewis, CPA  
Owner/Member

La Grande, OR  
December 2, 2013

## PORT OF MORROW

### Management's Discussion and Analysis

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This discussion and analysis of the Port of Morrow's (Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Port's financial statements, which follow this section.

#### **Overview of the Financial Statements:**

This audit report consists of three parts - management's discussion and analysis (this section), the basic financial statements (including notes), and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB), and also by the Oregon Secretary of State (OSS).

The **Statement of Net Position** and the **Statement of Activities and Changes in Net Position** report financial information about the Port as a whole and about its activities. These statements include *all* assets and liabilities of the Port using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Port's *net position* and the changes in them. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, which is one way to measure the Port's financial health, or *financial position*. Over time, *increases or decreases* in the Port's net position is one indicator of whether its *financial health* is improving or deteriorating. In these statements, Port activities are separated as follows:

**Governmental activities** – The Port accounts for all receipts, expenditures and capital costs not accounted for within the proprietary or business-type activities fund in its general fund. Property taxes, bond handling fees and transfers from the enterprise fund (or business-type activities) are the primary sources of revenue for the fund.

**Business-type activities** – The Port's freshwater, discharge water, east beach utility, site development and motor pool are reported in this category. The Port charges a fee to customers, tenants or other units within the Port to cover all or most of the cost of services it provides

These activities are described in Note 1 of the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, nearly all of which is required by the GASB, the OSS, or bond ordinances.

#### **Financial Results:**

The analysis in Table 1 (below) focuses on the net position of the general fund and of the business-type activities separately.

**PORT OF MORROW**  
**Management's Discussion and Analysis**

**Table 1**

**Net Position:**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 454,545	\$ 315,888	\$ 6,752,033	\$ 14,682,406	\$ 7,206,578	\$ 14,998,294
Capital assets	122,456	67,494	66,532,838	63,364,022	66,655,294	63,431,516
Total assets	577,001	383,382	73,284,871	78,046,428	73,861,872	78,429,810
Total deferred outflows of resources	-	-	491,433	511,162	491,433	511,162
Long-term liabilities outstanding	-	-	24,565,670	27,313,418	24,565,670	27,313,418
Other liabilities	21,277	33,151	3,418,133	8,084,630	3,439,410	8,117,781
Total liabilities	21,277	33,151	27,983,803	35,398,048	28,005,080	35,431,199
Net position:						
Net investment in capital assets	122,456	67,494	40,201,793	39,871,632	40,324,249	39,939,126
Restricted	-	-	2,216,856	2,271,678	2,216,856	2,271,678
Unrestricted	433,268	282,737	3,373,852	1,016,232	3,807,120	1,298,969
Total net position	\$ 555,724	\$ 350,231	\$ 45,792,501	\$ 43,159,542	\$ 46,348,225	\$ 43,509,773

The Port's total net resources increased just under \$3 million from the prior year, or 7 percent. This was due in part to capital grants received. Grants were used to purchase super chassis to utilize at the dock, for road improvements in process to our east beach industrial park and towards completion of our \$8 million interactive visitors center known as SAGE.

The Port also had a 38% increase in Site Development revenue generated by a combination of increased lease activities, increased motor pool revenue and a moderate increase in royalties. Utility revenue increased in the 2 - 7% range with similar increases in expenses.

**Table 2**

**Changes in Net Position**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012
Revenues:						
General governmental revenues	\$ 428,339	\$ 161,843	\$ -	\$ -	\$ 428,339	\$ 161,843
Operating revenues						
Site Development	-	-	5,297,856	3,839,530	5,297,856	3,839,530
E. Beach Utilities	-	-	623,172	505,464	623,172	505,464
Discharge Water	-	-	3,391,152	3,175,694	3,391,152	3,175,694
Freshwater	-	-	1,573,452	1,541,587	1,573,452	1,541,587
NonOperating revenues						
Interest Income	563	-	128,190	433,652	128,753	433,652
Gain (loss) on sale of assets	-	-	736,002	576,407	736,002	576,407
Total revenues	428,902	161,843	11,749,824	10,072,334	12,178,726	10,234,177

**PORT OF MORROW**  
**Management's Discussion and Analysis**

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Expenses:

Management and administration	437,409	327,353	-	-	437,409	327,353
Operating expense	-	-	8,780,364	7,924,768	8,780,364	7,924,768
Nonoperating expenses	-	-	1,757,348	1,691,774	1,757,348	1,691,774
	<hr/>		<hr/>		<hr/>	
Total expenses	437,409	327,353	10,537,712	9,616,542	10,975,121	9,943,895
Increase (decrease) in net position before transfers	(8,507)	(165,510)	1,212,112	455,792	1,203,605	290,282
Grant income and contributions	50,000	-	1,584,847	4,775,877	1,634,847	4,775,877
Transfers	164,000	164,000	(164,000)	(164,000)	-	-
	<hr/>		<hr/>		<hr/>	
Increase (decrease) in net position	205,493	(1,510)	2,632,959	5,067,669	2,838,452	5,066,159
Net position-beginning	350,231	351,741	43,159,542	38,091,873	43,509,773	38,443,614
Net position-ending	<u>\$ 555,724</u>	<u>\$ 350,231</u>	<u>\$ 45,792,501</u>	<u>\$ 43,159,542</u>	<u>\$ 46,348,225</u>	<u>\$ 43,509,773</u>

**Capital Assets**

During the fiscal year ended June 30, 2013, the Port expended over \$9 million in capital improvements and purchases. In May 2013, the Port completed construction of their interactive visitor's center known as the SAGE center. Costs incurred during the current year were just over \$5 million, utilizing the remaining state grant funds and proceeds from Port property sales. The Port completed their state Connect III project at the dock. Waste water utility improvements totaled over \$2 million and were financed in part by an additional \$1 million obtained during bond refinance. Work continued on the HB2001 road project to connect Lewis & Clark to highway 730 and started on road improvements for the new Lamb Weston potato processing facility. Various site improvements and equipment purchases account for the remainder of the capital costs. These projects were funded by \$1.584 million in capital grant revenues, increased debt financing of \$1 million, and collections on property sales.

**Debt**

The Port issued \$8,665,000 in parity revenue bonds to refund the Port's 2007 issue. They also issued full faith and credit bonds of \$7,060,000 used to refund their 2009 full faith and credit issue, two flexleases and \$1 million in wastewater improvements. See note 8 for additional details regarding the Port's long-term debt

**Budgetary**

The Port's budget for the year ended June 30, 2013 was adopted by the Port Commission in June 2012. No budget transfers were made during the year.

Capital outlay had a significant variance between actual results and budgeted amounts. Timing of major expenditures and construction projects is difficult to project and some projects did not proceed as quickly as projected. Expenditures did not exceed budgetary limits in any category.

**Contacting the Port's Financial Management**

This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional financial information, contact the Port of Morrow's Controller's Office, PO Box 200, Boardman, OR 97818.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**PORT OF MORROW**  
**Statement of Net Position**  
**June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Petty cash	\$ 200	\$ 700	\$ 900
Cash in bank	399,970	1,595,494	1,995,464
Local Government Investment Pool	-	990,448	990,448
Deposits with trustee	-	2,216,856	2,216,856
Total cash and cash equivalents	<u>400,170</u>	<u>4,803,498</u>	<u>5,203,668</u>
Accounts receivable - county treasurer	291	-	291
Accounts receivable	-	680,377	680,377
Allowance for doubtful accounts	-	(297)	(297)
Grants receivable	50,000	383,777	433,777
Deposits and prepaid expenses	-	174,835	174,835
Property taxes receivable	4,084	-	4,084
Loan receivable	-	30,833	30,833
Total current assets	<u>454,545</u>	<u>6,073,023</u>	<u>6,527,568</u>
Noncurrent assets:			
Loan receivable	-	79,501	79,501
Patronage capital credits	-	599,509	599,509
Capital assets (net)	122,456	66,532,838	66,655,294
Total noncurrent assets	<u>122,456</u>	<u>67,211,848</u>	<u>67,334,304</u>
Total assets	<u>577,001</u>	<u>73,284,871</u>	<u>73,861,872</u>
<b>Deferred outflows of resources:</b>			
Unearned charges	-	491,433	491,433
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	4,475	421,440	425,915
Accrued payroll payable	16,802	444,583	461,385
Accrued interest payable	-	610,198	610,198
Customer deposits	-	2,850	2,850
Bonds payable (net)	-	1,667,644	1,667,644
Notes payable	-	271,418	271,418
Total current liabilities	<u>21,277</u>	<u>3,418,133</u>	<u>3,439,410</u>
Long-term liabilities:			
Bonds payable (net)	-	20,660,616	20,660,616
Notes payable	-	3,731,367	3,731,367
Unearned revenue	-	173,687	173,687
Total long-term liabilities	<u>-</u>	<u>24,565,670</u>	<u>24,565,670</u>
Total liabilities	<u>21,277</u>	<u>27,983,803</u>	<u>28,005,080</u>
<b>Deferred inflows of resources:</b>			
	-	-	-
<b>Net Position:</b>			
Net Investment in capital assets	122,456	40,201,793	40,324,249
Restricted for bond retirement	-	2,216,856	2,216,856
Unrestricted	433,268	3,373,852	3,807,120
Total net position	<u>\$ 555,724</u>	<u>\$ 45,792,501</u>	<u>\$ 46,348,225</u>

