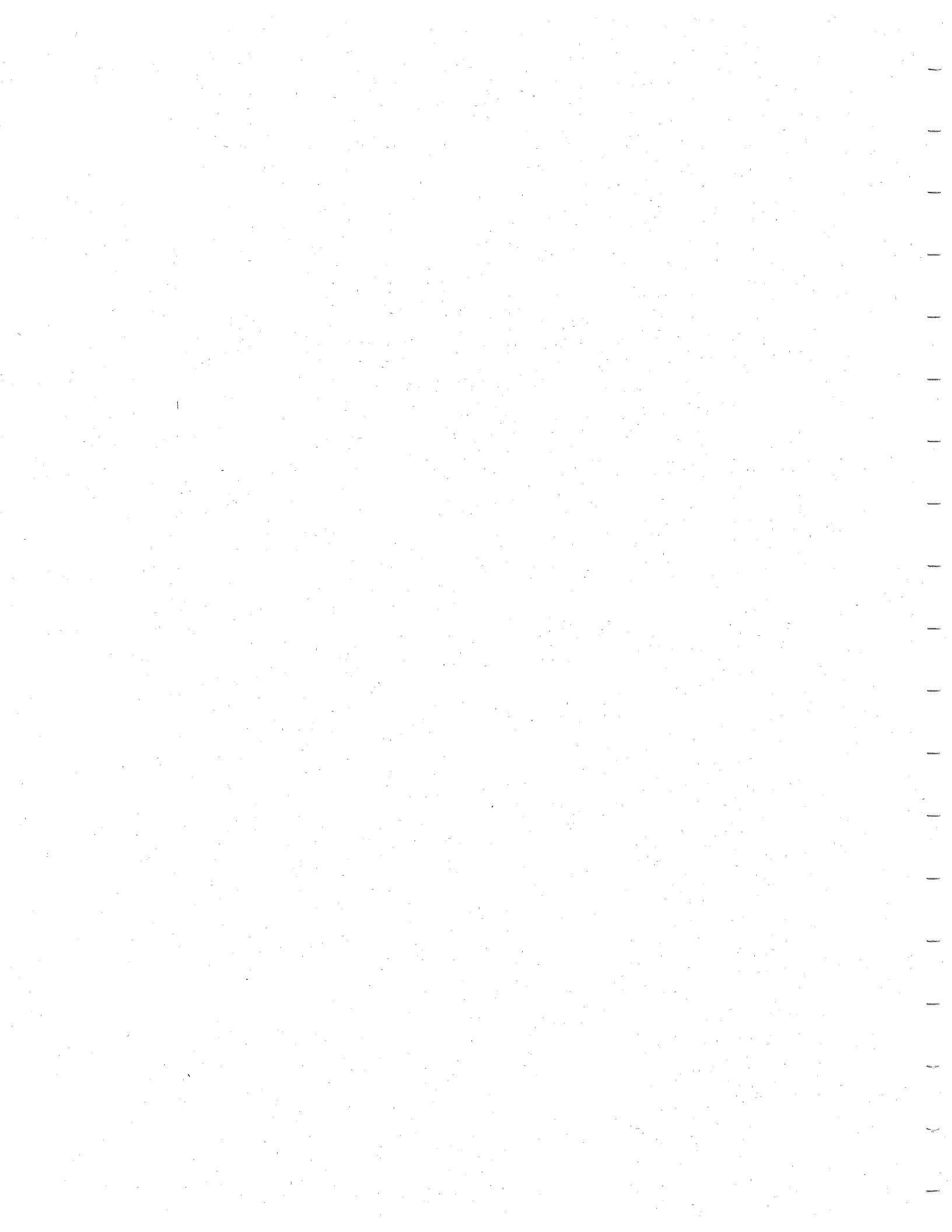


PORT OF CASCADE LOCKS
BASIC FINANCIAL STATEMENTS

For the Year Ended
June 30, 2013



PORT OF CASCADE LOCKS

June 30, 2013

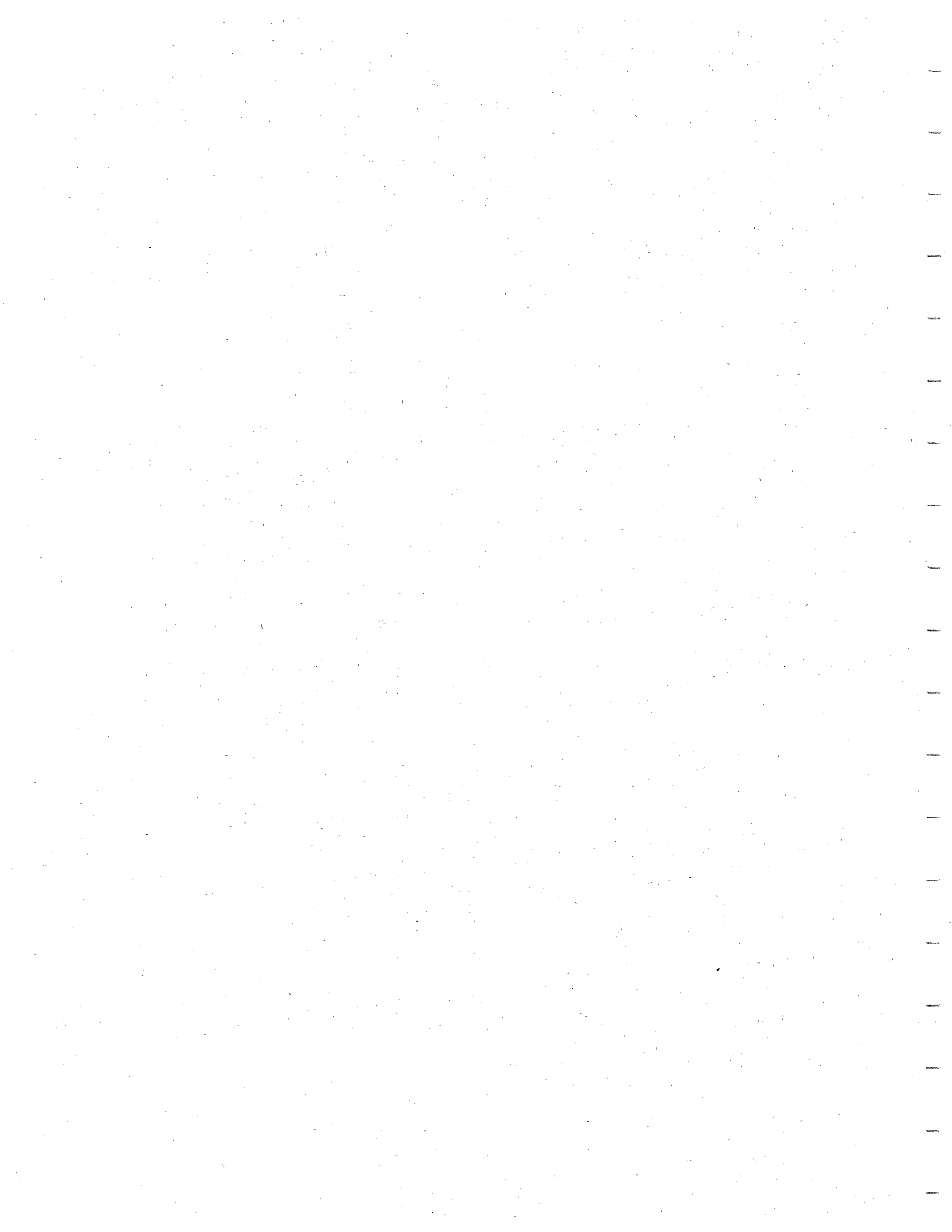
BOARD OF COMMISSIONERS

Position

President:	Jess Groves Cascade Locks, Oregon 97014
Vice President:	Joeline Caldwell Cascade Locks, Oregon 97014
Secretary-Treasurer:	Donna Mohr Cascade Locks, Oregon 97014
Commissioner:	Scot Sullenger Cascade Locks, Oregon 97014
Commissioner:	Brenda Cramblett Cascade Locks, Oregon 97014

