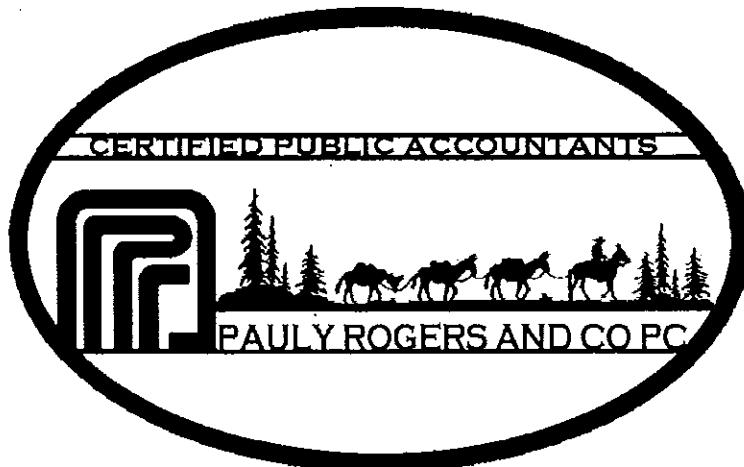


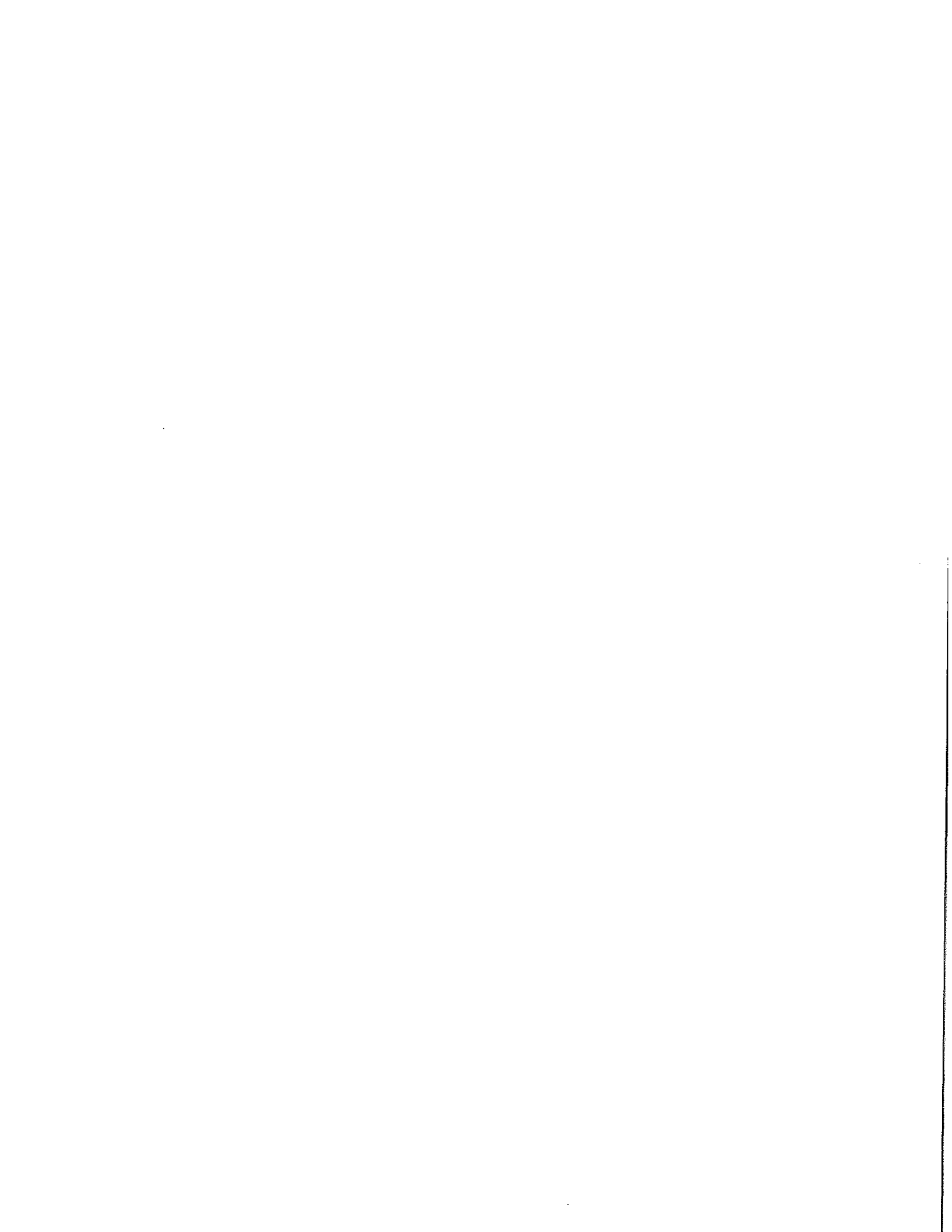
PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