*(The accompanying notes are an integral part of these financial statements)*

**PORT OF MORROW**  
**Statement of Activities**  
**June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Management and administration	\$ 415,570	\$ -	\$ 50,000
Depreciation - unallocated	21,839		
Total governmental	<u>437,409</u>	<u>-</u>	<u>50,000</u>
<b>Business-Type Activities:</b>			
Site development	6,384,230	5,297,856	
E Beach Utilities	502,111	623,172	-
Discharge water	2,601,791	3,391,152	-
Fresh water	1,049,580	1,573,452	-
Total business-type activities	<u>10,537,712</u>	<u>10,885,632</u>	<u>-</u>
Total primary government	<u>\$ 10,975,121</u>	<u>\$ 10,885,632</u>	<u>\$ 50,000</u>

General revenues:

- Property taxes
- Payments in lieu of tax
- Interest income
- Bond handling charges
- Change in valuation
- Gain (loss) on disposition of assets
- Transfers
- Total general revenues, transfers, and reconciling items

Change in net position

Net position-beginning

Net position-ending

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ -	\$ (365,570)	\$ -	\$ (365,570)
	(21,839)	-	(21,839)
<u>-</u>	<u>(387,409)</u>	<u>-</u>	<u>(387,409)</u>
1,584,847	-	498,473	498,473
-	-	121,061	121,061
-	-	789,361	789,361
-	-	523,872	523,872
<u>1,584,847</u>	<u>-</u>	<u>1,932,767</u>	<u>1,932,767</u>
<u>\$ 1,584,847</u>	<u>(387,409)</u>	<u>1,932,767</u>	<u>1,545,358</u>
	124,605	-	124,605
	6,984	-	6,984
	563	128,190	128,753
	296,750	-	296,750
	-	(2,500,000)	(2,500,000)
	-	3,236,002	3,236,002
	164,000	(164,000)	-
	<u>592,902</u>	<u>700,192</u>	<u>1,293,094</u>
	205,493	2,632,959	2,838,452
	350,231	43,159,542	43,509,773
	<u>\$ 555,724</u>	<u>\$ 45,792,501</u>	<u>\$ 46,348,225</u>

(The accompanying notes are an integral part of these financial statements)

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## **FUND FINANCIAL STATEMENTS**

**PORT OF MORROW**  
**Balance Sheet - Governmental Funds**  
**June 30, 2013**

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	<b>General Fund</b>
<b>Assets:</b>	
Petty cash	\$ 200
Cash in bank	399,970
Cash with county treasurer	291
Total cash and cash equivalents	400,461
Grant Receivable	50,000
Property taxes receivable	4,084
Total assets	454,545
<b>Deferred outflows of resources:</b>	
	-
Total assets and deferred outflows of resources	\$ 454,545
<b>Liabilities:</b>	
Accounts payable	\$ 4,475
Accrued payroll payable	16,802
Unearned revenue	4,084
Total liabilities	25,361
<b>Deferred inflows of resources:</b>	
	-
<b>Fund Equity:</b>	
Fund balances:	
Restricted	80,000
Unassigned	349,184
Total fund equity	429,184
Total liabilities, deferred inflows of resources and fund balance	\$ 454,545

*(The accompanying notes are an integral part of these financial statements)*

**PORT OF MORROW**  
**Reconciliation of The Governmental Funds Balance Sheet**  
**To The Statement of Net Position**  
**For the Fiscal Year Ended June 30, 2013**

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<b>Total fund balances for governmental funds</b>	\$	429,184
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Equipment	\$	485,314
Accumulated Depreciation		<u>(362,858)</u>
		122,456
Some of the Port's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.		
		<u>4,084</u>
<b>Total net position of governmental activities</b>	<b>\$</b>	<b><u><u>555,724</u></u></b>

*(The accompanying notes are an integral part of these financial statements)*

**PORT OF MORROW**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - All Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

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	<b>General Fund</b>
<b>Revenues:</b>	
Property taxes	\$ 125,022
Payments in lieu of tax	6,984
Interest income	563
Bond handling charges	296,750
Total revenues	429,319
<b>Expenditures:</b>	
Current:	
Management and administration	415,570
Capital outlay	76,801
Total expenditures	492,371
Excess of revenues over (under) expenditures	(63,052)
<b>Other Financing Sources (Uses):</b>	
Grant Revenue	50,000
Transfers (to) from other funds	164,000
Change in fund balance	150,948
Fund balance, beginning of year	278,236
Fund balance, end of year	\$ 429,184

*(The accompanying notes are an integral part of these financial statements)*

**PORT OF MORROW**  
**Reconciliation of The Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds To The Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

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**Net change in fund balances - total governmental funds** \$ 150,948

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ( \$ 21,839 ) was exceeded by capital outlay ( \$ 76,801 ) in the current period. 54,962

Property taxes receivable but not collectable soon enough to pay for the current period's expenditures are offset by unearned revenue in the Governmental fund. in the statement of activities property taxes are recorded as revenues as billed. Property taxes receivable decreased (4,501 - 4,084) during the current period. (417)

**Change in net position of governmental activities** \$ 205,493

*(The accompanying notes are an integral part of these financial statements)*

**PORT OF MORROW**  
**Statement of Fund Net Position**  
**Enterprise Funds**  
**June 30, 2013**

	<b>Business-Type Activities</b>
<b>Assets:</b>	
Current assets:	
Petty cash	\$ 700
Cash in bank	1,595,494
Local government investment pool	990,448
Deposits with trustee	2,216,856
Total cash and cash equivalents	4,803,498
Accounts receivable	680,377
Allowance for doubtful accounts	(297)
Grants receivable	383,777
Deposits and prepaid expenses	174,835
Loan receivable	30,833
Total current assets	6,073,023
Noncurrent assets:	
Loan receivable	79,501
Patronage capital credits	599,509
Capital assets:	
Property and equipment	100,568,158
Less: accumulated depreciation	(34,035,320)
Total capital assets, net of depreciation	66,532,838
Total noncurrent assets	67,211,848
Total assets	73,284,871
<b>Deferred outflows of resources:</b>	
Unearned charges	491,433
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	421,440
Accrued payroll payable	444,583
Accrued interest payable	610,198
Customer deposits	2,850
Bonds payable (net)	1,667,644
Notes payable	271,418
Total current liabilities	3,418,133
Long-term liabilities:	
Bonds payable (net)	20,660,616
Notes payable	3,731,367
Unearned revenue	173,687
Total long-term liabilities	24,565,670
Total liabilities	27,983,803
<b>Deferred inflows of resources:</b>	
	-
<b>Net Position:</b>	
Net Investment in capital assets	40,201,793
Restricted for bond retirement	2,216,856
Unrestricted	3,373,852
Total net position	\$ 45,792,501

*(The accompanying notes are an integral part of these financial statements)*

**PORT OF MORROW**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2013**

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<b>Operating Revenues</b>	
Discharge water segment	\$ 3,391,152
Site development segment	4,014,727
Fresh water segment	1,573,452
Motor pool segment	1,283,129
East beach utility	623,172
Total operating revenues	<u>10,885,632</u>
<b>Operating Expenses:</b>	
Labor	2,261,063
Contract	384,060
Utilities	630,460
Insurance	142,021
Repairs	885,767
Fuel and oil	208,328
Testing and permits	381,647
Legal fees	38,878
Property taxes	244,055
Miscellaneous	32,797
SAGE Marketing	59,853
LRA Activities	179,276
Depreciation	3,265,610
Overhead - other funds	164,000
Community projects	17,070
Lease expense	49,479
Total operating expenses	<u>8,944,364</u>
Operating income (loss)	<u>1,941,268</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	128,190
Gain (loss) on sale of assets	3,236,002
Interest expense	(1,753,848)
Trustee fees	(3,500)
Total non-operating revenues (expenses)	<u>1,606,844</u>
<b>Special Items:</b>	
Valuation adjustment	(2,500,000)
Grant income	1,584,847
Total special items	<u>(915,153)</u>
Change in net position	2,632,959
Net position, beginning of year	<u>43,159,542</u>
Net position, end of year	<u><u>\$ 45,792,501</u></u>

*(The accompanying notes are an integral part of these financial statements)*

**PORT OF MORROW**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2013**

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**Cash Flows From Operating Activities:**

Cash received from customers	\$ 9,336,389
Cash payments to supplies for goods and services	(2,946,706)
Cash payments for personal services	(2,213,233)
Cash payments for quasi-external operating transactions	(164,000)
Net cash provided by operating activities	4,012,450