ADMINISTRATION

Interim General Manager and Registered Agent:	Paul Koch PO Box 307 Cascade Locks, Oregon 97014
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Agenda Item No. 5b

PORT COMMISSION REPORT

DATE: January 6, 2014

TO: Port Commission For Commission meeting of January 16, 2014

FROM: Paul Koch, IGM

SUBJECT: Formal presentation of annual audit for FY 2012-13

SYNOPSIS: Rick Cyphers, Port contract Auditor will be present to formally present the annual audit for the 2012-13 fiscal year. This report is the culmination of a thorough review of the Ports budget, expenditures and processes and the Auditor may make some specific recommendations.

COMMISSION OPTIONS: None at this time.

RECOMMENDATION: That the Port Commission hear the report, ask questions and then accept the report as recommended by the auditor...

LEGAL ANALYSIS: N/A.

FINANCIAL ANALYSIS: There are no financial implications at this time.

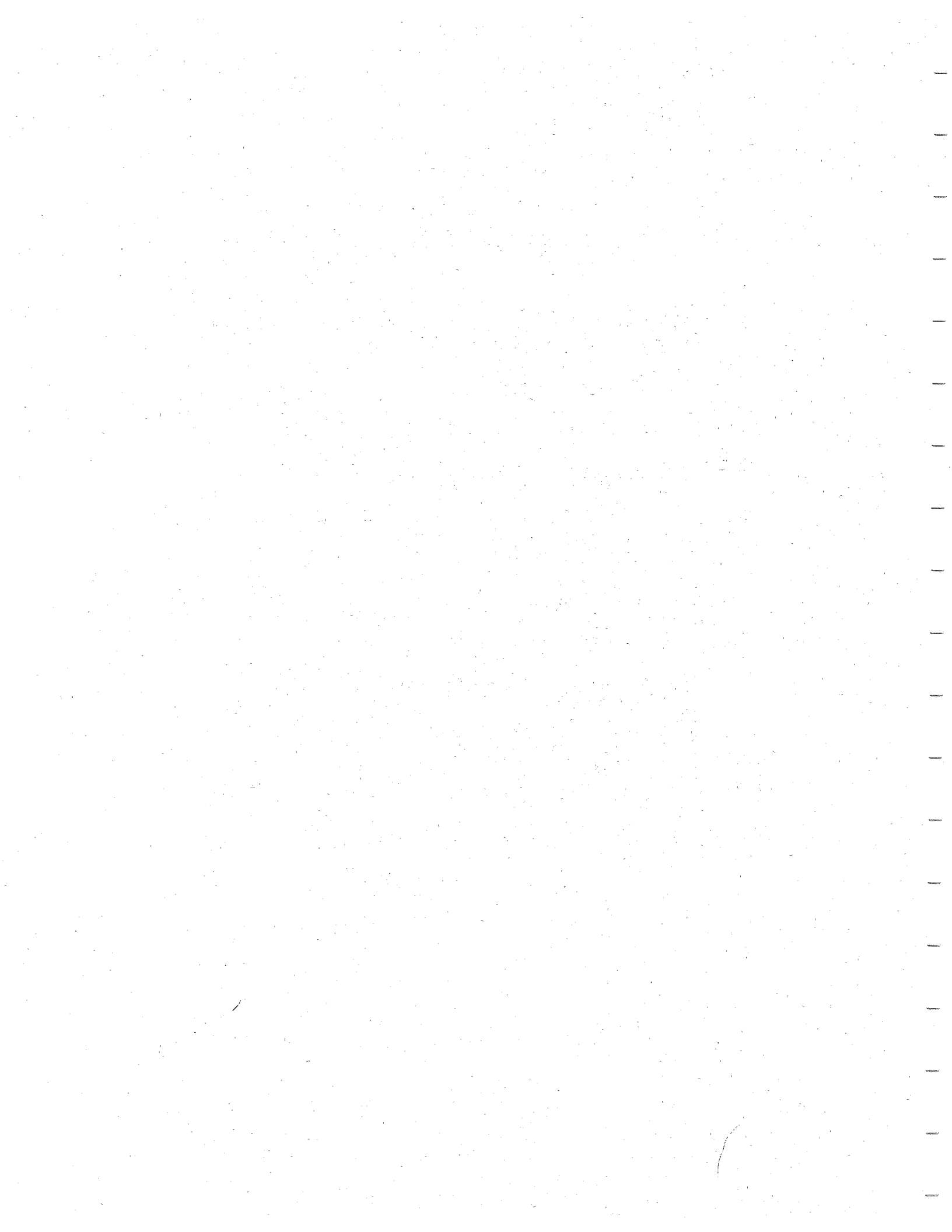
BACKGROUND INFORMATION:

PORT OF CASCADE LOCKS

June 30, 2013

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Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

KENNETH L. ONSTOTT, c.p.a.
JAMES T. BROEHL, c.p.a.
RICK M. CYPHERS, c.p.a.

WILLIAM S. ROOPER, c.p.a. retired

MEMBERS:

American Institute of c.p.a.'s
Oregon Society of c.p.a.'s

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Port of Cascade Locks
Cascade Locks, Oregon

We have audited the accompanying financial statements of the Port of Cascade Locks 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port of Cascade Locks, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Cascade Lock's basic financial statements. The supplementary information on pages 27-31 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 27-31 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Onstott, Broehl & Cyphers, P.C.

By: Richard A.
A Shareholder

The Dalles, Oregon
January 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORT OF CASCADE LOCKS
Management's Discussion and Analysis
Year Ended June 30, 2013

As management of the Port of Cascade Locks (the Port), we offer readers of the Port's financial statements this narrative overview and analysis of the financial activities of the Port for the fiscal year ended June 30, 2013.

Financial Highlights

In the basic financial statements, the assets of the Port exceeded its liabilities at June 30, 2013 by \$4,191,769. Of this amount, \$2,995,211 represents the Port's net investment in capital assets with the remaining unrestricted surplus of \$1,196,558 to be used for future operational expenditures.

The Port's total net position decreased by \$462,391; this decrease was a result of operating expenses exceeding operating income, non-operating revenues (expenses), and capital contributions. Non-operating revenues (expenses) and capital contributions consisted of interest earned of \$6,379, capital contributions in the amount of \$20,945, property taxes of \$3,069, interest expense of (\$46,632), and loss on disposal of assets of (\$52,001).

The Port's financial goal for the fiscal year was to facilitate the economic development of our community in a financially prudent manner, position itself to weather financial uncertainty, and maintain momentum on existing projects.

During the current fiscal year, the Port's long-term debt decreased by \$22,870. The Port did not incur any additional debt and paid scheduled principal payments of \$22,870.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Port's basic financial statements. The Port is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Port's basic financial statements comprise three components: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. This report also contains other supplementary information in addition to the basic financial statements.

Statement of Net Position

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the Port is improving or deteriorating over time. This statement includes all of the Port's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Port's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Port and assessing the liquidity and financial flexibility of the Port.