12700 SW 72nd Ave.
Tigard, OR 97223



PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON

2015-2016
Board of Commissioners

	<u>TERM EXPIRES</u>
Jess Groves, President	6/30/2017
Brad Lorang, Vice President	6/30/2019
Joeinne Caldwell, Secretary-Treasurer	6/30/2017
John Stipan, Commissioner	6/30/2019

All Commissioners receive correspondence at the address below

ADMINISTRATION

General Manager and Registered Agent:

Paul Koch
PO Box 307
Cascade Locks, Oregon 97014

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**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

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www.paulyrogersandcocpas.com

April 10, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Port of Cascade Locks
Hood River County, Oregon

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Port of Cascade Locks (the Port) as of and for the years ended June 30, 2016 and 2015, and the related notes to the basic financial statements, which collectively comprise the 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 basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic 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 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 basic financial statements.

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

Opinion

In our opinion, the basic 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, 2016 and 2015, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Port adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, as well as the provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis or the Schedules of Funding Progress and Employer Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedule presented as Required Supplementary Information, as listed in the table of contents, 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 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, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

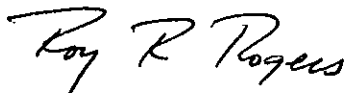
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members located before the table of contents, 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 April 10, 2017 on our consideration of 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.



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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PORT OF CASCADE LOCKS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

This discussion and analysis of the Port of Cascade Locks (Port) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Port financial statements, which follow this section.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Port's basic financial statements. This audit report consists of three parts – management's discussion and analysis (this section), the basic financial statements (including notes), and other supplementary information. This 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 basic financial statements are prepared on the accrual basis, similar to a business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of the statement of net position that include the Port's assets, liabilities, and net assets at year-end; statement of activities, which include all revenues, expenses, and grants received for construction for the year; and statement of cash flows, which presents the sources and uses of cash for the year. 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 other supplementary information which further explains and supports the information in the 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.

Statement of Activities

The Statement of Activities 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 reconciliation to the Statement of Activities. 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. During the current fiscal year a supplemental budget was passed due to some unexpected receipts of \$207,637. Also during the current fiscal year budget modifications were made between categories (personal services, materials & services, and contingency).

Notes to the 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 7 to 22 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 23 to 26 of this report.

FINANCIAL HIGHLIGHTS

- In the basic financial statements, the assets of the Port exceeded its liabilities at June 30, 2016 which \$3,646,009, represents the Port's net investment in capital assets with the remaining unrestricted surplus of \$976,144 to be used for future operational expenditures.
- The Port's total net position increased by \$205,206; this increase was a result of operating expenses not exceeding operating income, non-operating revenue (expenses), and capital contributions. Non-operating revenues (expenses) and capital contributions consisted of interest earned of \$8,686, capital contributions in the amount of \$17,888, property taxes of \$3,301, gain on the sale of capital assets in the amount of \$396,928 and interest expense of (\$42,424).
- 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 \$31,536. The Port did not incur any additional debt and paid scheduled principal payments of \$31,536.

Condensed Financial Information
Net Position

	June	
	2016	2015
Assets		
Current and other assets	\$ 1,273,423	\$ 1,668,278
Capital assets, net of depreciation	4,568,045	3,877,428
Total Assets	5,841,468	5,622,327
 Deferred Outflows of Resources	 38,492	 31,688
 Liabilities		
Current liabilities	174,817	177,533
Noncurrent liabilities	1,037,620	922,036
Total Liabilities	1,212,437	1,099,569
 Deferred Inflows of Resources	 45,370	 114,565
 Net position		
Net investment in capital assets	3,646,009	2,923,856
Unrestricted	976,144	1,516,025
Total net position	\$ 4,622,153	\$ 4,439,881