**Cash Flows From Capital and Related Financing Activities:**

Principal paid on revenue bond maturities, loans, and contracts	(6,607,613)
Proceeds from bonds and loans	1,150,303
Interest paid on bonds and loans	(1,383,016)
Interest income on bond reserves	13,936
Capital related trustee fees on bonds	(3,500)
Acquisition and construction of capital assets	(8,166,048)
Receipts from sale of capital assets	8,454,427
Capital grants received	(86,941)
Net cash used by capital and related financing activities	(6,628,452)

**Cash Flows From Investing Activities:**

Interest on investments	16,128
Receipts on loans receivable	8,357
Investment in loan receivable	(100,000)
Interest earned on pass-thru loans	98,126
Net cash used in investing activities	22,611

Net increase (decrease) in cash	(2,593,391)
Cash and cash equivalents at July 1, 2012	7,396,889
Cash and cash equivalents at June 30, 2013	\$ 4,803,498

*continued on next page*

**PORT OF MORROW**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2013**

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**Reconciliation of Operating income (Loss) to Net Cash Provided By Operating Activities:**

Operating income	\$ 1,941,268
<hr/>	
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	3,265,610
Internal service revenue charged to capital assets	(1,176,470)
Net decrease in trade accounts and notes receivable	(61,710)
Increase in prepaid expense	(7,615)
Decrease in patronage capital credits	(30,461)
Increase in trade accounts payable	19,861
Increase in accrued payroll	47,830
Increase in unearned revenue	14,137
Total adjustments	<hr/> 2,071,182
Net cash provided by operating activities	<hr/> <hr/> \$ 4,012,450

**Summary of Cash and Cash Equivalents:**

	<b>June 30, 2013</b>
	<hr/>
Petty cash	\$ 700
Cash in bank	1,595,494
Deposits with trustee	2,216,856
Local government investment pool	990,448
Total cash and cash equivalents	<hr/> <hr/> \$ 4,803,498

*(The accompanying notes are an integral part of these financial statements)*

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies:**

**Reporting Entity**

The accompanying financial statements present the activities of the Port of Morrow. The Port of Morrow is a municipal corporation whose territory encompasses all of Morrow County, Oregon. The Port was organized under O.R.S. 777.010 and owns land known as "Port of Morrow" along the Columbia River at Boardman, Oregon. It has developed an industrial park, operates water and sewer facilities, is lessor of a dock and wharf facility including a Gantry Crane, and develops siting for prospective tenants. It is governed by a Board of Commissioners form of government. The Port is legally and financially independent of other state and local government units, has the power to levy tax, is responsible for its debts, and is entitled to any surpluses.

The Port has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

**Basis of Presentation, Basis of Accounting**

*Government-wide Statements*: The statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Port. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Port and for each function of the Port's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements*: The fund financial statements provide information about the Port's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. The Port considers both of its funds to be major.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**Measurement Focus, Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements*. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Port gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Port considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Port funds certain programs by a combination of grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net resources available to finance the program. It is the Port's policy to first apply grant resources to such programs, followed by general revenues.

**Financial Position**

**Deposits and Investments**

The cash balances of all funds are pooled and invested by the Port for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2013 based on market prices. The individual fund's portions of the pool's fair value are presented as cash and cash equivalents. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the ending balance of each participating fund.

Deposits with Trustee are deposits held by trustees in accordance with bond indenture agreements to service debt and provide cash reserves.

**Cash and Cash Equivalents**

The government's cash and cash equivalents include cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

**Accounts and Other Receivables**

The Port considers its delinquent property tax receivables fully collectible and does not use an allowance for uncollectible property taxes. Property taxes attach as an enforceable lien on property July 1, when they are levied, and until they are paid.

Grants and other receivables from other government agencies are generally expected to be collectible. Accordingly, an allowance for uncollectables is not considered necessary or recorded.

Accounts receivable is partly composed of amounts due Port of Morrow at June 30, 2013 for fresh water and discharge services, land leases and royalties. Accounts receivable are considered delinquent if uncollected after 30 days. Uncollectible receivables are accounted for using the reserve method as required by GAAP based on 80% of accounts receivable aged over 90 days delinquent.

The Enterprise Fund has loaned cash to several tenants and sold land on contract. Loan Receivable tracks the aggregate outstanding balances of these transactions.

**Property Tax Calendar**

Property taxes attach as an enforceable lien when they are levied on July 1, and until they are paid. Taxes are due in one-third increments, on November 15, February 15, and May 15. Unpaid taxes are considered delinquent after November 15.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property tax revenues are accounted for on the accrual basis of accounting in the government-wide statements and are recognized when earned.

**Prepaid Items**

Certain payments to vendors reflected costs applicable to future accounting periods and are recorded as prepaid items.

**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historic cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Major capital asset additions are financed primarily from bond proceeds. The normal cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used for assets that have initial useful lives extended beyond a single reporting period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20-50
Equipment and Furniture	5-20
Buildings and Land Improvements	20-40

**Capitalized Interest**

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. During the fiscal year ended June 30, 2013, \$1,834,207 of interest was incurred, of which \$ 80,359 was capitalized.

**Compensated Absences**

Paid vacation benefits are provided to all permanent full-time and permanent part-time employees. Vacation time may accrue to a maximum of 30 days. Any time earned beyond 30 days must be taken by December 31 or is lost unless an extension is granted by the General Manager. All unused vacation time must be converted to cash upon termination of permanent employees at the equivalent hourly rate of pay being received upon termination. Vacation accrues in the following increments:

Years of Employment	Vacation Hours/Days
1	40 hours/5 days
2-4	80 hours/10 days
5-9	120 hours/15 days
10-24	160 hours/ 20 days
25+	200 hours/25 days

Years of employment begin with the date of hire.

Sick leave is provided to full-time and part-time permanent employees. Sick leave is accumulated in proportion to hours worked per month. The permanent employees who work 160 hours per month receive 8 hours sick leave per month. Those who work 80 hours per month receive 4 hours sick leave per month. Sick leave can be used as soon as it is accumulated.

The Port accrues liability for compensated absences which meet the following criteria:

1. The Port's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the Port has accrued a liability for vacation pay which has been earned but not taken by Port employees. The liability is included in "accrued payroll payable" in accordance with ASC 710-10-25.

**Net Position/Fund Balance Classifications**

*Government-Wide Statements* - Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Port's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

*Fund Financial Statements* - In the governmental funds the difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. The constraints are defined as follows:

Nonspendable - Resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Restricted - Constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Reported when the Board passes an ordinance that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - Resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the Commission approves which resources should be "reserved" during the adoption of the annual budget. The Controller uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the Port's annual financial report.

Unassigned - The residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Unearned Revenue**

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

**Unearned Charges**

These are bond issue costs which are amortized over the term of the issue.

**Discount on Port Revenue Bonds**

Bond discounts for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective-interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable.

**Unearned Amount on Refunding (Net)**

This account is the difference between the reacquisition price and the net carrying amount of the old debt. It is amortized over the shorter life of either the refunded or refunding debt issue. It is amortized using the bonds outstanding method which approximates the effective-interest method. This account is presented as a reduction of the face amount of bonds payable.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Depreciation expense, Accumulated Depreciation, Property Taxes Receivable, and Deferred Revenue accounts have been subject to estimation.

**Note 2 - Compliance and Accountability:**

**Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38 "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with the actions taken to address such violations.

None reported

**Note 3 - Deposits and Investments:**

Deposits and investments are comprised of the following at June 30, 2013:

Petty Cash	\$ 900
Deposits with financial institutions	1,995,464
Deposits with trustee	2,216,856
Local Government Investment Pool	990,448
	<u>\$ 5,203,668</u>

Deposits and investments are reflected in the government-wide Statement of Net Position as follows:

Cash and cash equivalents	<u>\$ 5,203,668</u>
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The Port maintains a cash management pool for its cash and cash equivalents in which each fund participates. Interest earnings are distributed monthly based on average daily balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Pool (LGIP) are stated at fair value.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Deposits**

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$2,454,047 at June 30, 2013. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

**Custodial Credit Risk - Deposits**

Custodial credit risk on deposits is the risk that in the event of a bank failure, the Port's deposits may not be returned. In order to minimize this risk, state statutes require banks holding public funds to 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 banks depositories, it does not guarantee that all funds are 100% protected.

All non-interest bearing transaction activity accounts are fully insured by FDIC. All other accounts including interest-bearing deposits are insured up to \$250,000.

**Investments**

The purpose of the Port's investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. The Port has delegated investment responsibilities to the Chief Financial Officer, who is primarily responsible for implementing the investment policy.

**Credit Risk - Investments**

State statutes authorize the Port to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's investment pool, among others. The Port has no formal investment policy that further restricts its investment choices.

**Custodial Credit Risk - Investments**

This is the risk that, in the event of the failure of a counterparty, the Port will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The Port does not have a policy that limits the amount of investments that can be held by counterparties.