PORT OF CASCADE LOCKS
Management's Discussion and Analysis
Year Ended June 30, 2013

Overview of the Financial Statements (continued)

Statement of Revenues, Expenses and Changes in Fund Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing profitability and credit worthiness as well as how the Port's net position changed during the most recent fiscal year. This statement shows income and expenses from operations, non-operating revenues and expenses, and reconciles the change from one fiscal year to the next. This statement measures the success of the Port's operations over the past year and can be used to determine whether the Port has successfully recovered all its costs through its bridge fees, property leases and other charges.

Statement of Cash Flows

The Statement of Cash Flows is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, non-capital financing activities, capital and related financing activities and investing activities. This statement includes a reconciliation to the Statement of Revenues, Expenses and Changes in Net Position. The primary purpose of this statement is to provide information about the Port's cash receipts and cash payments during the reporting period. It answers such questions as where did the cash come from, what was the cash used for and what was the change in cash balance during the reporting period.

Budgetary Schedule

For financial reporting and operating purposes, management considers the Port's activities as those of a unitary enterprise operation. However, for budgetary and legal purposes these activities are accounted for in a separate schedule prepared on the modified accrual basis of accounting.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 to 26 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Port's budgetary schedules, long-term debt, and property tax transactions. This information can be found on pages 27 to 31 of this report.

PORT OF CASCADE LOCKS
Management's Discussion and Analysis
Year Ended June 30, 2013

Condensed Financial Information

Net position

	June 30,	
	2013	2012
Assets		
Current and other assets	\$ 1,346,608	\$ 1,439,835
Capital assets, net of depreciation	4,007,724	4,400,143
Total assets	5,354,332	5,839,978
Liabilities		
Current liabilities	178,853	173,305
Noncurrent liabilities	983,710	1,012,513
Total liabilities	1,162,563	1,185,818
Net position		
Net investment in capital assets	2,995,211	3,364,760
Unrestricted	1,196,558	1,289,400
Total net position	\$ 4,191,769	\$ 4,654,160

PORT OF CASCADE LOCKS
Management's Discussion and Analysis
Year Ended June 30, 2013

Condensed Financial Information (continued)

Changes in net position

	Year ended June 30,	
	2013	2012
Operating revenues		
Bridge tolls	\$ 1,431,605	\$ 1,422,158
Other	300,694	259,106
Total operating revenues	1,732,299	1,681,264
Operating expenses		
Personal services	1,047,742	924,356
Materials and services	647,068	694,798
Insurance	125,345	123,140
Depreciation	306,295	286,701
Total operating expenses	2,126,450	2,028,995
Total operating income/(loss)	(394,151)	(347,731)
Nonoperating revenues and expenses		
Option revenue	-0-	840,000
Interest earned	6,379	6,192
Gain (Loss) on disposal of assets	(52,001)	-0-
Other	3,069	2,911
Interest expense	(46,632)	(23,226)
Total nonoperating revenue and expenses	(89,185)	825,877
Income/(loss) before capital contribution	(483,336)	478,146
Capital contribution	20,945	60,826
Change in net position	(462,391)	538,972
Net position, beginning of year	4,654,160	4,115,188
Net position, end of year	\$ 4,191,769	\$ 4,654,160

PORT OF CASCADE LOCKS
Management's Discussion and Analysis
Year Ended June 30, 2013

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Port, assets exceeded liabilities by \$4,191,769 at June 30, 2013.

Cash and investments, which comprise 23 percent of total assets, are available to meet the Port's ongoing obligations to its citizens.

A significant portion of the Port's assets (75 percent) consists of its investment in capital assets (e.g. land, buildings, bridge, vessel, and related equipment). The Port uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Port's long-term debt consists of notes payable used for improvements to the Port's industrial park and also to finance their Herman Creek Building. Current liabilities of the Port consist of accounts payable, accrued expenses and deferred revenue.

Financial Analysis of the Government's Funds

Total operating revenues and operating expenses stayed about the same when compared to the prior year.

The Port owns and operates the Bridge of the Gods. Bridge tolls of \$1,431,605 were about the same as the prior fiscal year.

The Port received capital grants and contributions totaling \$20,945 for several projects.

Capital Assets

The Port's investment in capital assets includes land, land improvements, buildings, bridge, vessel, maintenance, office and other equipment and construction in progress. As of June 30, 2013 the Port had invested \$2,995,211 in capital assets, net of depreciation and related debt.

During the year, the Port's investment in capital assets decreased by \$392,419 due to capital asset purchases of \$50,727, less depreciation expense of \$306,295, less assets sold of \$136,851. Capital asset purchases included land and land improvements of \$36,528, building and improvement additions of \$26,657 (\$12,458 was construction in progress from prior year).

PORT OF CASCADE LOCKS
Management's Discussion and Analysis
Year Ended June 30, 2013

Bridge of the Gods

The Port is working, in collaboration with the Oregon Department of Transportation, to identify solutions to reinstate weight capacity to 80,000 tons, as the Bridge of the Gods is a major economic hub for commercial traffic in the Columbia River Gorge. In December of 2013, ODOT released the Bridge of the Gods back to its weight capacity of 80,000 tons. Various maintenance projects during the 13/14 fiscal year are expected to reduce bridge toll revenues from the current year.

Long-term Debt

At the end of the current fiscal year, the Port had total long-term debt of \$1,012,513, consisting of a note payable for debt incurred for industrial park improvements and a note payable for debt incurred for the construction of the Herman Creek Building.

During the current fiscal year, the Port's total debt decreased by \$22,870.

PORT OF CASCADE LOCKS
Management's Discussion and Analysis
Year Ended June 30, 2013