Table 2
Changes in Net Position

	Year ended June 30,	
	2016	2015
Operating revenue		
Bridge tolls	\$ 1,795,355	\$ 1,607,860
Marina, park and camping income	120,015	114,217
Lease, rents and fees	135,291	175,681
Other	245,936	41,469
Total operating revenues	<u>2,296,597</u>	<u>1,939,227</u>
Operating expenses		
Personal services	917,426	707,624
Materials and services	934,634	850,125
Insurance	139,101	144,480
Depreciation	484,609	310,719
Total operating expenses	<u>2,475,770</u>	<u>2,012,948</u>
Total operating income/(loss)	(179,173)	(73,721)
Non-operating revenues and expenses		
Interest earned	8,686	4,657
Gain (Loss) on disposal of assets	396,928	967,872
Other	3,301	3,196
Interest expensed	(42,424)	(43,391)
Total non-operating revenue and expenses	<u>366,491</u>	<u>932,334</u>
Income/(loss) before capital contribution	187,318	858,613
Capital contribution	17,888	32,060
Change in net position	205,206	890,673
Net position, beginning of year	4,439,881	3,549,208
Prior Period Adjustment	(22,934)	-

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 \$4,622,153 at June 30, 2016.

Cash and investments, which comprise 21 percent of total assets, are available to meet the Port's ongoing obligations to its citizens.

A significant portion of the Port's assets (78 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 increased when compared to the prior year.

The Port owns and operate the Bridges of the Gods. Bridge tolls of \$1,795,355 were up 12% from the prior year.

The Port received capital grants and contributions totaling \$17,888 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, 2016 the Port had invested \$3,646,009 in capital assets, net of depreciation and related debt.

During the year, the Port's investment in capital assets increased by \$690,617 due to purchases and sales of capital assets of \$1,199,583 and \$398,351 respectively, less depreciation expense of \$484,609. Capital asset purchases included land improvements of \$983,314, building and improvement additions of \$95,893, bridge improvements of \$101,294 and construction equipment of \$19,082. Capital asset sales included \$396,928 in land sale gain.

BRIDGE OF THE GODS

The Port working in collaboration with the Oregon Department of Transportation and the Washington State Department of Transportation, has adopted a ten year maintenance and repair plan for the Bridge of the Gods. The estimated cost over the ten year plan is estimated at \$8.249 million and will be paid in future periods as work is performed. The Port also plans to invest in bridge toll technology estimated at one million dollars during the June 30, 2017 fiscal year end.

LONG-TERM DEBT

At the end of the current fiscal year, the Port had total long-term debt of \$922,036, 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 \$31,536.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Port's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Paul Koch, General Manager, Port of Cascade Locks, P.O. Box 307, Cascade Locks, OR, 97014.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS

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**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

STATEMENT OF NET POSITION

June 30, 2016

	2016	2015
ASSETS:		
Current Assets:		
Cash and investments	\$ 1,222,253	\$ 1,608,905
Accounts receivable	25,548	48,686
Prepaid expenses	25,622	27,935
Total Current Assets	<u>1,273,423</u>	<u>1,685,526</u>
Noncurrent Assets:		
Total Net pension asset	-	59,373
Capital assets, net		
Land	676,964	701,321
Land improvements	2,103,798	1,379,298
Buildings and improvements	1,259,414	1,261,016
Bridge	308,855	245,022
Vessel	182,592	266,130
Construction equipment	26,699	14,121
Office equipment	9,723	10,520
Total Capital Assets	<u>4,568,045</u>	<u>3,877,428</u>
Total Assets	5,841,468	5,622,327
Deferred Outflows of Resources:		
Pension Related Deferrals	38,492	31,688
Total Assets and Pension Related Deferrals	<u>\$ 5,879,960</u>	<u>\$ 5,654,015</u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts payable	\$ 53,711	\$ 68,557
Accrued payroll liabilities	32,757	33,766
Accrued interest payable	5,869	5,999
Deposits Payable	2,672	-
Unearned revenue	13,081	10,548
Accrued compensated absences	33,728	27,127
Notes payable, due within one year	32,999	31,536
Total Current Liabilities	<u>174,817</u>	<u>177,533</u>
Long Term Liabilities:		
Total Net Pension Liability	148,583	-
Note payable, due in more than one year	889,037	922,036
Total Long Term Liabilities	<u>1,037,620</u>	<u>922,036</u>
Total Liabilities	1,212,437	1,099,569
Deferred Inflows of Resources:		
Pension Related Deferrals	45,370	114,565
Net Position		
Net investment in capital assets	\$3,646,009	2,923,856
Unrestricted	976,144	1,516,025
Total Net Position	<u>4,622,153</u>	<u>4,439,881</u>
Total Liabilities and Net Position	<u>\$ 5,879,960</u>	<u>\$ 5,654,015</u>

See accompanying notes to the basic financial statements.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