The Local Government Investment Pool (LGIP) is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. The LGIP's credit quality is unrated.

Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by the securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The fair value of the Port's position in the LGIP is the same as the value of the pool shares.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

**Concentration Risk**

The Port does not have a formal policy that places a limit on the amount that they may be invested in any one insurer. The Port has concentrations in the following investments: Local Government Pool. These investments are 100% of the Port's total investments.

Investment Type	Maturities	Concentration % of Portfolio	Actual Amount
Local Government Investment Pool	Avg 6-18 months	100%	<u>\$ 990,448</u>

**Interest Rate Risk**

The Port does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

**Note 4 - Property Taxes Receivable**

Property taxes receivable included in revenues are \$4,084, which are all past due and accruing interest.

**Note 5 - Capital Assets:**

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

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 36,750	\$ -	\$ -	\$ 36,750
Capital assets being depreciated:				
Buildings	102,019	-	-	102,019
Equipment & furniture	285,314	76,801	15,571	377,686
Total capital assets being depreciated	<u>387,333</u>	<u>76,801</u>	<u>15,571</u>	<u>479,705</u>
Less: accumulated depreciation:				
Buildings	(87,814)	(582)	-	(88,396)
Equipment & furniture	(268,776)	(21,257)	(15,571)	(305,604)
Total accumulated depreciation	<u>(356,590)</u>	<u>(21,839)</u>	<u>(15,571)</u>	<u>(394,000)</u>
Net capital assets being depreciated	<u>30,743</u>	<u>54,962</u>	<u>-</u>	<u>85,705</u>
Net capital assets - Governmental Activities	<u>\$ 67,493</u>	<u>\$ 54,962</u>	<u>\$ -</u>	<u>\$ 122,455</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,440,859	\$ -	\$ -	\$ 4,440,859
Construction in progress	4,347,534	1,226,213	4,347,534	1,226,213
Assets held for sale	4,500,000	-	2,500,000	2,000,000
Total capital assets not being depreciated	<u>13,288,393</u>	<u>1,226,213</u>	<u>6,847,534</u>	<u>7,667,072</u>
Capital assets being depreciated:				
Buildings & land improvements	54,244,893	12,168,040	226,550	66,186,383
Equipment & furniture	26,630,852	127,651	43,800	26,714,703
Total capital assets being depreciated	<u>80,875,745</u>	<u>12,295,691</u>	<u>270,350</u>	<u>92,901,086</u>
Less: accumulated depreciation:				
Buildings	(16,388,623)	(2,230,912)	-	(18,619,535)
Equipment & furniture	(14,411,492)	(1,034,698)	(30,405)	(15,415,785)
Total accumulated depreciation	<u>(30,800,115)</u>	<u>(3,265,610)</u>	<u>(30,405)</u>	<u>(34,035,320)</u>
Net capital assets being depreciated	<u>50,075,630</u>	<u>9,030,081</u>	<u>239,945</u>	<u>58,865,766</u>
Net capital assets - Business-type Activities	<u>\$ 63,364,023</u>	<u>\$ 10,256,294</u>	<u>\$ 7,087,479</u>	<u>\$ 66,532,838</u>

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

Depreciation expense was charged to functions as follows:

Governmental activities:	
Unallocated	\$ 21,839
<hr/>	
Total depreciation expense	\$ 21,839
<hr/>	
Business-type activities:	
Discharge Water	\$ 601,210
Site Development	2,333,245
East Beach Utility	249,257
Fresh Water	81,898
<hr/>	
Total depreciation expense	\$ 3,265,610
<hr/>	

**Note 6 - Accounts Payable:**

The accounts payable balance is partly composed of the following:

Construction in Progress Capital Asset - Formations	\$ 129,529
Trade receivable - Umatilla Electric	54,246
Trade receivable - City of Boardman	65,052

**Note 7 - Short-Term Debt:**

The Port borrowed \$2,000,000 in 2010 from Bank of Eastern Oregon on an interim basis for the purchase of land. Grant reimbursements were delayed and the balance due was extended to November 2013. Repayment was made by a combination of grant and operating dollars.

In May 2012 the Port borrowed \$3,000,000 from Zions First National Bank on an interim basis for the purchase of a 50% interest in a grain elevator. The Port repaid this in September 2012.

	Beginning Balance	Increases	Decreases	Ending Balance
Bank of Eastern Oregon	\$ 1,500,000	\$ -	\$ (1,500,000)	\$ -
Zions First Bank	3,000,000		(3,000,000)	-
	\$ 4,500,000	\$ -	\$ (4,500,000)	\$ -

**Note 8 - Long-Term Obligations:**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2013 are as follows:

	Balance 6/30/2012	Long-term Debt Incurred	Matured and Paid	Amortization	Cancelled, Called or Defeased	Balance 6/30/2013
Industrial development bonds (no-commitment debt):						
Idaho Power bond fund	\$ 4,360,000	\$ -	\$ -	\$ -	\$ -	\$ 4,360,000
PGE 1996A	5,800,000	-	-	-	-	5,800,000
PGE 1998A	23,600,000	-	-	-	-	23,600,000
Threemile Canyon	10,000,000	-	-	-	-	10,000,000
Threemile Canyon	10,000,000	-	-	-	-	10,000,000
Bonneville Power		84,740,000	-	-	-	84,740,000
Bonneville Power		67,200,409	-	-	-	67,200,409
Total Industrial development	53,760,000	151,940,409	-	-	-	205,700,409

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

Enterprise notes payable:						
Oregon State Port						
Revolving Loan #177	383,281	-	20,254	-	363,027	-
Special public works #2	253,767	-	58,009	-	-	195,758
Special public works #3	229,234	-	32,864	-	-	196,370
Special public works #4	523,701	-	42,159	-	-	481,542
Special public works #5	638,702	-	36,428	-	-	602,274
Special public works #6	609,987	-	21,349	-	-	588,638
Special public works #7	1,947,741	-	54,538	-	-	1,893,203
Flexlease #2	290,000	-	50,000	-	240,000	-
Flexlease #3	55,000	-	10,000	-	-	45,000
Flexlease #5	1,515,000	-	70,000	-	1,445,000	-
Less: Issue discount	(17,242)	-	-	-	(17,242)	-
Amortization	8,305	-	-	607	8,912	-
<b>Total Enterprise notes payable</b>	<b>6,437,476</b>	<b>-</b>	<b>395,601</b>	<b>607</b>	<b>2,039,697</b>	<b>4,002,785</b>
Enterprise port revenue bonds:						
2007A Issue	8,215,000	-	-	-	8,215,000	-
2009A Issue	4,500,000	-	180,000	-	4,320,000	-
2010A Issue	3,790,000	-	205,000	-	-	3,585,000
2011A Issue	4,799,300	-	397,525	-	-	4,401,775
2013A Issue	-	8,665,000	695,000	-	-	7,970,000
2013FFC Issue	-	7,060,000	-	-	-	7,060,000
<b>Total Enterprise Port revenue bonds</b>	<b>21,304,300</b>	<b>15,725,000</b>	<b>1,477,525</b>	<b>-</b>	<b>12,535,000</b>	<b>23,016,775</b>
Less: bond (discounts) premiums	(220,906)	179,195	-	-	(147,710)	105,999
Amortization of bond discounts (premiums)	51,673	-	-	5,832	51,389	6,116
Unearned amount on refunding	(1,109,075)	(697,455)	-	-	(952,085)	(854,445)
Amortization of unearned amount	743,922	-	-	53,815	743,922	53,815
	<u>20,769,914</u>	<u>15,206,740</u>	<u>1,477,525</u>	<u>59,647</u>	<u>12,230,516</u>	<u>22,328,260</u>
<b>Total</b>	<b>\$ 80,967,390</b>	<b>\$ 167,147,149</b>	<b>\$ 1,873,126</b>	<b>\$ 60,254</b>	<b>\$ 14,270,213</b>	<b>\$ 232,031,454</b>

**Disclosure of Legal Debt Margin**

Port of Morrow general obligation bonds are limited by Oregon Revised Statutes 777.410 to 2 ½% of true cash value of all taxable property within the Port district. Port of Morrow's district is all of Morrow County, Oregon. The Port's legal debt limit based on the above is \$39,302,368 at June 30, 2013. At that date, Port of Morrow had no general obligation bonds outstanding.

Port of Morrow Revenue Bonds, Port of Morrow Industrial Development Revenue Bonds (direct financing type lease obligations), and installment notes payable are comprised of the following:

**Revenue Bonds:**

- 1) Series 2010 (issued 12-13-2010, original issue of \$4,000,000) interest at various rates (2 – 6%), due serially to fiscal 2025. Parity bonds secured by a pledge of net revenues available for debt service.

\$ 3,585,000

The proceeds of these bonds were used to construct a warehouse facility.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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- 2) Series 2011 (issued 11-22-11, original issue of \$4,799,300) interest at 3.9%, due annually to 12-01-2021. Parity bonds secured by a pledge of net revenues available for debt service. \$ 4,401,775

The proceeds of these bonds were used to defease Port of Morrow Revenue Bond Series 2001A.