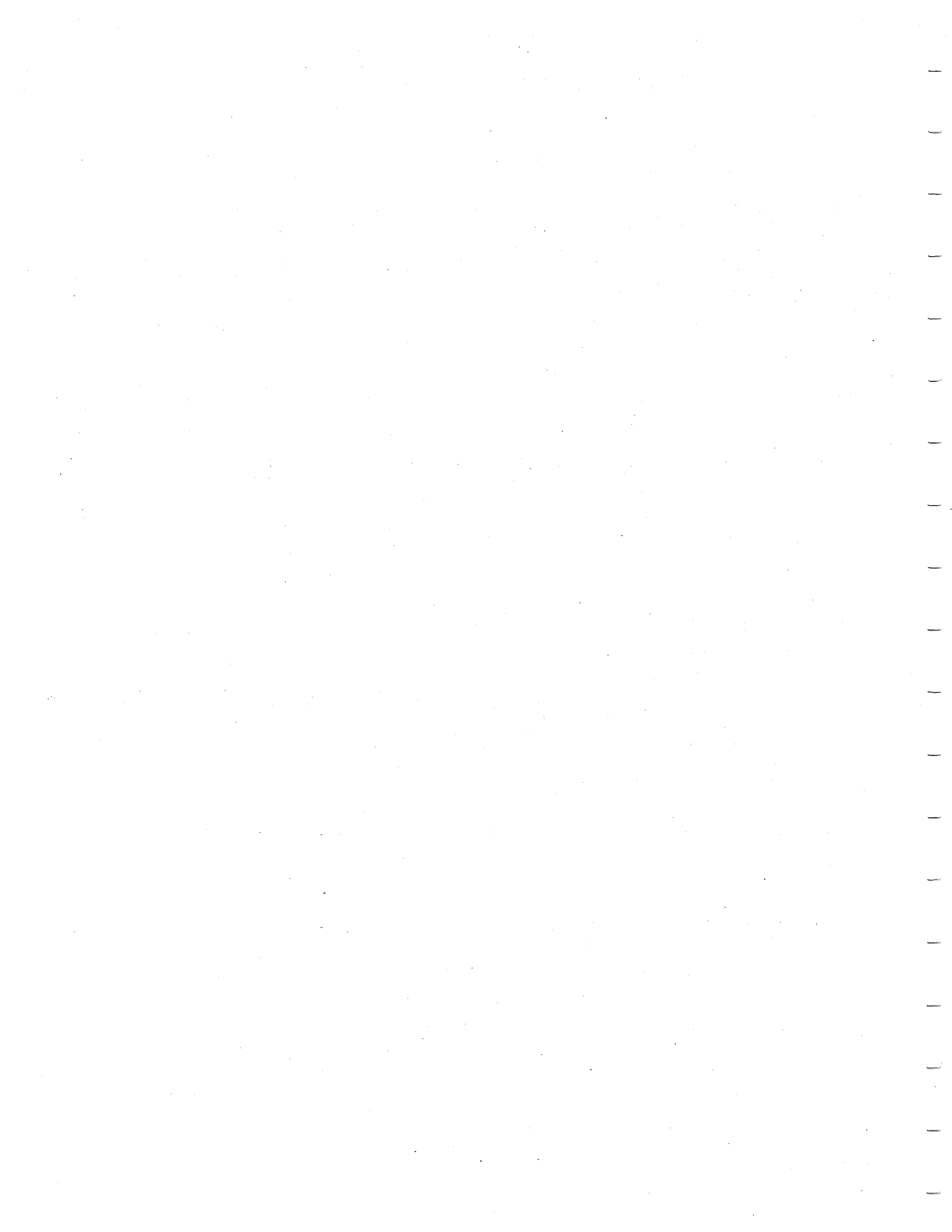
Economic Factors and Next Year's Budget

- Bridge Tolls – Bridge revenues are expected to be dampened by bridge maintenance projects. As such, we have budgeted bridge tolls lower than our current year's receipts.
- Locktender Homes Renovations – The focus will be on the completion of the outside of House #2 (Port Office).
- Pacific Crest Park – The land exchange process is continuing this fiscal year.
- Land Acquisitions – Port staff doesn't anticipate any property acquisitions for the coming year.
- New Cascade Locks Multi-user Trail System – This project has considerable momentum. We hope to have an agreement finalized with the USFS and PBS Engineering to perform the NEPA analysis.
- Marine Park Overpass – The Port is awaiting approval from the federal government to reprogram federal funds for a pedestrian and bicycle overpass.
- Marketing Port Property – Staff will continue to use a variety of methods to market Port land and buildings, including local realtors, Business Oregon, Oregon Prospector, LoopNet, brokers, developers, direct mailings, social media, and existing & new relationships.
- The Port is currently awaiting state approval for their strategic business plan.
- The Port's master plan is expected to be presented to the Commission for approval in March of 2014.

PORT OF CASCADE LOCKS
Management's Discussion and Analysis
Year Ended June 30, 2013

Requests for Information

This financial report is designed to provide a general overview of the Port's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port General Manager c/o Port of Cascade Locks, P.O. Box 307, Cascade Locks, Oregon 97014.



BASIC FINANCIAL STATEMENTS

PORT OF CASCADE LOCKS
STATEMENT OF NET POSITION

June 30, 2013

<u>ASSETS</u>	<u>REVENUE FUND</u>
CURRENT ASSETS:	
Cash and investments	\$ 1,275,358
Accounts receivable	39,218
Prepaid expenses	32,032
	1,346,608
Total current assets	
NON-CURRENT ASSETS:	
CAPITAL ASSETS (net of accumulated depreciation):	
Land	701,321
Land improvements	1,389,596
Buildings and improvements	1,369,510
Bridge	191,679
Vessel	318,841
Construction equipment	24,663
Office equipment	12,114
Construction in progress	-
	4,007,724
Total non-current assets	
TOTAL ASSETS	
	5,354,332
 LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	53,033
Accrued payroll liabilities	38,842
Accrued interest payable	6,689
Deferred revenue	19,220
Accrued compensated absences	32,266
Note payable - due within one year	28,803
	178,853
Total current liabilities	
NON-CURRENT LIABILITIES:	
Note payable - due in more than one year	983,710
	983,710
Total non-current liabilities	
TOTAL LIABILITIES	
	1,162,563
NET POSITION	
Net investment in capital assets	2,995,211
Unrestricted	1,196,558
	4,191,769
TOTAL NET POSITION	
	\$ 4,191,769

The notes to the financial statements are an integral part of this statement.

PORT OF CASCADE LOCKS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION

Year Ended June 30, 2013

	<u>REVENUE FUND</u>
OPERATING REVENUES	
Bridge tolls	
Marina, park, and camping income	\$ 1,431,605
Leases, rents and fees	96,716
Other	195,202
	<u>8,776</u>
Total Operating Revenues	<u>1,732,299</u>
OPERATING EXPENSES	
Salaries and wages	814,313
Payroll taxes and employee benefits	233,429
Insurance	125,345
Promotion and advertising	12,787
Office expense	7,613
Information technology	13,276
Dues & subscriptions	9,380
Repairs and maintenance	70,801
Supplies and small tools	33,666
Utilities and telephone	78,575
Professional services	88,322
Contracted Services	236,537
Licenses and fees	22,503
Depreciation	306,295
Community services	27,068
Travel and meetings	26,772
Education	3,122
Leases and rents	12,174
Taxes	3,267
Miscellaneous	<u>1,205</u>
Total Operating Expenses	<u>2,126,450</u>
Operating Income (Loss)	<u>(394,151)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	6,379
Property taxes	3,069
Gain (loss) on disposal of assets	(52,001)
Interest expense	<u>(46,632)</u>
Total Non-Operating Revenues (Expenses)	<u>(89,185)</u>
Income Before Capital Contributions	(483,336)
CAPITAL CONTRIBUTIONS	
Capital contributions	<u>20,945</u>
Total Capital Contributions	20,945
Change in Net Position	(462,391)
Net Position - Beginning	<u>4,654,160</u>
Net Position - Ending	<u>\$ 4,191,769</u>

The notes to the financial statements are an integral part of this statement.

PORT OF CASCADE LOCKS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

	<u>REVENUE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,727,070
Cash paid to suppliers and vendors	(740,034)
Cash paid to employees	<u>(1,049,475)</u>
Net Cash Provided (Used) by Operating Activities	<u>(62,439)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	<u>3,069</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,069</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	14,445
Purchase of property and equipment	(51,977)
Proceeds from sales of capital assets	84,850
Principal payment on note payable and capital lease	(22,870)
Interest paid on note and capital lease payable	<u>(59,136)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(34,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>6,379</u>
Net Cash Provided (Used) by Investing Activities	<u>6,379</u>
Net Increase (Decrease) in Cash	(87,679)
Cash & equivalents - beginning of year	<u>1,363,037</u>
Cash & equivalents - end of year	<u>\$ 1,275,358</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (394,151)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	306,295
(Increase) decrease in:	
Accounts receivable	(817)
Prepaid expenses	9,115
Increase (decrease) in:	
Accounts payable	23,264
Accrued payroll liabilities	(2,710)
Accrued compensated absences	977
Deferred revenue	<u>(4,412)</u>
Net cash provided (used) by operating activities	<u>\$ (62,439)</u>

The notes to the financial statements are an integral part of this statement.