	2016	2015
OPERATING REVENUES		
Bridge Tolls	\$ 1,795,355	\$ 1,607,860
Marina, park, and camping income	120,015	114,217
Leases, rents and fees	135,291	175,681
Miscellaneous revenue	231,970	9,701
Other	13,966	31,768
Total Operating Revenues	<u>2,296,597</u>	<u>1,939,227</u>
OPERATING EXPENSES		
Salaries and wages	579,130	602,062
Payroll taxes and employee benefits	338,296	105,562
Insurance	139,101	144,480
Promotion and advertising	17,127	21,606
Office expense	7,937	10,835
Grant Expense	7,486	-
Information technology	3,541	4,715
Dues & subscriptions	12,200	12,858
Repairs and maintenance	79,489	92,103
Supplies and small tools	72,986	34,250
Utilities and telephone	90,794	92,932
Professional services	111,096	112,153
Contracted services	389,255	363,706
Licenses and fees	25,905	22,128
Depreciation	484,609	310,719
Community services	25,925	34,635
Travel and meetings	45,566	31,823
Leases and rents	13,354	12,965
Taxes	5,640	2,967
Uncollectable Grant Write Off	26,276	-
Miscellaneous	57	449
Total Operating Expenses	<u>2,475,770</u>	<u>2,012,948</u>
Operating Income	(179,173)	(73,721)
NON OPERATING REVENUES (EXPENSES)		
Interest income	8,686	4,657
Property taxes	3,301	3,196
Gain on sale of capital assets	396,928	967,872
Interest Expense	(42,424)	(43,391)
Total Non-Operating Revenues (Expenses)	<u>366,491</u>	<u>932,334</u>
Income (Loss) Before Capital Contributions	187,318	858,613
CAPITAL CONTRIBUTIONS		
Change in Net Position	17,888	32,060
Beginning Net Position	205,206	890,673
Prior Period Adjustment	4,439,881	3,549,208
Ending Net Position	<u>\$ 4,622,153</u>	<u>\$ 4,439,881</u>

See accompanying notes to the basic financial statements.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016**

	2016	2015
Cash Flows From Operating Activities:		
Cash received from customers	\$ 2,324,940	\$ 1,923,642
Cash paid to suppliers and vendors	(1,086,268)	(956,590)
Cash paid to employees	(779,877)	(779,283)
Net Cash From Operations	458,795	187,769
Cash Flows From Non-Capital Financing Activities:		
Property taxes	3,301	3,196
Net Cash (Used) By Non-Capital Financing Activities	3,301	3,196
Cash Flows From Capital and Related Financing Activities:		
Principal payment on note payable and capital lease	(31,536)	(30,139)
Sale of capital assets	373,994	967,872
Interest accrued and paid on note payable and capital lease	(42,554)	(10,264)
Capital Contributions	17,888	-
Purchase (sale) of property and equipment	(1,127,552)	(274,942)
Decrease in Accumulated Deprecation due to sale	(47,674)	-
Net Cash (Used) By Capital and Related Financing Activities	(857,434)	652,527
Cash Flows From Investing Activities:		
Investment Earnings	8,686	4,657
Net Cash Provided (Used) By Investing Activities	8,686	4,657
Net Increase in Cash and Investments	(386,652)	848,149
Balances - Beginning of Year	1,608,905	760,756
Balances - End of Year	\$ 1,222,253	\$ 1,608,905
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Activities to Operating Income		
Operating Income	\$ (179,173)	\$ (73,721)
Adjustments		
Depreciation	484,609	310,719
(Increase), decrease in accounts receivable	23,138	(12,201)
(Increase), decrease in prepaid expenses	2,313	4,464
Increase, (decrease) in accounts payable	(14,846)	33,552
Increase, (decrease) in accrued payroll liabilities	(1,009)	2,908
Increase, (decrease) in pension related activities	131,957	(74,572)
Increase, (decrease) in accrued compensated absences	6,601	5
Increase, (decrease) in deposits payable	2,672	-
Increase, (decrease) in deferred revenue	2,533	(3,385)
Net Cash From Operations	\$ 458,795	\$ 187,769

See accompanying notes to the basic financial statements.

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**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND THE FINANCIAL REPORTING ENTITY

The Port of Cascade Locks, Oregon (the Port) 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 the Generally Accepted Accounting Principles, all activities of the Port have been included in these financial statements.

The basic financial statements include all financial activities, organizations, and functions for which the Board of Commissioners has financial accountability as defined by GASB Statement No. 61. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the Port's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No organizational units meet the criteria for inclusion as a component unit.

B. BASIC FINANCIAL STATEMENTS

The Basic financial statements categorize all primary activities as business-type.