- 3) Series 2013A (issued 4-2-2013, original issue of \$8,665,000) interest at various rates (1.75 – 5.35%), due serially to fiscal 2025. Parity bonds secured by a pledge of net revenues available for debt service. \$ 7,970,000

The proceeds of these bonds were used to defease Port of Morrow Revenue Bond Series 2007.

- 4) Series 2013 (issued 5-29-13, original issue of \$7,060,000) interest at various rates (2 - 4%), due serially to 6-01-2032. Full Faith and Credit bonds secured by a pledge of net revenues available for debt service. \$ 7,060,000

The proceeds of these bonds were used to defease Port of Morrow Full Faith and Credit Issue 2009, Flexleases 1997 and 2007, and wastewater storage improvements.

**Installment Notes Payable:**

- 1) Special Public Works Fund Loan (originated 4-15-96 at \$840,000) interest at 6%, payable annually . Unsecured. \$ 195,758

This loan helped fund an effluent pipeline to the South Farm (#2).

- 2) Special Public Works Fund Loan (originated 7-31-97 at \$534,700) interest at 6%, payable annually on December 1 through fiscal 2013. Unsecured. \$ 196,370

This loan was used to fund the construction of a steam line in the Port industrial area.

- 3) Special Public Works Fund Loan (originated 1-23-02 at \$862,000) interest at various rates from 3 to 5%, payable annually on December 1 through fiscal 2021. Unsecured. \$ 481,542

This loan financed a new crane.

- 4) Special Public Works Fund Loan (originated 6-16-05 at \$840,000) interest at 4.99%, payable annually on December 1 through fiscal 2025. Unsecured. \$ 602,274

This loan financed a wastewater pretreatment facility.

- 5) Special Public Works Fund Loan (originated 2-1-05 at \$700,000) interest at 5.17%, payable annually on December 1 through fiscal 2030. Unsecured. \$ 588,638

This loan was used to finance part of the East Beach Industrial Park railroad spur addition.

- 6) Special Public Works Fund Loan (originated 6-8-07) interest at 4.36%, payable annually on December 1 through fiscal 2029. Unsecured. \$ 1,893,203

This loan is being used to finance part of the East Beach Industrial Park utility improvements.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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7) Flexlease #3 (originated 12-21-00 at \$146,000) interest at 4.5% to 5.55% payable semiannually through fiscal 2016. Secured by a \$ 45,000

This loan funded construction of a shop building.

**Industrial Revenue Bonds:**

The Port of Morrow issues industrial development revenue bonds to finance construction of industrial facilities within the Port District which it leases to industrial users by direct financing type leases. The bonds are not a liability or contingent liability of the Port of Morrow, or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. The facilities and the related receipts from lease rentals are pledged for payment of the bonds. All monies are received and disbursed by designated trustees. Accordingly, the bond liability and related receivables are not reflected in the Port's financial statements.

**Idaho Power Company** (issued 8-1-78, original issue \$4,360,000, refunded 4-14-2000) variable interest, due fiscal 2017. \$ 4,360,000

This issue was used to finance the cost of acquiring and constructing a portion of the pollution control facilities for the PGE coal-fired generating plant referred to above. Idaho Power Company leased a portion of the facilities as of August 1, 1978.

**Portland General Electric Company Series A** (issued 3-11-88, original issue \$23,600,000, refunded 1998, remarketed 5/1/08) interest on its outstanding principal balance fixed at 5.0% through 2033, the remaining life. This issue was used to refund Portland General Electric Company Series A, B, and C issued 7-1-81. These bonds financed solid waste disposal facilities, pollution control facilities, and power facilities at the PGE coal-fired generating plant near Boardman, Oregon. \$ 23,600,000

**Portland General Electric Company Series A** (issued 1-2-97, original issue \$5,800,000) interest on its standing principal balance based on a flexible interest rate over an interest rate period which may be adjusted from time to time, due December 1, 2031. These bonds are owned in full by the company (PGE) and the interest rate is set at their discretion. This issue was used to replace construction loans which financed environmental improvements at the Coyote Springs gas-fired generating plant at Boardman, Oregon. \$ 5,800,000

**Thremile Canyon Farms LLC Series 2001A & C** (issued July 10, 2001) interest is variable, adjusted weekly and paid quarterly. Principal is due in full in 2021. \$ 20,000,000

This issue was used for constructing a solid waste disposal located at a dairy west of Boardman, Oregon.

**Bonneville Power Administration Series 2012** (issued July 24, 2012) interest is 3.675%, payable semi-annually, due September 1, 2042. \$ 84,740,000

This issue was used to refinance existing long-term debt on Pacific Northwest power transmission distribution system.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Bonneville Power Administration Credit Agreement** (dated February 21, 2013) not to exceed \$100,000,000. This line of credit is with Citibank, N.A.

\$ 67,200,409

This issue will be used to finance construction of Pacific Northwest power transmission distribution system improvements.

Minimum debt service requirements of the revenue bonds and loans (exclusive of internal loans and no-commitment debt) are as follows for the next 5 years:

Enterprise Fund	Principal	Interest	Total
2013-2014	\$ 1,939,062	\$ 1,092,781	\$ 3,031,843
2014-2015	2,007,018	1,032,096	3,039,114
2015-2016	2,056,247	968,443	3,024,690
2016-2017	2,043,568	899,311	2,942,879
2017-2018	2,036,114	830,126	2,866,240
2018-2023	9,928,780	2,887,987	12,816,767
2023-2028	5,558,293	899,075	6,457,368
2028-2033	1,450,477	164,230	1,614,707

Interest expense on long-term debt has been charged as a direct activity expense on the Statement of Activities as follows:

Discharge Water	\$ 37,565
East Beach Utility	83,547
Site Development	1,279,211
Fresh Water	-
	<u>\$ 1,400,323</u>

**Note 9 - Federal and State Grants:**

In the normal course of operations, the Port received grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, to ensure compliance with conditions of the grant. Any liability for reimbursement which may arise as the result of a grantor audit is not believed to be material.

**Note 10 - Pension Plan:**

The Port of Morrow Commissioners adopted the Port of Morrow Pension Plan effective July 1, 1995. This is a single employer plan and the trustee has been United States National Bank of Oregon. Effective July 25, 2007, the assets in this plan were transferred to Great West Retirement Services. An employee is eligible upon becoming a full-time permanent employee.

All eligible employees participate at the start of the pay period after reaching age 18, and will continue to participate during each plan year in which they have 1,000 hours of service. Port of Morrow contributed 9% of straight time compensation for employees active in the plan on a fiscal year end June 30 basis. This is a defined contribution plan.

If there is a break in service of the employee, that is, employment has been terminated with no more than 500 hours in the employment year, the employee loses the employer contribution not vested. Employer contributions become vested as follows:

Years of Service	Percent Vested
Less than 3	0%
3	25%
4	50%
5	75%
6 or More	100%

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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The employee contribution will always be fully vested. Employees are 100% vested on retirement, death, or disability. The vesting schedule applies only if employment terminates before one of these events occurs.

Total payroll paid during the fiscal year was \$2,461,693 (100%).

Total payroll subject to the pension plan for fiscal year ended June 30, 2013 was \$1,913,738 (79%).

Total employer and employee contributions in fiscal year ended June 30, 2013, were \$172,236 and \$116,142, respectively.

**Note 11 - Deferred Compensation Plan (Under Internal Revenue Code Section 457)**

The Port has adopted the United States Conference of Mayors deferred compensation program. This 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 and AIG Valic. Administrative duties include tracking fund assets by employee participant. The Port's fiduciary responsibility ends when it transfers funds to Nationwide Retirement Solutions or AIG Valic equal to the amount deducted from the employee's wage.

**Note 12 - Operating Leases:**

The Port of Morrow is lessee of certain land. In most cases, management expects, in the normal course of business, leases will be renewed or replaced by other leases enabling the Port to retain use of facilities in desirable operating areas.