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Port of Cascade Locks is a municipal Oregon corporation governed by an elected Board of Commissioners. The daily management is under the supervision of the General Manager, who is appointed by the Board of Commissioners. As required by generally accepted accounting principles in the United States of America, all activities of the Port have been included in these financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Port is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows. Accordingly, these financial statements are maintained on the flow of economic resources measurement focus using the accrual basis of accounting utilizing accounting principles applicable to commercial enterprises. All assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Port reports the following major fund:

The *Revenue Fund* is the Port's only fund and this fund is considered an enterprise fund. This fund was established to account for the revenues and expenses of the Port's operating activities. The primary sources of revenue are the bridge tolls, lease rentals and fees, grant proceeds, and proceeds from the sale of any assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The port does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. The principal operating revenues of the enterprise fund are bridge tolls, lease rentals and fees, and operating grants. Operating expenses for the enterprise fund include administrative expenses, insurance, repairs, contracted services and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation - continued

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first then unrestricted resources as they are needed.

C. Assets, liabilities, and net position or equity

1. *Cash and investments*

The Port's cash and cash equivalents are considered to be cash on hand, demands deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at cost, which approximates fair market value (fair value in pool is the same as pool shares).

2. *Receivables*

Accounts receivables consist primarily of amounts due for grants, leases, rents, bridge tickets, dock fees, and other fees. Management feels that any uncollectible amount is immaterial to the financial statements, therefore there is no allowance for doubtful accounts. Accounts receivable consists of the following at June 30, 2013:

Grants Receivable	\$ 32,776
Other Accounts Receivable	<u>6,442</u>
Total Accounts Receivable	<u>\$ 39,218</u>

3. *Property taxes*

Property taxes are levied and become a lien as of July 1. Property taxes are assessed in October and tax payments are due November 15th. Under the partial payment schedule, the first one-third of taxes are due November 15th, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15 and a two percent discount is allowed if two-thirds payment is made by November 15. Taxes become delinquent if not paid by the due date and interest accrues.

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Assets, liabilities, and net position or equity - continued

4. *Capital Assets*

In accordance with GASB Statement No. 34, the Port has reported all capital assets, which include property, equipment and infrastructure assets (e.g., roads, bridges), in the government-wide financial statements. Capital assets are defined by the Port as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for land, buildings, and improvements are capitalized as projects when purchased or constructed. Property, plant and equipment of the Port is depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10 - 40 years
Buildings	8 - 50 years
Bridge	35 - 47 years
Vessel & improvements	3 - 20 years
Construction and maintenance equipment	5 - 15 years
Office and other equipment	5 - 10 years

5. *Compensated Absences*

The Port provides vacation benefits to its regular part-time and full-time employees. Vacation leave can accrue from year to year (calendar year) with a maximum carryover at the end of December of 200 hours. Accrued and unused vacation benefits are to be paid upon termination of employment. The expenses are accrued when incurred and the liability is recorded.

6. *Net Position*

The equity portion of the statement of net position is classified into three categories: net investment in capital assets; restricted; and unrestricted. The Port has no instances of a deficit in its net position during the year ended June 30, 2013.

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS

A. Cash and investments

Deposits with financial institutions:

The Port's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The bank balance as of June 30, 2013 maintained by the Port was \$142,349 and was covered by FDIC. At various times during the fiscal year, bank balances exceeded the FDIC limit but funds were held at a depository qualified by the Oregon State Treasurer's office.

Investments:

Oregon 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, time certificates of deposit, certain commercial paper and the State Treasurer's investment pool. The Local Government Investment Pool (LGIP) is an unrated external investment pool and is not classified by risk category and is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer. The Oregon Short Term Fund Board and the Oregon Investment Council regulate OSTF investments (ORS 294.805 to 294.895). Separate financial statements for the OSTF are available from the Oregon State Treasurer. At June 30, 2013 the Port's membership in the State Treasurer's investment pool had a carrying amount of \$1,131,909 which approximates market.

At June 30, 2013, the Port's cash and investments are comprised of the following:

<u>Cash and Investments</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity in Months</u>
Cash on hand	\$ 1,100	\$ 1,100	N/A
Demand deposits	142,349	142,349	N/A
LGIP	1,131,909	1,131,909	N/A
 Total	 <u>\$ 1,275,358</u>	 <u>\$ 1,275,358</u>	

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - continued

A. Cash and investments - continued

Fair value of financial assets and liabilities:

The Port estimates the fair value of its monetary assets and liabilities based upon the existing interest rates related to such assets and liabilities compared to the current market rates of interest for instruments of a similar nature and degree of risk. The Port estimates that all of its monetary assets and liabilities approximate fair value as of June 30, 2013.

Custodial credit risk

Custodial credit risk is the risk that in the event of failure of the bank and/or counterparty, the Port will not be able to recover the value of its deposit and investments or collateral securities in possession of an outside party. During the current fiscal year the Port was exposed to this risk. The Port does not have a formal policy for custodial credit risk.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The LGIP account is unrated as to credit risk. The Port does not have a formal policy for credit risk.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port does not have a formal policy for interest rate risk.

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS – continued

B. Capital Assets

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

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 823,939	\$ 14,233	\$ (136,851)	\$ 701,321
Construction in progress	12,458	-	(12,458)	-
Total capital assets, not being depreciated	836,397	14,233	(149,309)	701,321
Capital assets being depreciated:				
Land improvements	2,995,339	22,295		3,017,634
Buildings & improvements	1,986,060	26,657		2,012,717
Bridge	1,631,008			1,631,008
Vessel	4,037,515			4,037,515
Construction equipment	168,578			168,578
Office equipment	132,549			132,549
Total capital assets being depreciated	10,951,049	48,952	-	11,000,001
Less: accumulated depreciation for:				
Land improvements	(1,505,991)	(122,047)		(1,628,038)
Buildings & improvements	(573,067)	(70,140)		(643,207)
Bridge	(1,416,512)	(22,817)		(1,439,329)
Vessel	(3,638,669)	(80,005)		(3,718,674)
Construction equipment	(135,382)	(8,533)		(143,915)
Office equipment	(117,682)	(2,753)		(120,435)
Total accumulated depreciation	(7,387,303)	(306,295)	-	(7,693,598)
Total capital assets being depreciated, net	3,563,746	(257,343)		3,306,403
Business-type activities capital assets, net	\$ 4,400,143	\$ (243,110)	\$ (149,309)	\$ 4,007,724

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets - continued

Depreciation using the straight-line method was charged to the various functions/programs:

Business-type activities:

Land improvements	\$ 122,047
Buildings and improvements	70,140
Bridge	22,817
Vessel	80,005
Construction equipment	8,533
Office equipment	<u>2,753</u>
Total depreciation expense	<u><u>\$ 306,295</u></u>

The Port has various property leases, all accounted for as operating leases. Costs of leased properties (also included in the above capital asset detail) are as follows:

Property	Cost
Buildings and improvements	\$ 1,266,456
Vessel	4,037,515
Land	<u>28,870</u>
Total Cost	<u>5,332,841</u>
Accumulated Depreciation	<u>(3,903,644)</u>
Total Cost, net	<u><u>\$ 1,429,197</u></u>

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS – continued

B. Capital Assets - continued

Minimum future rentals receivable on non-cancelable operating leases for the five succeeding fiscal years are as follows:

<u>Year Ending June 30</u>	<u>Minimum Future Rentals</u>
2014	\$ 153,050
2015	142,850
2016	142,850
2017	133,850
2018	<u>81,960</u>
 Total	 <u>\$ 654,560</u>

C. Note payable

The Port has two notes payable to Business Oregon Infrastructure Finance Authority (BO - IFA). The original amount of the first note was \$235,094 for land improvements. Annual payments of \$17,860 are due with interest stated at 5%. During the current fiscal year the Port received \$850,000 of loan proceeds from a second note from the Business Oregon Infrastructure Finance Authority to help finance the construction of the Port's Herman Creek Building. Quarterly payments of \$14,058 are due with interest stated at 4.4%.