Fund financial statements display information about the Port as a whole. These statements focus on the sustainability of the Port as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position, the Statement of Activities, and the Statement of Cash Flows.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. BASIS OF PRESENTATION

The Port is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, the 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 Activities presents increases (revenue) 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:

Revenue Fund- This 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.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The Port is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Proprietary Fund Financial Statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on equity or a fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash inflows and outflows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principle operating revenues of the enterprise fund are bridge tolls, lease rentals and fees, and operating grants. Operating expenses for enterprises funds include administrative expenses, insurance, repairs, contracted services and depreciation on capital assets.

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.

E. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

The Port's cash and cash equivalents are considered to be cash on hand, demand 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).

Accounts Receivable

Accounts receivable consist primarily of amounts due from grants, leases, rents, bridge tickets, dock fees, and other fees. Management feels that any uncollectible amount is immaterial to the basic financial statements, therefore there is no allowance for doubtful accounts. There was \$25,548 and \$48,686 in accounts receivable at June 30, 2016 and 2015.

Prepaid Expenses

Prepaid expenses are expenses paid in the current year for services intended to be used in the following fiscal year. Prepaid expenses consist of liability insurance, rent, worker's compensation, and other miscellaneous expenses.

Property Taxes

Property taxes are levied and become a lien on July 1. Property taxes are assessed in October and tax payments are due November 15th. Under the partial payment schedule, collection dates are November 15, February 15, and May 15 following the lien date. 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
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Capital Assets

Capital assets, which include property, equipment and infrastructure assets, (e.g., roads, bridges), are reported in financial statements. Capital assets are defined 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	5 - 50 years
Bridge	35- 47 years
Vessel & improvement	3 - 20 years
Construction and maintenance equipment	5- 15 years
Office and other equipment	5- 10 years

Deposits Payable

Deposits payable consist of deposits paid by customers as part of their reservation for the use of the Port's Marina Park Pavilion, Community Center, or Thunder Island Wedding Site to cover any damage or extra cleaning the Port might incur to prepare the venue for the next guest. These deposits are refundable if no damage occurred or no extra cleaning by the Port was necessary.

Unearned Revenues

Unearned revenues consist of mooring and other usage fees paid by customers in the beginning of the calendar year to dock their boats at the Port's marina. These are amounts are unearned until the time period paid in advance has elapsed.

Accrued Compensated Absences

The Port provides vacation benefits to its regular part-time and full-time employees. Vacation leave accrues during the year with a maximum carryover 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.

F. NET POSITION

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. NET POSITION (CONTINUED)

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

G. RETIREMENT PLANS

Substantially all of the Port's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense /expenditure) until then. At June 30, 2016, there were deferred outflows of \$38,492 representing net pension related deferrals.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2016, there were deferred inflows of \$45,370 representing net pension related deferrals.

I. ACCOUNTING ESTIMATES

The preparation of the basic 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

J. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY (CONTINUED)

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget is prepared for all funds, in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budget is prepared on a basis consistent with generally accepted accounting principles except, capital outlay is reported as an expenditure rather than capitalized, inventory is expensed when purchased, debt principal repayment is an expenditure when paid, pension costs are not recorded as an expense until paid and depreciation on capital assets is not recorded. The budget process begins in each fiscal year with the elected officials setting the budget priorities. Recommendations are developed, with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later.

The Board of Commissioners may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenses of the Revenue fund was within authorized appropriations for the year ended June 30, 2016 except for Materials and Services which was over-expended by \$55,676.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2016:

<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	105,868	105,868	N/A
LGIP	<u>1,115,285</u>	<u>1,115,285</u>	N/A
Total	<u>\$ 1,222,253</u>	<u>\$ 1,222,253</u>	

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at approved depositories as identified by the Treasury.

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2016, all of the \$182,772 bank balance was insured by the FDIC.

Investments

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2016 the Port had the following investments:

Investment Type	Fair Value	Less than 3 months	More than 3 months
State Treasurer's Investment Pool	<u>\$ 1,115,285</u>	<u>\$ 1,115,285</u>	<u>\$ -</u>
Total Investments	<u>\$ 1,115,285</u>	<u>\$ 1,115,285</u>	<u>\$ -</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. Exposure to declines in fair values is managed by limiting the weighted average maturity of the investment portfolio to levels required by State statute. The Port does not have a formal policy for interest rate risk.

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 investment 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

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from U.S. Government Agencies. The investments in U.S. Government Agencies were rated AAA by Standard & Poor's and AAA by Moody's Investor Service. The State Pool is unrated. The Port does not have a formal policy for credit risk.

Oregon Revised Statutes require banker's acceptances to be guaranteed by and carried on the books of a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations. There were no investments in banker's acceptances at June 30, 2016.