Port of Morrow 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 balance sheet.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013:

2013-2014	\$	380
2014-2015		380
2015-2016		380
2016-2017		380
2017-2018		380
2018-2023		1,900
2023-2028		1,900
2028-2033		1,900
2033-2038		760
		760
Total minimum payments required	\$	8,360

The Port operations also involve the Port as lessor of various types of land with lease terms ranging from one (1) to fifty (50) years. The investment in property on operating leases is presented by type of land and by acreage leased:

Commercial	Buildings & Land	8	acres
Industrial	Waterfront Land	73	acres
Irrigated	Farm Land	1,542	acres
Industrial	Land	188	acres

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**Notes to Basic Financial Statements**

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The following is a schedule by years of minimum future rental receipts on noncancelable operating leases as of June 30, 2013:

2013-2014	\$	2,093,567
2014-2015		2,024,420
2015-2016		1,770,684
2016-2017		1,599,160
2017-2018		1,559,457
2018-2023		5,558,486
2023-2028		5,005,476
2028-2033		4,083,845
2033-2038		3,359,882
2038-2043		1,604,580
		1,604,580
	\$	28,659,557

The following property and equipment subject to noncancelable operating leases, classified by nature, is as follows:

	Cost	Accum Depr 6/30/2012	Depreciation 12-13	Accum Depr 6/30/2013	Book Value
Industrial Waterfront					
Land/Terminal Equipment	\$ 10,577,988	\$ 3,945,389	\$ 289,859	\$ 4,235,248	\$ 6,342,740
Industrial Land	21,604,043	2,297,681	736,485	3,034,166	18,569,877
Irrigated Farm Land	3,785,159	1,423,204	53,107	1,476,311	2,308,848
Commercial Buildings & Land	691,487	406,837	32,423	439,260	252,227
	\$ 36,658,677	\$ 8,073,111	\$ 1,111,874	\$ 9,184,985	\$ 27,473,692

**Note 13 - Interfund Transactions - Major Funds:**

Transfers between major funds during fiscal year ended June 30, 2013, consisted of the following:

Transfer from Enterprise Fund to General Fund \$164,000

Transfers were used to reimburse the General Fund for an allocation of salaries, benefits, insurance, etc.

**Note 14 - Risk Management:**

Port of Morrow is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which Port of Morrow carries commercial insurance, subject to customary deductibles and total coverage limits recommended by Port of Morrow's insurance agent of record. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past three years.

Workers compensation insurance is purchased from a commercial carrier. Premiums are determined based on payroll paid at various employment classification rates. Loss prevention services are available from the carrier and Port of Morrow has no potential liability beyond the premium paid.

**Note 15 - Segment Information:**

The Port maintains four business segments within its Enterprise Funds as follows:

**Fresh Water:** This segment accounts for revenue and costs of production and delivery of fresh water to industrial consumers.

**Discharge Water:** This segment accounts for revenue and costs of disposal of water used by industrial consumers.

**East Beach Utility:** This segment accounts for revenue and costs of the utility system (freshwater, disposal of water, and sanitary sewer) in the east beach industrial area.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

**Site Development Operations:** This segment accounts for revenue and costs associated with farming Port land, rental of industrial land, irrigated farm land, grazing land, and commercial buildings, an electricity generating plant, and economic development efforts to expand existing industries and site new industries.

Segment information for the fiscal year ended June 30, 2013 is as follows:

	Fresh Water	Discharge	East Beach Utility	Site Development	Totals
<b>Assets</b>					
Current Assets	\$ 220,011	\$ 366,938	\$ 326,135	\$ 5,159,939	\$ 6,073,023
Noncurrent Assets	191,916	288,017	53,630	145,447	679,010
Capital Assets	432,881	6,815,273	3,530,108	55,754,576	66,532,838
<b>Total Assets</b>	<b>844,808</b>	<b>7,470,228</b>	<b>3,909,873</b>	<b>61,059,962</b>	<b>73,284,871</b>
Deferred outflow or resources	-	-	-	491,433	491,433
<b>Liabilities</b>					
Current Liabilities	117,817	295,881	108,759	2,895,676	3,418,133
Long-term Liabilities	-	573,332	1,836,287	22,156,051	24,565,670
<b>Total Liabilities</b>	<b>117,817</b>	<b>869,213</b>	<b>1,945,046</b>	<b>25,051,727</b>	<b>27,983,803</b>
Deferred inflow of resources	-	-	-	-	-
<b>Net Position</b>					
Unrestricted	294,110	463,042	327,922	2,288,778	3,373,852
Restricted for Bond Retirement	-	-	-	2,216,856	2,216,856
Net Investment in Capital Assets	432,881	6,137,973	1,636,905	31,994,034	40,201,793
<b>Total Net Position</b>	<b>\$ 726,991</b>	<b>\$ 6,601,015</b>	<b>\$ 1,964,827</b>	<b>\$ 36,499,668</b>	<b>\$ 45,792,501</b>
	Fresh Water	Discharge	East Beach Utility	Site Development	Totals
<b>Operating Revenues</b>					
Water Usage	\$ 1,482,829	\$ -	\$ 169,381	\$ -	\$ 1,652,210
Water Discharge	-	3,295,243	413,422	-	3,708,665
Building & Land Leases	-	-	-	2,627,567	2,627,567
Other Operating Revenue	90,623	95,909	40,369	2,670,289	2,897,190
<b>Total Operating Revenue</b>	<b>1,573,452</b>	<b>3,391,152</b>	<b>623,172</b>	<b>5,297,856</b>	<b>10,885,632</b>
<b>Operating Expenses</b>					
Labor	408,949	882,932	27,160	942,022	2,261,063
Depreciation	81,898	601,210	249,257	2,333,245	3,265,610
Other Operating Expenses	605,733	1,141,084	157,147	1,513,727	3,417,691
<b>Total Operating Expenses</b>	<b>1,096,580</b>	<b>2,625,226</b>	<b>433,564</b>	<b>4,788,994</b>	<b>8,944,364</b>
<b>Operating Income</b>	<b>476,872</b>	<b>765,926</b>	<b>189,608</b>	<b>508,862</b>	<b>1,941,268</b>
Nonoperating Revenues	-	-	-	3,364,192	3,364,192
<b>Nonoperating Expenses</b>					
Interest Expense	-	(37,565)	(83,547)	(1,632,736)	(1,753,848)
Other Nonoperating Expense	-	-	-	(3,500)	(3,500)
<b>Total Nonoperating income</b>	<b>-</b>	<b>(37,565)</b>	<b>(83,547)</b>	<b>1,727,956</b>	<b>1,606,844</b>

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

Special Items					
Valuation adjustment	-	-	-	(2,500,000)	(2,500,000)
Grant Revenue	-	-	-	1,584,847	1,584,847
	<u>476,872</u>	<u>728,361</u>	<u>106,061</u>	<u>1,321,665</u>	<u>2,632,959</u>
Change in Net Position	476,872	728,361	106,061	1,321,665	2,632,959
Beginning Net Position	650,119	4,872,654	2,058,766	35,578,003	43,159,542
Reclassification - other Segment	<u>(400,000)</u>	<u>1,000,000</u>	<u>(200,000)</u>	<u>(400,000)</u>	<u>-</u>
Ending Net Position	<u>\$ 726,991</u>	<u>\$ 6,601,015</u>	<u>\$ 1,964,827</u>	<u>\$ 36,499,668</u>	<u>\$ 45,792,501</u>
Cash Provided By:					
Operating Activities	\$ 154,729	\$ 2,291,458	\$ 137,399	\$ 1,428,864	\$ 4,012,450
Capital	(87,027)	(2,431,055)	(54,538)	(4,055,832)	(6,628,452)
Investing Activities	-	-	-	22,611	22,611
Beginning Cash & Cash Equivalents	<u>41,411</u>	<u>259,053</u>	<u>190,303</u>	<u>6,906,122</u>	<u>7,396,889</u>
Ending Cash & Cash Equivalents	<u>\$ 109,113</u>	<u>\$ 119,456</u>	<u>\$ 273,164</u>	<u>\$ 4,301,765</u>	<u>\$ 4,803,498</u>

**Note 16 - Related Party Transactions:**

Jerry Healy serves on the Board of Port of Morrow and is President of the Board of Directors of Morrow Development Corporation (MDC), an Oregon nonprofit corporation [ 501(c)(4) ]. The Port of Morrow donates the use of land to MDC on which a commercial building owned by MDC is located and rented to Barenbrug/Tidewater. Use of this land is valued at \$7,500 per year.

Jerry Healy is also General Manager of Columbia Basin Electric Cooperative which provides utility service to the Port's Heppner industrial park. These charges accounted for \$13,536 of the Port's total utility cost and were billed at the Cooperative's standard rates.

Joe Taylor, Board Member, is also the operator of Bedrock Farms, LLC. Bedrock Farms, LLC participated in a sealed bid and leased farm land from the Port for the 2009, 2010, 2011, 2012 and 2013 crop season. The annual value of this lease is \$74,610 and was paid in full at June 30.

Don Russell, Commission Member, and Gary Neal, General Manager, also serve on the Board of Directors of Windwave Communications, Inc. The Port paid Windwave \$1,632 for relocation of fiber lines and \$2,100 for internet service to the new visitor's center. Windwave is a wholly owned subsidiary of Inland Development Corporation, a non-profit organization. Marvin Padberg and Jerry Healy, Commission Members, are also on the Board of Inland Development. Inland provides internet services to the Port. Fees paid for these services totaled \$1,800 for the year.

Gary Neal is also on the Board of the Bank of Eastern Oregon (Bank). The Port maintains cash deposits with the Bank. Additionally, the Bank purchased the Port's 2011 Bond issue in the amount of approximately \$4.8 million.