Note payable activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note payable #1 - BO - IFA	\$ 185,383	\$ -	\$ (8,591)	\$ 176,792
Note payable #2 - BO - IFA	<u>850,000</u>	<u>-</u>	<u>(14,279)</u>	<u>835,721</u>
Total	<u>\$ 1,035,383</u>	<u>\$ -</u>	<u>\$ (22,870)</u>	<u>\$ 1,012,513</u>

Interest expense on the notes payable during the current fiscal year was \$46,632.

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - continued

C. Note payable - continued

Annual debt service requirements to maturity for the two notes payable to Business Oregon IFA are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 9,021	\$ 8,840	\$ 17,860
2015	9,472	8,389	17,860
2016	9,945	7,915	17,860
2017	10,442	7,418	17,860
2018	10,965	6,896	17,860
2019-2023	63,616	25,685	89,301
2024-2027	63,331	8,109	71,441
Total Note #1	\$ 176,792	\$ 73,251	\$ 250,043

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 19,782	\$ 36,448	\$ 56,230
2015	20,667	35,563	56,230
2016	21,591	34,639	56,230
2017	22,557	33,673	56,230
2018	23,566	32,664	56,230
2019-2023	134,317	146,533	280,850
2024-2028	167,541	113,609	281,150
2029-2033	208,819	72,631	281,450
2034-2038	216,881	22,098	238,979
Total Note #2	\$ 835,721	\$ 527,858	\$ 1,363,579

Total Notes Payable	\$ 1,012,513	\$ 601,109	\$ 1,613,622
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PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION

A. Employee retirement system and pension plan

Plan Description. The Port of Cascade Locks contributes to the Oregon Public Employees Retirement Fund (OPERF), an agent multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). In 2003, PERS created a new Oregon Public Service Retirement Plan (OPSRP) for employees hired on or after August 29, 2003. Employees hired prior to August 29, 2003 continue to participate in the OPERF plan. The new OPSRP is a hybrid employer plan consisting of a pension program and an Individual Account Program (IAP) which is the defined contribution portion of the plan. The pension program portion of OPSRP provides a life pension calculated by a formula funded by employer contributions when the member attains normal retirement age. PERS provides retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238. ORS Chapter 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature.

Both PERS and OPSRP issue a publicly available financial report that includes financial and required supplementary information. That report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700, by calling (503) 598-7377 or by assessing the PERS website at www.oregon.gov/pers

Summary of significant accounting policies – basis of accounting and valuation of investments. The financial statements of PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The Port's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair market value.

Funding Policy. For the 2012-13 fiscal year, the Port was required to contribute 9.42% of covered employee salaries to the existing PERS plan and 4.62% of covered general service salaries to the new OPSRP. Members of PERS are required to contribute 6.00% of their salary covered under the plan. The contribution requirements for plan members and the Port are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - continued

A. Employee retirement system and pension plan - continued

Annual Pension Cost. For the year ended June 30, 2013, the Port's annual pension cost for PERS was equal to the Port's required actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) future general wage inflation of 3.75% per year, (c) interest crediting on member contributions of 7.75% on regular member accounts and 7.75% on variable member accounts, (d) consumer price inflation of 2.75% per year, and (e) healthcare cost inflation ranging from 8.0% to 4.7% in 2083. The actuarial value of PERS assets are valued on the Expected Value Method. The Port's UAL for Tier 1/Tier 2 is being amortized as a level percentage of combined valuation payroll over a closed 20 year period. The Port's OPSRP UAL is amortized over a closed 16 year period.

Schedule of Funding Progress for the Port of Cascade Locks is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Percent	Covered Payroll	UAL/ Payroll
12/31/10	5,420,488	5,350,182	(70,306)	101%	593,226	-12%
12/31/11	5,389,060	5,535,473	146,413	97%	627,202	23%
12/31/12	5,740,612	5,705,510	(35,102)	101%	427,714	-8%

Three Year Trend information for the Port is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 26,391	100%	\$ -
6/30/2012	\$ 41,625	100%	\$ -
6/30/2013	\$ 40,380	100%	\$ -

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - continued

A. Employee retirement system and pension plan - continued

Retirement Health Insurance Account (RHIA): As a member of Oregon Public Employees Retirement System (OPERS), the Port contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. Eligible PERS retirees who receive benefits and are enrolled in certain PERS administered health insurance programs may receive a subsidy towards the payment of health insurance premiums. This report can be obtained within the same PERS report as stated in the PERS note. The authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. Under ORS 238.420 retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA. Participating governments are contractually required to contribute to the RHIA at a rate assessed each year by OPERS, currently .59% for tier 1/tier 2 and .5% for OPSRP annual covered payroll. The OPERS Board sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a closed period of 10 years. The Port's allocated RHIA unfunded actuarial liability at December 31, 2012, 2011, and 2010 is \$8,974, \$16,248, \$21,343, respectively. The Port's contributions to RHIA for the years ended June 30, 2013, 2012, and 2011 were \$4,397, \$3,765, and \$1,687, respectively, which equaled the required contributions each year.

B. Risk management

The Port is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial insurance.

C. Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

PORT OF CASCADE LOCKS
Notes to Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - continued