Concentration of Credit Risk

At June 30, 2016, 100% of total investments were in the Oregon State Treasury's Local Government Investment Pool. State statutes do not limit the percentage of investment in the Pool.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. CAPITAL ASSETS

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

	Balance <u>7/1/15</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>6/30/16</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 701,321	\$ (22,934)	\$ -	\$ (1,423)	\$ 676,964
Total capital assets not being depreciated	<u>701,321</u>	<u>(22,934)</u>	<u>-</u>	<u>(1,423)</u>	<u>676,964</u>
Capital assets being depreciated					
Land improvements	3,252,344	-	983,314	-	4,235,658
Buildings and improvements	2,046,750	(47,664)	95,893	-	2,094,979
Bridge	1,729,602	-	101,294	-	1,830,896
Vessel	4,167,540	-	-	-	4,167,540
Construction equipment	168,578	-	19,082	(10)	187,650
Office equipment	132,549	-	-	-	132,549
Total capital assets being depreciated	<u>11,497,363</u>	<u>(47,664)</u>	<u>1,199,583</u>	<u>(10)</u>	<u>12,649,272</u>
Accumulated Depreciation					
Land improvements	1,873,046	-	258,814	-	2,131,860
Buildings and improvements	785,734	(47,664)	97,495	-	835,565
Bridge	1,484,580	-	37,461	-	1,522,041
Vessel	3,901,410	-	83,538	-	3,984,948
Construction equipment	154,457	-	6,504	(10)	160,951
Office equipment	122,029	-	797	-	122,826
Total accumulated depreciation	<u>8,321,256</u>	<u>(47,664)</u>	<u>484,609</u>	<u>(10)</u>	<u>8,758,191</u>
Total capital assets being depreciated, net	<u>3,176,107</u>				<u>3,891,081</u>
Business-type activities capital assets, net	<u>\$ 3,877,428</u>				<u>\$ 4,568,045</u>

During the year ended June 30, 2016, the Port sold land costing \$1,423 for \$398,351, and disposed of two fully depreciated construction vehicles resulting in a total gain for the year of \$396,928. Items in the adjustments column are the removals of capital assets sold in prior years, which are treated as a prior period adjustment in these financial statements (see Note 5D).

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

C. LONG TERM OBLIGATIONS

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%. The original amount of the second note was \$850,000 for the construction of the Port's Herman Creek Building. Quarterly payments of \$14,058 are due with interest stated at 4.4%

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. LONG TERM OBLIGATIONS (CONTINUED)

Note payable activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>7/1/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/16</u>	<u>Due Within</u> <u>One Year</u>
Note Payable #1 - BO - IFA	\$ 158,299	\$ -	\$ (9,945)	\$ 148,354	\$ 10,442
Note Payable #2 - BO - IFA	<u>795,273</u>	<u>-</u>	<u>(21,591)</u>	<u>773,682</u>	<u>22,557</u>
Total	<u>\$ 953,572</u>	<u>\$ -</u>	<u>\$ (31,536)</u>	<u>\$ 922,036</u>	<u>\$ 32,999</u>

The interest expense of the notes payable during the current fiscal year was \$42,554.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2017	\$ 10,442	\$ 7,418	17,860
2018	10,965	6,896	17,861
2019	11,513	6,347	17,860
2020	12,088	5,772	17,860
2021	12,693	5,167	17,860
2022 - 26	73,643	15,658	89,301
2027 - 31	<u>17,010</u>	<u>850</u>	<u>17,860</u>
Total Note #1	<u>\$ 148,354</u>	<u>\$ 48,108</u>	<u>\$ 196,462</u>

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2017	\$ 22,557	\$ 33,673	\$ 56,230
2018	23,566	32,664	56,230
2019	24,620	31,610	56,230
2020	25,721	30,511	56,232
2021	26,872	29,358	56,230
2022 - 26	153,502	127,649	281,151
2027 - 31	191,046	90,105	281,151
2032 - 36	237,772	43,379	281,151
Thereafter	<u>68,026</u>	<u>2,261</u>	<u>70,287</u>
Total Note #2	<u>773,682</u>	<u>421,210</u>	<u>1,194,892</u>
Total Notes Payable	<u>\$ 922,036</u>	<u>\$ 469,318</u>	<u>\$ 1,391,354</u>

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. OPERATING LEASES

The Port entered into two 3-year truck leases in April 2016. The first lease required a down payment of \$2,532 and has monthly payments of \$284. The second required a down payment of \$5,800 and has monthly payments of \$253. Both leases expire in March 2019.