**Note 17 - Economic Dependency:**

A material part of Port of Morrow's total revenues is dependent upon one customer, the loss of which would have a materially adverse effect on the Port. During the year ended June 30, 2013, this customer accounted for \$2,725,775 of General Fund and Enterprise Fund operating revenues, or approximately 25% of Port operating revenues. Port of Morrow has done business with this customer for over twenty years.

**Note 18 - Commitments:**

**City of Boardman Water Use:**

The Port is party to an intergovernmental agreement with the City of Boardman wherein the Port agrees to purchase 648 million gallons of potable water each year from the City. The Port has agreed to pay for the water purchased from the City at the wholesale rate of \$.35 per thousand gallons. This equates to \$226,800 annually.

**PORT OF MORROW**  
**Notes to Basic Financial Statements**

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**Note 19 - Subsequent Events:**

Subsequent events have been evaluated through December 2, 2013.

In September 2013, the Port sold industrial land to Bonneville Power Administration for \$5.6 million.

In July the Port completed a new market tax credit transaction relating to the construction of their new visitors center.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PORT OF MORROW**  
**General Fund**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 113,320	\$ 113,320	\$ 125,022	\$ 11,702
Payments in lieu of taxes	6,400	6,400	6,984	584
Interest income	400	400	563	163
Bond handling charges	232,475	232,475	296,750	64,275
Sale of assets	100	100	-	(100)
Miscellaneous	100	100	-	(100)
Total revenues	<u>352,795</u>	<u>352,795</u>	<u>429,319</u>	<u>76,524</u>
<b>Expenditures:</b>				
Personal services	195,656	195,656	173,468	22,188
Materials and services	269,000	269,000	242,102	26,898
Capital outlay	135,000	135,000	76,801	58,199
General operating contingency	22,139	22,139	-	22,139
Total expenditures	<u>621,795</u>	<u>621,795</u>	<u>492,371</u>	<u>129,424</u>
Excess of revenues over (under) expenditures	<u>(269,000)</u>	<u>(269,000)</u>	<u>(63,052)</u>	<u>205,948</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from enterprise fund	164,000	164,000	164,000	-
Grants	25,000	25,000	50,000	25,000
Total other financing sources (uses)	<u>189,000</u>	<u>189,000</u>	<u>214,000</u>	<u>25,000</u>
Change in fund balance	(80,000)	(80,000)	150,948	230,948
Fund balance, beginning of year	<u>220,000</u>	<u>220,000</u>	<u>278,236</u>	<u>58,236</u>
Fund balance, end of year	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 429,184</u>	<u>\$ 289,184</u>

**PORT OF MORROW**  
**General Fund**  
**Statement of Expenditures - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2013**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>Personal Services:</b>			
Payroll	\$ 132,200	\$ 132,200	\$ 120,785
Payroll overhead	63,456	63,456	52,683
Total personal services	<u>195,656</u>	<u>195,656</u>	<u>173,468</u>
<b>Materials and Services:</b>			
Office supplies	15,000	15,000	26,575
Legal	10,000	10,000	3,265
Audit and accounting	30,000	30,000	23,150
Notices and publications	5,000	5,000	747
Dues and subscriptions	35,000	35,000	30,225
Insurance and bonds	4,000	4,000	4,000
Utilities	10,000	10,000	13,321
Marketing	20,000	20,000	14,799
Commissioner expenses	35,000	35,000	26,731
Staff travel	15,000	15,000	15,557
Economic development	55,000	55,000	54,676
Planning/repair & maintenance	30,000	30,000	26,858
Education	5,000	5,000	2,198
Total materials and services	<u>269,000</u>	<u>269,000</u>	<u>242,102</u>
<b>Capital Outlay:</b>			
Equipment	<u>135,000</u>	<u>135,000</u>	<u>76,801</u>
<b>General Operating Contingency</b>			
	<u>22,139</u>	<u>22,139</u>	<u>-</u>
Total expenditures	<u>\$ 621,795</u>	<u>\$ 621,795</u>	<u>\$ 492,371</u>

**PORT OF MORROW**  
**Notes to Required Supplementary Information**

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**Budgets and Budgetary Accounting**

The Port budgets all funds which are subject to budget requirements of state law. The Board of Commissioners legally adopts the budget by resolution before July 1. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control (total personal services, materials and services, capital outlay, and other expenditures) is established by resolution for all funds.

The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. A supplemental budget that differs by 10 percent or more of any one of the individual funds contained in the original budget for that fiscal year requires hearings before the public, publications in newspapers, and approval by the Port. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the Board of Commissioners. Appropriations that have not been expended at year-end lapse and subsequent actual expenditures are then charged against ensuing year's appropriations.

**SUPPLEMENTARY INFORMATION**

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Balances and Reconciliation To**  
**Net Position - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>Revenues</b>	\$ 12,206,566	\$ 12,206,566	\$ 10,885,632
<b>Expenses</b>	(34,974,678)	(34,974,678)	(18,382,905)
Excess of revenues over (under) expenses	(22,768,112)	(22,768,112)	(7,497,273)
<b>Other Financing Sources (Uses):</b>			
Receipts - loan receivable	894,990	894,990	5,226,782
Interest income	120,000	120,000	128,190
Sale of assets	6,075,000	6,075,000	3,236,002
Grant income	14,750,000	14,750,000	1,584,847
Total other financing sources (uses)	21,839,990	21,839,990	10,175,821
Net change in fund balances	(928,122)	(928,122)	2,678,548
<b>Reconciliation to GAAP Basis:</b>			
Principal received on loans	-	-	(5,226,782)
Principal paid on long-term debt	-	-	1,873,126
Depreciation	-	-	(3,265,610)
Valuation change on assets held for resale	-	-	(2,500,000)
Amortization	-	-	(100,694)
Fixed assets - capitalized	-	-	7,931,062
Interest capitalized	-	-	80,359
Labor capitalized	-	-	1,162,950
Total reconciliation items	-	-	(45,589)
Change in net position	(928,122)	(928,122)	2,632,959
Net position, beginning of year	1,000,000	1,000,000	43,159,542
Net position, end of year	\$ 71,878	\$ 71,878	\$ 45,792,501

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Revenues - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>Discharge Water Segment:</b>			
Water discharge	\$ 3,248,691	\$ 3,248,691	\$ 3,295,243
Miscellaneous and reimbursable services	34,000	34,000	20,402
Co-generation fixed fee	50,000	50,000	50,000
Patronage dividend	9,000	9,000	25,507
Total revenues - Discharge Water Segment	<u>3,341,691</u>	<u>3,341,691</u>	<u>3,391,152</u>
<b>Site Development Segment:</b>			
Land leases	994,061	994,061	949,925
Mining royalties	100,000	100,000	148,212
Building leases	1,666,370	1,666,370	1,677,642
T-3 lease	212,000	212,000	184,207
Rail tariff	88,000	88,000	70,305
Miscellaneous & reimbursements	8,000	8,000	52,489
Operating grant - LRA	1,210,224	1,210,224	291,990
Farm lease	423,417	423,417	391,170
Steam revenue	200,000	200,000	242,005
Patronage dividend	16,000	16,000	6,782
Total revenues - Site Development Segment	<u>4,918,072</u>	<u>4,918,072</u>	<u>4,014,727</u>
<b>Fresh Water Segment:</b>			
Water usage	1,416,614	1,416,614	1,482,829
Patronage dividend & miscellaneous	6,100	6,100	15,623
Co-generation fixed fee	75,000	75,000	75,000
Total revenues - Fresh Water Segment	<u>1,497,714</u>	<u>1,497,714</u>	<u>1,573,452</u>
<b>Motor Pool Segment:</b>			
Equipment rents	<u>1,977,000</u>	<u>1,977,000</u>	<u>1,283,129</u>
<b>East Beach Utility:</b>			
Utility fees - freshwater	129,652	129,652	169,381
Utility fees - discharge	341,437	341,437	413,422
Miscellaneous & reimbursements	1,000	1,000	40,369
Total revenues - East Beach Utility	<u>472,089</u>	<u>472,089</u>	<u>623,172</u>
Total revenues - enterprise fund	<u>\$ 12,206,566</u>	<u>\$ 12,206,566</u>	<u>\$ 10,885,632</u>

**PORT OF MORROW**  
**Enterprise Fund**  
**Statement of Expenses - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2013**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenses:</b>				
Personal services	\$ 3,729,375	\$ 3,729,375	\$ 3,424,013	\$ 305,362
Materials and services	4,927,074	4,927,074	3,253,691	1,673,383
Capital outlay	19,293,000	19,293,000	7,931,062	11,361,938
Transfers to other funds	164,000	164,000	164,000	-
Debt service	5,034,539	5,034,539	3,610,139	1,424,400
Contingency	1,826,690	1,826,690	-	1,826,690
Total expenses	<u>\$ 34,974,678</u>	<u>\$ 34,974,678</u>	<u>\$ 18,382,905</u>	<u>\$ 16,591,773</u>

## **OTHER FINANCIAL SCHEDULES**

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**PORT OF MORROW**  
**Schedule of Property Taxes**  
**June 30, 2013**