D. Contingent liabilities

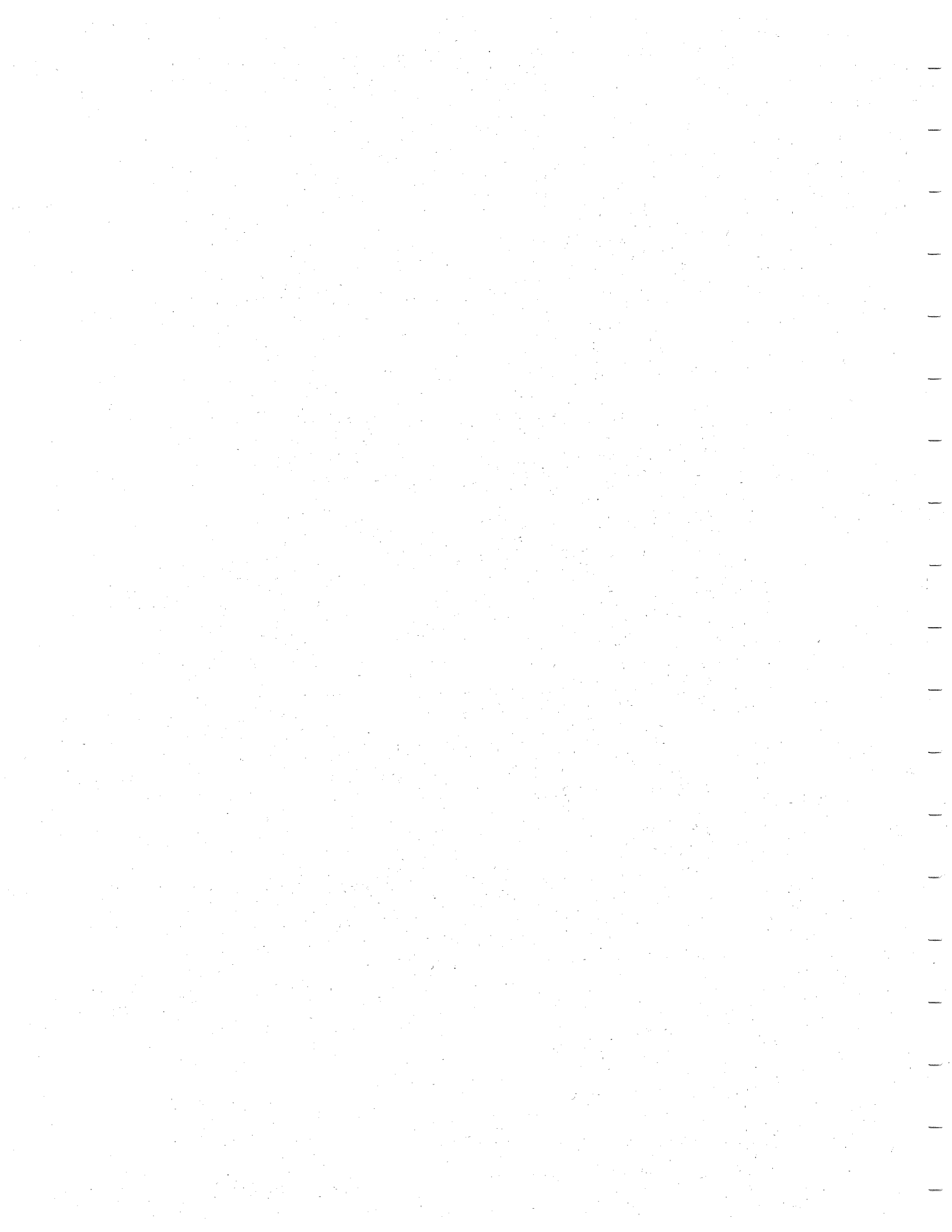
On March 10, 2010, the Port received a letter from the State of Oregon stating that the Port has an indemnity obligation to the State under a lease agreement with the Division of State Lands. The lease was effective from August 1, 1991 and involved a dock on the Willamette River. This area is now subject to an environmental super fund action involving many parties along the Willamette River and significant damages. The Port's liability exposure at this time appears to be limited. It also appears the Port probably has insurance coverage that may cover the claim. This matter may take several years to resolve. The Port has researched insurance coverage and is prepared to proceed when required to do so by the State. At this time the amount of this claim is unknown.

The State of Oregon through the Oregon Department of Transportation (ODOT) identified structural issues on the Bridge of the Gods requiring repairs for heavy traffic prior to June 30, 2013. ODOT claimed the port is responsible to pay a portion of the bridge cost repairs. In the fall of 2013, ODOT repaired the bridge. The Port and ODOT are currently negotiating the amount the Port will pay ODOT for these repairs. The Port estimates these to be approximately \$240,000.

As a result of the repeal of an Oregon statute that exempted the state of Washington toll bridges from taxation several years ago, the state of Washington claims a similar reciprocal Washington statute exempting Oregon toll bridges from Washington taxation was thereafter, and is now, no longer in effect. The state of Washington has asserted a claim against the Port for taxes owed. The validity of the claim is being researched. The amount of the claim is based on toll revenue, and is currently not known.

E. Subsequent events

During the subsequent period, the Port started a repair and maintenance project for structural issues on the Bridge of the Gods. This project is expected to cost just under \$1.2 million. The Oregon Department of Transportation is administering grant funds received for this project of approximately \$900,000 and the Port's cost is expected to be \$240,000. The Port estimates that this bridge repair and maintenance project will result in a loss of \$200,000 in bridge toll revenues.



SUPPLEMENTARY INFORMATION

PORT OF CASCADE LOCKS

SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS BUDGETARY BASIS	FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Bridge tolls	\$ 1,450,000	\$ 1,450,000	\$ 1,431,605	\$ (18,395)
Marina and camping fees	90,075	90,075	96,716	6,641
Rentals and land leases	164,942	164,942	195,202	30,260
Land and property sales	84,000	84,000	84,850	850
Interest income	3,000	3,000	6,379	3,379
Grants	825,000	825,000	20,945	(804,055)
Property taxes	3,140	3,140	3,069	(71)
Fireworks	4,000	4,000	1,979	(2,021)
Other	-	-	6,797	6,797
Total Revenues	2,624,157	2,624,157	1,847,542	(776,615)
EXPENDITURES				
Personal services	1,077,390	1,077,390	1,038,798	38,592
Materials and services	719,737	719,737	747,431	(27,694)
Capital outlay	1,554,000	1,554,000	76,788	1,477,212
Debt service	94,246	94,246	82,006	12,240
Contingency	100,000	100,000	-	100,000
Total Expenditures	3,545,373	3,545,373	1,945,023	1,600,350
Revenues Over (Under) Expenditures	(921,216)	(921,216)	(97,481)	823,735
OTHER FINANCING SOURCES (USES)				
Loan proceeds	650,000	650,000	-	(650,000)
Net Change in Fund Balance	(271,216)	(271,216)	(97,481)	173,735
Fund balance - beginning of year	1,300,000	1,300,000	1,472,254	172,254
Fund balance - end of year	\$ 1,028,784	\$ 1,028,784	\$ 1,374,773	\$ 345,989
Revenues over (under) expenses - GAAP basis			\$ (462,391)	
Principal payments on notes payable			(22,870)	
(Decrease) in accrued interest			(12,504)	
Expenses paid for (future) prior periods			9,115	
Capital assets purchased			(51,977)	
Land & property sales - basis in assets sold			136,851	
Depreciation			306,295	
			364,910	
Revenues over (under) expenditures - budget basis			\$ (97,481)	

PORT OF CASCADE LOCKS
Notes to Supplementary Information
June 30, 2013

NOTE 1 - BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law) for all of the Port's funds. All annual appropriations lapse at fiscal year end.

The proposed budget is presented to the budget committee in April for public hearing. The budget committee reviews the proposed budget and approves a budget document for publication in a local newspaper of record. The Board of Commissioners hold a public hearing and adopts a final budget and levies taxes for that year no later than June 30.

The budget is prepared by category (i.e., personal service, materials and services, capital outlay, debt service and other requirements) within the funds. Adjustments to the budgetary appropriations require approval of the Board of Commissioners in a public hearing. Expenditure appropriations may not be over expended except in the case of grant funding or debt service on new bonded debt issued during the fiscal year. Department directors are permitted to transfer amounts between individual line items within a category group, but may not make adjustments to the categories themselves, which is the legal level of control, without the Board of Commissioner's approval.