The Port entered into a 5-year lease with IKON office solutions for a copier machine in January 2012. There are monthly payments of \$120 through an expiration date in January 2017.

Total lease payments for all leases in 2015-2016, including the truck down payments, were \$11,062.

Future annual minimum lease payments are:

	<u>Vehicles</u>	<u>Copier</u>	<u>Total</u>
2016-17	\$ 6,444	\$ 840	\$ 7,284
2017-18	6,444	-	6,444
2018-19	4,833	-	4,833
	<u>\$ 17,721</u>	<u>\$ 840</u>	<u>\$ 18,561</u>

4. PENSION PLAN

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i) **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
- ii) **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

- iii) **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
 - iv) **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i) **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
 - ii) **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
 - iii) **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
 - iv) **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$30,480 excluding amounts to fund employer specific liabilities.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

Pension Asset or Liability - At June 30, 2016, the Port reported a net pension liability of \$148,583 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Port's proportion was .003 percent.

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 8,012	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	31,146
Net changes in proportionate share and differences between Port contributions and proportionate share of contributions	-	<u>14,224</u>
Subtotal - Amortized Deferrals (below)	8,012	45,370
Port's contributions subsequent to measurement date	<u>30,480</u>	<u>-</u>
Net deferred outflow (inflow) of resources	<u>\$ 38,492</u>	<u>\$ 45,370</u>

Subtotal amounts related to pension reported as deferred outflows of resources, \$8,012, and deferred inflows of resources, (\$45,370), net to (\$37,358) and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	(16,304)
2017	(16,304)
2018	(16,304)
2019	12,061
2020	(507)
Thereafter	<u>-</u>
Total	<u>(37,358)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

Actuarial Valuations – The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service. For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Port’s proportionate share of the net pension liability to changes in the discount rate – The following presents the Port’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Port’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
Port's proportionate share of the net pension liability (asset)	\$358,599	\$ 148,583	\$ (28,406)

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers’ projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS’ members retain their existing OPERS accounts, but any future member contributions are deposited into the member’s IAP, not the member’s OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. PENSION PLAN (CONTINUED)

Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online at the below website, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700,

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf.

5. OTHER INFORMATION

A. RISK MANAGEMENT

There is exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Commercial insurance is carried to minimize the exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

B. COMMITMENTS AND CONTINGENCIES

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. It involves a lease which 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 Port currently owns and operates the Bridge of the Gods. The Port has adopted an \$8.249 million ten year maintenance and repair plan for the Bridge of the Gods working in cooperation with WSDOT and ODOT. Future appropriations will fund this maintenance and repair plan as work is performed.

The Port has commitments of approximately \$1.245 million for infrastructure at their business park. These commitments will be funded by future property sales and paid for in future periods as the work is performed.

C. PROPERTY TAX LIMITATION

The State of Oregon has a voter-approved constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. Local government taxes in the Port currently do not exceed the \$10.00 rate limit; however, this limitation may affect the availability of future tax revenues for the Port. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional voter-approved limit reduces the amount of operating property tax revenues available. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. OTHER INFORMATION (CONTINUED)

D. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$22,934 was made in order to correct the land capital asset accounts. An adjustment was made to the land capital asset accounts due to land sold in the previous year that was not removed from the books at that time.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

REQUIRED SUPPLEMENTARY INFORMATION

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PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.003 %	\$ 148,583	\$ 645,106	23.0 %	91.9 %
2015	0.003	(59,373)	542,444	(9.2)	103.6
2014	0.003	133,668	758,054	24.6	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 06/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2016	\$ 30,480	\$ 30,480	\$ -	\$ 533,019	5.7 %
2015	32,481	32,481	-	645,106	5.0
2014	37,222	37,222	-	542,444	6.9

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 06/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2016**