<u>Fiscal Year</u>	<u>Property Tax Receivable 6/30/2012</u>	<u>Current Levy</u>	<u>Cash Collections</u>	<u>Discounts &amp; Adjustments</u>	<u>Property Tax Receivable 6/30/2013</u>
2012-13	\$ -	\$ 128,857	\$ (122,792)	\$ (4,136)	\$ 1,929
2011-12	2,226		(697)	(526)	1,003
2010-11	1,081		(391)	(3)	687
2009-10	684		(340)	(2)	342
2008-09	386		(342)	(2)	42
2007-08 & Prior	124		(41)	(2)	81
	<u>\$ 4,501</u>	<u>\$ 128,857</u>	<u>\$ (124,603)</u>	<u>\$ (4,671)</u>	<u>\$ 4,084</u>

Cash collections	\$ 124,603
Community service fee/pilot	6,984
Other (interest, etc)	33
	<u>\$ 131,620</u>

**Reconciliation to Tax Revenues:**

	<u>General Fund</u>
Current Tax Collections	\$ 121,726
Delinquent Tax Collections	2,878
Community Service Fee/PILOT	7,016
Total Tax Revenues	<u>\$ 131,620</u>

**PORT OF MORROW**  
**Schedule of Future Requirements For Retirement of**  
**Bonded and Long-Term Debt**  
**For the Fiscal Year Ended June 30, 2013**

	<u>2013-2014</u>		<u>2014-2015</u>		<u>2015-2016</u>	
	<u>Principal</u>	<u>interest</u>	<u>Principal</u>	<u>interest</u>	<u>Principle</u>	<u>interest</u>
<b>Industrial Development Bonds</b>						
<b>(No-Commitment Debt) :</b>						
Idaho Power Bond Fund	\$ -	\$ 174,400	\$ -	\$ 174,400	\$ -	\$ 174,400
PGE 1996A		232,000		232,000		232,000
PGE 1998A		1,227,200		1,227,200		1,227,200
Threemile Canyon Farms		407,000		407,000		407,000
Threemile Canyon Farms		407,000		407,000		407,000
Bonneville Power Administration Series 2012		3,114,195		3,114,195		3,114,195
Bonneville Power Administration LOC 2013		2,352,014		2,352,014		2,352,014
Total no commitment debt	<u>-</u>	<u>7,913,809</u>	<u>-</u>	<u>7,913,809</u>	<u>-</u>	<u>7,913,809</u>
<b>Enterprise Fund:</b>						
Revenue Bond, Series 2013	635,000	306,798	650,000	292,510	665,000	276,585
Full Faith & Credit Bond, Series 2013	405,000	242,892	415,000	233,450	415,000	225,150
Revenue Bond, Series 2010	210,000	179,110	220,000	172,522	225,000	165,007
Revenue Bond, Series 2011	417,644	171,669	433,932	155,381	450,855	138,458
Oregon State Port Revolving Loan #040-177						
Special Public Works Fund #2	61,490	11,745	65,178	8,056	69,090	4,145
Special Public Works Fund #3	34,835	11,782	36,925	9,692	39,141	7,477
Special Public Works Fund #4	42,478	23,281	47,818	21,349	48,181	19,125
Special Public Works Fund #5	38,247	30,053	40,155	28,145	42,159	26,141
Special Public Works Fund #6	22,452	30,433	23,613	29,272	24,834	28,051
Special Public Works Fund #7	56,916	82,543	59,397	80,062	61,987	77,472
Flex Lease #2						
Flex Lease #3	15,000	2,475	15,000	1,657	15,000	832
Flex Lease 2007						
Total commitment debt	<u>1,939,062</u>	<u>1,092,781</u>	<u>2,007,018</u>	<u>1,032,096</u>	<u>2,056,247</u>	<u>968,443</u>
Total debt	<u>\$ 1,939,062</u>	<u>\$ 9,006,590</u>	<u>\$ 2,007,018</u>	<u>\$ 8,945,905</u>	<u>\$ 2,056,247</u>	<u>\$ 8,882,252</u>

<b>2016-2017</b>		<b>2017-2018</b>		<b>All Subsequent Years</b>		<b>Total</b>	
<b>Principle</b>	<b>interest</b>	<b>Principle</b>	<b>interest</b>	<b>Principal</b>	<b>interest</b>	<b>Principal</b>	<b>interest</b>
\$ -	\$ 174,400	\$ -	\$ 174,400	\$ 4,360,000	\$ 1,918,800	\$ 4,360,000	\$ 2,790,800
	232,000		232,000	5,800,000	3,480,000	5,800,000	4,640,000
	1,227,200		1,227,200	23,600,000	20,862,400	23,600,000	26,998,400
	407,000		407,000	10,000,000	1,221,000	10,000,000	3,256,000
	407,000		407,000	10,000,000	1,221,000	10,000,000	3,256,000
	3,114,195		3,114,195	84,740,000	77,854,875	84,740,000	93,425,850
	2,352,014		2,352,014	67,200,409	4,704,028	67,200,409	16,464,098
-	7,913,809	-	7,913,809	205,700,409	111,262,103	205,700,409	150,831,148
685,000	257,965	700,000	237,072	4,635,000	894,055	7,970,000	2,264,985
430,000	216,850	370,000	208,250	5,025,000	1,291,550	7,060,000	2,418,142
235,000	156,082	240,000	145,835	2,455,000	622,005	3,585,000	1,440,561
468,439	120,874	486,708	102,605	2,144,197	213,058	4,401,775	902,045
-	-	-	-	-	-	-	-
-	-	-	-	-	-	195,758	23,946
41,489	5,128	43,980	2,639	-	-	196,370	36,718
48,570	16,837	53,977	14,530	240,518	30,762	481,542	125,884
44,263	24,038	46,471	21,829	390,979	80,972	602,274	211,178
26,118	26,767	27,468	25,417	464,153	170,248	588,638	310,188
64,689	74,770	67,510	71,949	1,582,704	648,643	1,893,203	1,035,439
-	-	-	-	-	-	-	-
-	-	-	-	-	-	45,000	4,964
2,043,568	899,311	2,036,114	830,126	16,937,551	3,951,293	27,019,560	8,774,050
\$ 2,043,568	\$ 8,813,120	\$ 2,036,114	\$ 8,743,935	\$ 222,637,960	\$ 115,213,396	\$ 232,719,969	\$ 159,605,198

**PORT OF MORROW**  
**Schedule of insurance Coverage**  
**For the Fiscal Year Ended June 30, 2013**

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	<u>Policy Number</u>	<u>Expiration Date</u>	<u>Amount</u>
<b>Liability</b>			
Special Districts insurance Services	28P16391-202	12/31/2013	
General Liability ( single limit )			\$ 5,000,000
automobile insurance on various			
automobiles. Auto physical damage -			
\$ 100 Deductible - Comprehensive			
\$ 500 Deductible - Collision			
 <b>Property</b>			
Special Districts insurance Services	28P16391-202	12/31/2013	
All property, real and personal,			\$ 33,903,323
including inland Marine			
\$ 1,000 Deductible on property coverage			
\$ 500 Deductible - inland Marine coverage			
\$ 1,000,000 Business interruption			
\$ 50,000 EDP			
 <b>Boiler and Machinery</b>			
Special Districts insurance Services	28P16391-202	12/31/2013	\$ 50,000,000
\$ 1,000 Deductible			
 <b>Crime Coverage</b>			
Special Districts insurance Services	28P16391-202	12/31/2013	\$ 500,000
 <b>Workers' Compensation</b>			
Special Districts insurance Services	28W16391-83	6/30/2013	\$ 3,000,000
 <b>Erisa Bond</b>			
Old Republic Surety Company	W180013325	7/25/2013	\$ 350,000
 <b>Group insurance</b>			
Pacific Source	G0020636	5/31/2014	Health and Dental

**INDEPENDENT AUDITORS' REPORT REQUIRED  
BY OREGON STATE REGULATIONS**

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

Independent Auditor's Report  
Required by Oregon State Regulations

Commissioners  
Port of Morrow  
P.O. Box 200  
Boardman, OR 97818

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Port of Morrow as of and for the year ended June 30, 2013, and have issued our report thereon dated December 2, 2013.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port of Morrow'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 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 statements 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 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.**
- **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 of Morrow 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 Oregon Municipal Corporations.

**OAR 162-10-0230 Internal Control Over Financial Reporting**

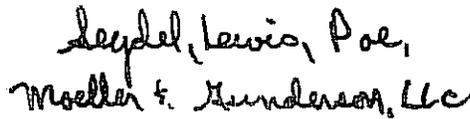
In planning and performing our audit of the financial statements, we considered the Port of Morrow's internal control over financial reporting to determine the audit procedures that are appropriate in the for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Morrow's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port of Morrow'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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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 Morrow and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



SEYDEL, LEWIS, POE, MOELLER  
& GUNDERSON, LLC

La Grande, Oregon  
December 2, 2013