The Port had the following expenditures over appropriations in the revenue fund during the current fiscal year:

<u>Expenditure</u>	<u>Final Budgeted Amount</u>	<u>Actual Expenditure</u>	<u>Excess Amount</u>
Materials & Services	\$ 719,737	\$ 747,431	\$ (27,694)

PORT OF CASCADE LOCKS

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

Year Ended June 30, 2013

<u>Description</u>	<u>Balance 6/30/2012</u>	<u>Additional Long-term Debt</u>	<u>Total Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance 6/30/2013</u>
Note payable - Business Oregon - IFA	\$ 185,383	\$ -	\$ 17,860	\$ 9,269	\$ 8,591	\$ 176,792
Note payable - Business Oregon - IFA	850,000	-	64,145	49,866	14,279	835,721
Total	<u>\$ 1,035,383</u>	<u>\$ -</u>	<u>\$ 82,005</u>	<u>\$ 59,135</u>	<u>\$ 22,870</u>	<u>\$ 1,012,513</u>

PORT OF CASCADE LOCKS

SCHEDULE OF FUTURE REQUIREMENTS FOR
RETIREMENT OF LONG-TERM DEBT

Year Ended June 30, 2013

Note payable - Business Oregon - IFA			Note payable - Business Oregon - IFA		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013-14	\$ 9,021	\$ 8,840	2013-14	\$ 19,782	\$ 36,448
2014-15	9,472	8,389	2014-15	20,667	35,563
2015-16	9,945	7,915	2015-16	21,591	34,639
2016-17	10,442	7,418	2016-17	22,557	33,673
2017-18	10,965	6,896	2017-18	23,566	32,664
2018-19	11,513	6,347	2018-19	24,620	31,610
2019-20	12,088	5,772	2019-20	25,421	30,509
2020-21	12,693	5,167	2020-21	26,872	29,358
2021-22	13,328	4,533	2021-22	28,074	28,156
2022-23	13,994	3,866	2022-23	29,330	26,900
2023-24	14,694	3,167	2023-24	30,642	25,588
2024-25	15,428	2,432	2024-25	32,012	24,218
2025-26	16,200	1,660	2025-26	33,444	22,786
2026-27	17,010	850	2026-27	34,940	21,290
2027-28	-	-	2027-28	36,503	19,727
2028-29	-	-	2028-29	38,136	18,094
2029-30	-	-	2029-30	39,842	16,388
2030-31	-	-	2030-31	41,624	14,606
2031-32	-	-	2031-32	43,486	12,744
2032-33	-	-	2032-33	45,731	10,799
2033-34	-	-	2033-34	47,463	8,767
2034-35	-	-	2034-35	49,587	6,644
2035-36	-	-	2035-36	51,805	4,426
2036-37	-	-	2036-37	54,122	2,108
2037-38	-	-	2037-38	13,904	153
Total	\$ 176,792	\$ 73,251	Total	\$ 835,721	\$ 527,858

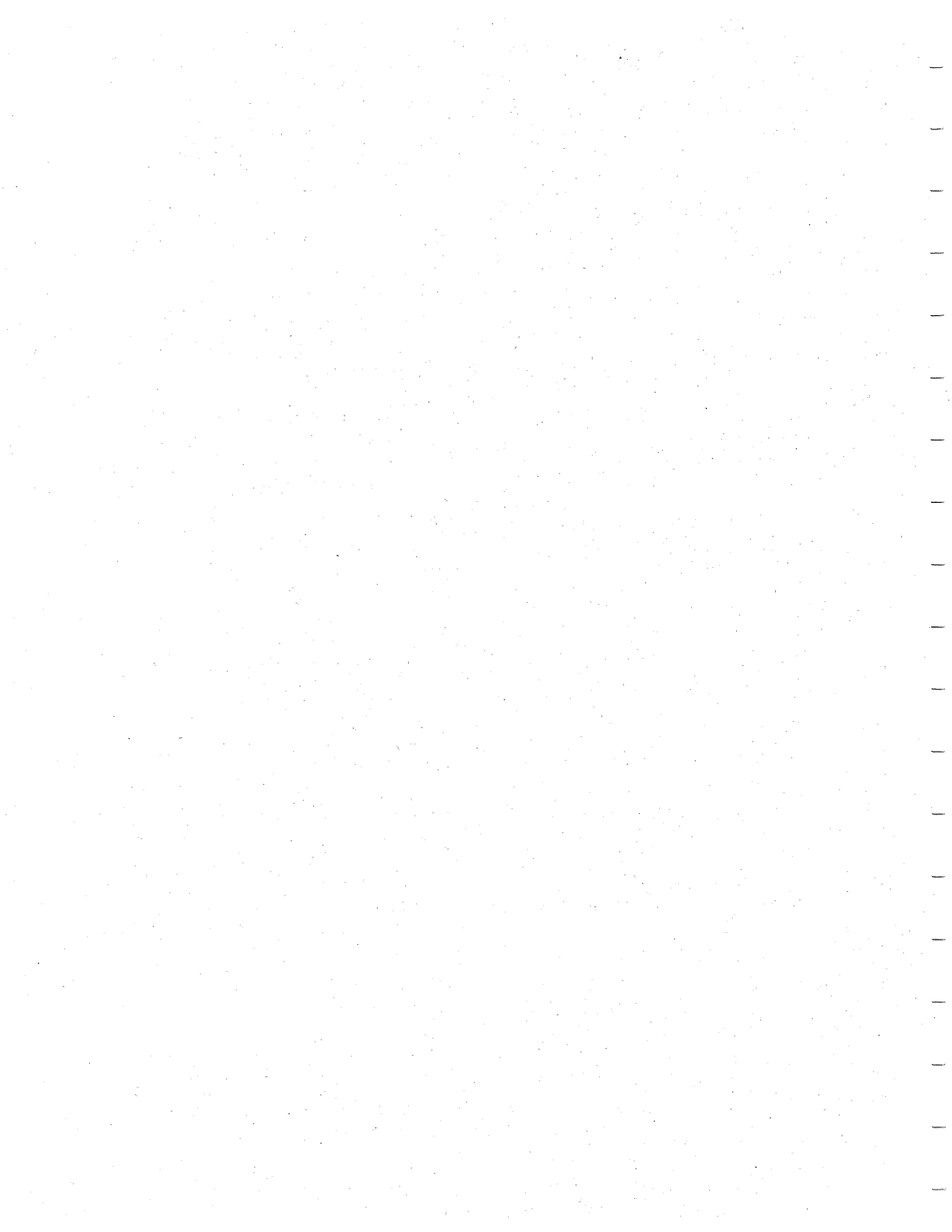
PORT OF CASCADE LOCKS

SCHEDULE OF PROPERTY TAX TRANSACTIONS

Year Ended June 30, 2013

	<u>Current Levy and Balance Receivable July 1, 2012</u>	<u>Adjustments</u>	<u>Discount</u>	<u>Collections</u>	<u>Balance Receivable June 30, 2013</u>
2012-13	\$ 3,094	\$ (16)	\$ (77)	\$ (2,923)	\$ 78
2011-12	98	(1)	-	(53)	44
2010-11	56	(1)	-	(28)	27
2009-10	35	-	-	(23)	12
2008-09	10	-	-	(5)	5
2007-08	3	-	-	(1)	2
Prior	1	-	-	-	1
Totals	<u>\$ 3,297</u>	<u>\$ (18)</u>	<u>\$ (77)</u>	<u>\$ (3,033)</u>	<u>\$ 169</u>

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS



Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

KENNETH L. ONSTOTT, c.p.a.
JAMES T. BROEHL, c.p.a.
RICK M. CYPHERS, c.p.a.

WILLIAM S. ROOPER, c.p.a. retired

MEMBERS:

American Institute of c.p.a.'s
Oregon Society of c.p.a.'s

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Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the Port of Cascade Locks as of and for the year ended June 30, 2013, and have issued our report thereon dated January 16, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether the Port of Cascade Locks 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 Cascade Locks 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 except as follows:

- Excess of expenditures over budgeted amounts – see notes to supplemental information on page 28.

Internal Control

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 to 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We noted certain other matters that we reported to the Board of Commissioners and Management of the Port of Cascade Locks in a separate letter dated January 16, 2014.

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

Onstott, Broehl + Cyphers, P.C.

Onstott, Broehl & Cyphers, P.C.
January 16, 2014