<u>REVENUE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Bridge tolls	\$ 1,690,000	\$ 1,690,000	\$ 1,795,354	\$ 105,354
Marina and camping fees	-	-	120,015	120,015
Rentals and land leases	-	-	135,291	135,291
Interest income	-	-	8,686	8,686
Grants	266,300	266,300	17,888	(248,412)
Property taxes	-	-	3,301	3,301
Fireworks	-	-	12,469	12,469
Other income	205,745	413,382	233,468	(179,914)
Total Revenue	<u>2,162,045</u>	<u>2,369,682</u>	<u>2,326,472</u>	<u>(43,210)</u>
EXPENDITURES:				
Personnel services	803,124	803,124 (1)	778,868	24,256
Materials and services	839,773	1,010,573 (1)	1,066,249	(55,676)
Capital outlay	1,554,342	1,653,342 (1)	1,207,069	446,273
Debt service	74,090	74,090 (1)	74,090	-
Contingency	79,657	17,494 (1)	-	17,494
Total Expenditures	<u>3,350,986</u>	<u>3,558,623</u>	<u>3,126,276</u>	<u>432,347</u>
Excess of Revenues Over, (Under) Expenditures	(1,188,941)	(1,188,941)	(799,804)	389,137
Other Financing Sources, (Uses)				
Gain/Loss on Sale of Capital Assets	770,000	770,000	398,351	(371,649)
Total Other Financing Sources, (Uses)	<u>770,000</u>	<u>770,000</u>	<u>398,351</u>	<u>(371,649)</u>
Net Change in Fund Balance	(418,941)	(418,941)	(401,453)	17,488
Beginning Fund Balance	1,133,000	1,133,000	1,572,655	439,655
Ending Fund Balance	<u>\$ 714,059</u>	<u>\$ 714,059</u>	\$ 1,171,202	<u>\$ 457,143</u>

(1) Appropriation Level

RECONCILIATION TO NET POSITION:

Net Pension Liability	(148,583)
Deferred Outflows	38,492
Deferred Inflows	(45,370)
Capital Assets	4,568,045
Accrued Compensated Absences	(33,728)
Accrued Interest	(5,869)
Long-Term Debt	(922,036)
TOTAL NET Position	<u>\$ 4,622,153</u>

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

SUPPLEMENTARY INFORMATION

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PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON

SCHEDULE OF FUTURE REQUIREMENTS FOR
RETIREMENT OF LONG-TERM DEBT
June 30, 2016

Year	OECCD Loan L00005		Herman Creek Flex Bldg 525194	
	Principal	Interest	Principal	Interest
2016-2017	10,442	7,418	22,557	33,673
2017-2018	10,965	6,896	23,566	32,664
2018-2019	11,513	6,347	24,620	31,610
2019-2020	12,088	5,772	25,721	30,511
2020-2021	12,693	5,167	26,872	29,358
2021-2022	13,328	4,533	28,074	28,156
2022-2023	13,994	3,866	29,330	26,900
2023-2024	14,694	3,167	30,642	25,588
2024-2025	15,428	2,432	32,012	24,218
2025-2026	16,200	1,660	33,444	22,786
2026-2027	17,010	850	34,940	21,290
2027-2028	-	-	36,503	19,727
2028-2029	-	-	38,136	18,094
2029-2030	-	-	39,842	16,388
2030-2031	-	-	41,624	14,606
2031-2032	-	-	43,486	12,744
2032-2033	-	-	45,431	10,799
2033-2034	-	-	47,463	8,767
2034-2035	-	-	49,587	6,644
2035-2036	-	-	51,805	4,426
2036-2037	-	-	54,122	2,108
2037-2038	-	-	13,904	153
Total:	\$ 148,354	\$ 48,108	\$ 773,682	\$ 421,210

PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2016

Tax Year	Original Levy or Balance Uncollected 7/1/2015	Deduct Discounts	Adjustments To Rolls	Add Interest	Cash Collections by County Treasurer	Uncollected Balance 6/30/2016
Current:						
2015-16	3,344	85	(19)	2	3,179	63
Prior:						
2014-15	77	-	(4)	3	41	35
2013-14	42	-	(4)	4	21	22
2012-13	32	-	(1)	6	23	13
2011-12	20	-	(1)	3	14	7
Prior	17	-	(5)	0	0	13
Total Prior	188	-	(15)	16	99	90
Total Taxes	3,532	85	(34)	18	3,278	153

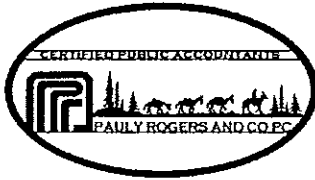
Reconciliation To Revenue

Cash Collections by County Treasurer Above	3,278
Accrual of Receivables:	
June 30, 2015	(32)
June 30, 2016	-
Other Taxes	55
 Total Tax Revenues	 <u>3,301</u>

**PORT OF CASCADE LOCKS
HOOD RIVER COUNTY, OREGON**

Independent Auditors' Report Required by Oregon State Regulations

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April 10, 2017

Independent Auditors' 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, 2016, and have issued our report thereon dated April 10, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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 the basic 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:

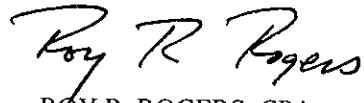
1. Expenditures of the various funds were within authorized appropriations, except as noted on page 11.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated April 10, 2017.

This report is intended solely for the information and use of the Commission members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" at the beginning.

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.